

FINANCIAL REVIEW

Turnbull's \$5b Northern Australian Infrastructure Facility backs \$1b Genex Power Kidston project

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The Turnbull government's \$5 billion Northern Australia Infrastructure Facility has finally flagged a significant funding allocation with a \$516 million loan to Genex Power's Kidston large-scale solar and hydro project in North Queensland.

Amid much criticism about the slow pace of NAIF allocating funding to big projects and a hasty re-drafting of its investment guidelines, the NAIF announced on Wednesday it was giving conditional backing to the second stage of the much-hyped Genex Kidston project which will use an old gold mine for a pumped hydro project, supported by wind and solar projects.

The large indicative funding for a renewable project will further anger some Coalition backbenchers who have been agitating the Turnbull government to provide similar investment for coal-fired power projects as federal Energy Minister Josh Frydenberg attempts to push through the National Energy Guarantee by the end of the year.

It is the third loan from the NAIF - which was established two years ago - following \$16.8 million loan for a \$120 million port project in Western Australia and \$7 million for a barramundi farm in the Northern Territory.

But the proposed Genex funding is the most significant investment decision so far from the NAIF and will be a significant legs-up for the listed Genex Power's planned \$1 billion renewables hub in North Queensland.

Loan is conditional

Genex said NAIF had agreed to an indicative term sheet for a long-term concessional debt facility of up to \$516 million for the stage two of the Kidston project. This will let them secure funding for the rest of the project and hopefully reach financial close by the end of the year.

But the secured, subordinated loan is subject to a string of conditions imposed by NAIF including Genex negotiating off-take arrangements and grid connection for their project; finishing a cost-benefit analysis, finalising terms for senior debt funding, securing the balance of equity funding and due diligence on a range of project matters.

The loan is still subject to final NAIF credit approval and the NAIF board's investment decision.

But Genex Power chief executive James Harding said they were confident they could meet the conditions and reach financial close before the end of the year.

"The issuance of the term sheet and NAIF's support to negotiate the detailed terms of a long tenor, concessional loan which would secure the bulk of the project debt funding is a significant milestone in the development of the project," Mr Harding said in a statement to the ASX.

NAIF chief executive Laurie Walker said the NAIF support would help Genex secure financing for the rest of the project.

"This is a demonstration of how NAIF can work with stakeholders to help them understand how its concessional financing can support the development of a project which has the potential to provide substantial benefits to Northern Australia," Ms Walker said.

"NAIF sees the projects as important for the transition of the market to lower emissions renewable energy sources and the board's preparedness to consider a capital commitment of this size reflects the alignment of this type of project with NAIF's objective to contribute to the transformation of Northern Australia through infrastructure development."

The conditional funding announcement for Genex will be a relief to Northern Australia Minister Matt Canavan, who was copping the brunt of the frustration about the slow pace of NAIF project assessment.

In April, Senator Canavan ordered the overhauling of the investment mandate for the NAIF after an independent review found its investment mandate was too restrictive and holding back financial support for big projects in Queensland, Western Australia and the Northern Territory.

The key changes include the removal of the 50 per cent debt cap on funding for individual projects, a loosening of the gap test, broadening the definition of infrastructure and a fast-tracking of projects into the latter stages of the NAIF investment pipeline.

It is understood the \$516 million indicative loan to Genex is significantly more than 50 per cent of the debt - and was able to be pushed through because of the change to the guidelines.

Genex, which has also received \$18 million in funding from the Australian Renewable Energy Agency, is attempting to build a \$1 billion renewable energy hub based around an old gold mine, 400 kilometres west of Townsville.

This will include a \$300 million, 250 megawatt pumped hydro project - which has been likened to a giant battery which will have 1500 megawatt hours storage capacity - a \$420 million, 270 megawatt solar project and a 150 megawatt wind farm.

If it all goes ahead, it would be the first pumped hydro/solar/wind project in the world with a potential to run 24 hours a day.