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Q2 2021 Brookfield Renewable Partners LP Earnings Call

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## PRESENTATION

### Operator

Thank you for standing by, and welcome to the BEP Second Quarter 2021 Results Conference Call and Webcast. (Operator Instructions)  
It is now my pleasure to introduce CEO of Brookfield Renewable, Connor Teskey.

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### Connor David Teskey *Brookfield Renewable Partners L.P. - CEO*

Thank you, operator. Good morning, everyone, and thank you for joining us for our second quarter 2021 conference call. Before we begin, we would like to remind you that a copy of our news release, investor supplement and letter to unitholders can be found on our website. We also want to remind you that we may make forward-looking statements on this call. These statements are subject to known and unknown risks, and our future results may differ materially.

For further information, you are encouraged to review our regulatory filings available on SEDAR, EDGAR and our website. To kick off today's call, we will provide an outlook on the business, an update on recent growth -- and an update on recent growth initiatives. After our initial remarks, Wyatt will provide an update on Brookfield Renewable Corporation, an overview of our operating results as well as our balance sheet and liquidity. After which we look forward to taking your questions.

The tailwinds for renewables continue to accelerate as stakeholders around the world increasingly focus on the global imperative to decarbonize. This is driving increased demand for green energy and other clean solutions. It should come as no surprise that there is both a growing investment opportunity as well as increasing amounts of capital being allocated towards the sector. As one of the few businesses with the scale, track record and global capabilities to both partner with governments and businesses and also invest to help them achieve their decarbonization goals, we believe we have a great runway ahead of us.

We have continued to earn excellent returns in these market conditions. We have remained focused on opportunities where we can leverage our global reach operating and development expertise and scale access to capital. And as industry tailwinds accelerate, the number of scale, value-add opportunities that favor investors with our skill set is also increasing.

We will now walk through a number of highlights for the quarter. We generated FFO of \$268 million or \$0.42 per unit, a 23% increase on a normalized per unit basis over the same period in the prior year as our assets continue to perform well with high levels of asset availability, and we benefit from growth from both new acquisitions and the development asset -- and a number of our development assets coming online.

We signed 28 agreements for approximately 800 gigawatt hours of renewable generation with high-quality corporate off-takers across all major industries. Our momentum with corporate contracting continues to grow and demonstrates our leadership in a rapidly growing industry trend. We progressed approximately 7,500 megawatts of development projects through construction and advanced permitting

and added approximately 4,000 megawatts to our global development pipeline, which is now over 30,000 megawatts around the world.

Year-to-date, we have invested or agreed to invest approximately \$1.9 billion or approximately \$500 million net to Brookfield Renewable of equity across a range of transactions. Our balance sheet remains robust with almost \$3.3 billion of available liquidity and no meaningful near-term maturities. And finally, we raised approximately \$1.3 billion or over \$650 million net to Brookfield Renewable from asset recycling and strategic up-financing activities so far this year.

Now turning our attention to some recent growth initiatives. As more capital continues to flow into renewable energy and decarbonization solutions, our approach to growth will continue to favor those opportunities that allow us to utilize our strengths, investing for value and leveraging our operating capabilities to drive cash flow growth. We recently executed several agreements and transactions that highlight this approach.

In June, we commenced the repowering of the fully contracted 845-megawatt Shepherds Flat wind project, which we acquired earlier this year. Shepherds Flat, which is located in the United States, is one of the largest repowering projects in the world. We will replace the turbine hardware with longer rotors and more efficient equipment while maintaining the rest of the infrastructure. This is expected to increase production by approximately 25%, generating 400 gigawatt hours of additional clean energy annually, while also meaningfully extending the asset's useful life.

Furthermore, given that the cost is only a fraction of a comparable greenfield project and the enhanced generation can support a more robust capital structure, the repowering requires no additional equity from us, meaning that the investment will generate attractive mid- to high-teens returns.

This repowering is an example of how we capitalize on our competitive advantages in the current market environment. By the time we complete the repowering by the end of 2022, it is expected that 320 turbines will have been retrofitted with rotors measuring almost 130 meters and other technologically advanced equipment as we continue to deliver power and receive revenues under the current power purchase agreement. Doing so requires the combination of both our operating capabilities, as well as our position as one of the leading renewable power platforms in the world. We have leveraged our existing relationships with equipment suppliers, financing partners and power offtakes to largely derisk this project.

With an estimated 200 gigawatts of global wind capacity reaching 15 years of age within the next 5 years, the global market for repowerings is large. Shepherds Flat is by no means the only opportunity, and this is only one segment where we continue to grow our business at attractive returns. Given our global reach and operating capabilities, we expect to capitalize on scale opportunities to repower other projects, both across our existing portfolio as well as those we acquire to deliver attractive returns for our investors.

