FINANCIAL REVIEW

NAIF eyes energy projects in Queensland

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The federal government's $5 billion Northern Australia Infrastructure Fund (NAIF) hopes to facilitate energy projects in Queensland and wants to help avoid a repeat of the "sub-optimal" development seen in Western Australia's iron ore heartland

NAIF's executive director of origination, Peter Ross, said high power prices in Queensland were creating fertile ground for the NAIF to support projects in the region.

"Energy is a very topical area at the moment, there is a lot of uncertainty and it is certainly not an easy one, but we hope to help facilitate some stuff there," he told the IMARC conference in Melbourne this week.

"Up the Queensland coast we obviously see people experiencing very high [power] prices and looking for ways to actually improve the situation there. Particularly in the resources and processing sectors we do see energy as a very big cost for these people and affecting competitiveness."

NAIF has already told ASX listed renewable energy company Genex to progress to due diligence on its solar and pumped hydro projects near Cairns, and there has been political pressure on the fund to support a new coal-fired power station in Queensland.

"Certainly across solar power, for example, people are very much constrained by what they can access in the market based on offtake contracts," he said.

Port upgrade

The fund committed its first money last month when it loaned $18.6 million to a port upgrade in the WA town of Onslow.

The NAIF is not allowed to lend more than 50 per cent of the total debt required by a project, and is supposed to work with projects that struggle to secure finance in the open market.

Mr Ross said the NAIF could provide longer tenors and lower interest rates than most lenders and would be happy to receive interest only while commercial lenders were repaid.

"If we are going to make projects happen that wouldn't otherwise then we have do something different...We can take risks that are beyond what banks would take but not necessarily beyond what equity would take," he said.

Mr Ross said the NAIF would be attracted to infrastructure projects that could have multiple users.

"We have a couple of non-bank requirements and one is a public benefit test so for example there is a preference for multi-user assets; we are looking to get infrastructure built that is helping the economy and helping more broadly than just building something for one person," he said.

More competitive

He said the focus on multi-user infrastructure would help avoid the type of situation that has evolved in WA's Pilbara region, where four iron ore miners have built their own railways to the coast, with three of those railways running just metres apart for much of their length.

"We have lots of examples up in the Pilbara, both in power and rail, where we probably have a sub-optimal outcome from an overall basis. We can make the whole industry more competitive if we can solve some of those issues," he said.

Mr Ross did not comment on whether the NAIF would help finance construction of a railway to connect the Galilee coal basin with the Queensland coast.

Both Adani and Aurizon have lodged rival funding requests to the NAIF in relation to a Galilee railway, with Adani seeking to build a new railway to Abbott Point port, while Aurizon favours a cheaper model that would extend existing railways in the Bowen Basin to the Galilee Basin.

While Adani's Carmichael mine looms as the only potential user of such a Galilee railway in the foreseeable future, others like AMCI, GVK, Gina Rinehart and Clive Palmer's Waratah Coal may eventually follow with rival mines in the region.

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