This quarter, we also signed a strategic collaboration agreement with Amazon to develop new renewable projects supported by power purchase agreements and to work together on additional green energy opportunities in the future. This agreement with the world's largest corporate buyer of renewable power, will leverage our deep operating capabilities and local teams in North America, Europe, Brazil and Asia to support the construction of projects from our 31,000 megawatt development pipeline. We are excited to collaborate with Amazon and support them in achieving their climate goals while at the same time helping to transition global electricity grids to greener energy.

Furthermore, we agreed with Trane Technologies to jointly pursue and offer decarbonization-as-a-service for commercial, industrial and public sector customers. This will comprise of energy-efficient retrofits and upgrades of building energy infrastructure, along with captive distributed solar, energy storage and other power generation across North America.

The agreement leverages our leading U.S. distributed generation business and Trane's leading energy efficiency, engineering and project development experience to jointly develop and implement new customer opportunities. The decarbonization solutions provided will help customers meet sustainability targets while reducing operating costs through upgrading critical energy infrastructure and installing on-site renewable energy.

In our Polish renewables business, we made significant progress on our development activities. We secured 25-year contracts to support the build-out of almost 1.5 gigawatts of offshore wind projects at attractive prices, escalating with inflation with no basis or curtailment risk. As we have stated previously, we believe these are some of the most attractive contract structures available in the global offshore wind sector. We are now focused on executing construction activities with the goal of delivering the facilities starting in 2025.

In addition, we are on track to deliver our 200-megawatt under construction onshore wind portfolio by next year and are advancing opportunities to grow our onshore wind and solar footprint in the country. To fund these growth initiatives, shareholders have agreed to capital increases required over the next 2 years, providing the framework for us to invest an additional EUR 150 million or approximately \$50 million net to Brookfield Renewable and increase our stake in the business to almost 40%.

In Brazil, our construction activities continue to progress on budget and on schedule across our almost 2-gigawatt portfolio of under-construction wind and solar projects. Recently, we completed construction activities at our approximately 300-megawatt solar project ahead of schedule and under budget. Our global procurement platform and construction capabilities have positioned us well, and we are on track to deliver an additional approximately 900 megawatts of fully contracted projects in 2022.

In China, alongside Apple's China Renewable Energy Fund, which was raised by Apple and its local suppliers to advance their collective transition to net zero in the country, we agreed to acquire a 55% stake in a 213-megawatt contracted portfolio of wind assets for \$60 million or approximately \$15 million net to Brookfield Renewable. This transaction continues to expand and diversify our platform in China, providing a path to continue to prudently grow our capacity in the country. This acquisition is expected to close in the third quarter.

And lastly, in India, we agreed to invest \$130 million or \$35 million net to Brookfield Renewable across two transactions totaling 900 megawatts of capacity. The first is with a local solar developer from whom we acquired assets in 2019. We will acquire a 450-megawatt fully contracted ready-to-build solar project. This opportunity is just the first potential transaction of part of a 1.7-gigawatt development pipeline that we are developing in a joint venture with our partners, where they undertake the development activities, and we have the option to acquire the projects once they are fully permitted and ready to begin construction.

The second transaction is with a large Indian solar developer that was one of the underlying borrowers in a portfolio of loans we acquired in late 2020. The investment gives us the right to acquire a 450-megawatt fully contracted solar project, 1 year following commissioning once the project has been substantially derisked.

With that, I'll turn the call over to Wyatt to discuss our operating results and financial position.

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#### **Wyatt Hartley *Brookfield Renewable Partners L.P.* - CFO**

Thank you, Connor. Before I discuss our operating results and financial position, I want to make a few brief comments on Brookfield Renewable Corporation, or BEPC. It has been 12 months since we spun out this corporate entity. In that time, it has achieved many of the goals we set at launch, including welcoming almost 250 new institutional investors and the addition to many indices, including the Russell 1000, the MSCI Canada and the S&P Global Clean Energy Index. We were able to offer BEPC shares as consideration in the privatization of TerraForm Power, and we expanded the public float since launch by approximately 300%.

We are very pleased with the positive market reception. And looking forward, we expect that BEPC will continue to offer investors an additional way to access our globally leading portfolio of renewable and decarbonization assets, broadening our investor base and enhancing the liquidity of our securities.

Turning to operating results. During the second quarter, we generated FFO of \$268 million or \$0.42 per unit as our business benefited from recent acquisitions, strong asset availability and margin-enhancing initiatives. On a normalized basis, our per unit results were up 23% year-over-year.

During the quarter, our hydroelectric segment delivered FFO of \$154 million. Despite generation for the quarter coming in below the long-term average, the portfolio continues to exhibit strong cash flow resiliency given the increasingly diversified asset base and contract

profile. As we have reiterated previously, resource cyclicality is expected, but does not impact how we manage the business. Our focus remains on mitigating exposure to any single resource, market or counterparty by continuously diversifying and contracting the business while prudently managing the assets. Securing contracts that value the uniqueness of our fleet as a generator of dispatchable clean electricity and ancillary services further bolsters our portfolio against inevitable variability.

Brazil has been impacted by a dryer-than-normal rainy season this year, particularly in the southeastern region of the country, and reservoirs are well below long-term average. As a result, spot prices have increased significantly as the grid operator has been forced to dispatch higher-priced thermal generation, and there is modest risk of energy rationing in the country. Our portfolio is well positioned in this environment. We have little to no risk of being short of our power delivery obligations for the rest of this year and 2022. And we could potentially realize very strong pricing on contracts we signed for next year.

Our wind and solar segments generated a combined \$178 million of FFO as we continue to generate stable revenues from these assets and benefit from the diversification of our fleet and highly contracted cash flows with long-duration power purchase agreements. Further, to take advantage of the strong pricing environment in Brazil, we executed on a regulatory mechanism to uncontract our generation for the year of 2022 from our approximately 300-megawatt solar development project in the country. Concurrently, we executed on new contracts for this generation in the free market at double the power purchase agreement price generating an additional BRL 135 million or \$27 million of revenue from the project.

Our energy transition segment generated \$44 million of FFO during the quarter as our portfolio continues to grow, while we assist commercial and industrial partners achieve their decarbonization goals and provide critical grid-stabilizing ancillary services and backup capacity required to address the increasing intermittency of greener electricity grids.

Our financial position continues to be strong. We have approximately \$3.3 billion of available liquidity. Our investment-grade balance sheet has no meaningful near-term maturities and approximately 90% of our financings are nonrecourse to Brookfield Renewable. Recently, Fitch initiated coverage of our business, assigning a BBB+ rating, which is consistent with our existing rating from S&P.

During the quarter, we continued to take advantage of the low interest rate environment and executed on approximately \$1.5 billion of investment-grade financings across the business. We also continue to execute on several initiatives to further bolster our liquidity and support growth.

Recently, we raised over \$850 million or approximately \$410 million net to Brookfield Renewable of equity proceeds from capital recycling initiatives. Looking forward, we expect to continue to generate meaningful proceeds from strategic up-financing and capital recycling initiatives. So we are not reliant on capital markets to fund the growth of our business.

Looking ahead, we continue to focus on growing our business and executing on our key operational priorities, including maintaining a robust balance sheet and access to diverse sources of capital and surfacing value through enhanced cash flows from our existing portfolio. We remain committed to helping our customers achieve their decarbonization goals and in the process, earn our investors a strong total return of 12% to 15% over the long term.

On behalf of the Board and management of Brookfield Renewable, we thank all our unitholders and shareholders for their ongoing support and look forward to connecting with you at our Annual Investor Day, which is scheduled to take place on the 21st of September.

That concludes our formal remarks for today's call. Thank you for joining us this morning. And with that, I'll pass it back to our operator for questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Our first question comes from the line of Rob Hope with Scotiabank.

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**Robert Hope Scotiabank Global Banking and Markets, Research Division - Analyst**

I wanted to start on the collaboration agreement with Amazon. How does that kind of come into effect? And can you put some goalposts around technologies, geographies, costs that could eventually fall under this agreement as well as the timeline?

**Connor David Teskey Brookfield Renewable Partners L.P. - CEO**

Certainly, and thank you. Perhaps I will start, but Wyatt, please jump in. We're very excited about our collaboration with Amazon. Put simply, Amazon is the largest corporate buyer of green power around the world, and we are one of the largest providers and suppliers of green power around the world. So we think this is a natural alignment of interest. It's probably not prudent for us to discuss specific size because the actual projects that will initially be included are still being determined. But this is a sizable ambitious collaboration that is global in nature across multiple projects in all of our core geographies around the world. And what makes us most excited about this agreement is given Amazon's ambitious targets in terms of green power procurement and our ability to help support them in those initiatives, we think it could grow very materially in the coming years.

**Robert Hope Scotiabank Global Banking and Markets, Research Division - Analyst**

All right. And then maybe as a follow-up question in terms of kind of global opportunities. The transition fund that just was announced, how do you think it will interact with BEP? Could we see it take a 25% interest in the majority of capital there?

**Connor David Teskey Brookfield Renewable Partners L.P. - CEO**

Great question. Thank you. For Brookfield Renewable, the transition fund will be similar to Brookfield's other flagship funds with Brookfield Renewable funding BAM's commitment to the fund, where the investment fits Brookfield Renewables mandate. Given the transition funds mandate around renewable power build-out and the growth in acquisition of decarbonization assets, we expect that most of the transition fund investments will be suitable for Brookfield Renewable.

It does continue to be the case that we may make certain direct investments through Brookfield Renewable when it is strategic to do so such as when we privatized TERP last year, but we do expect the majority of the investments that we will make to be made through Brookfield private funds. And we're excited because the transition fund simply enhances the opportunity for Brookfield Renewable to target the largest and most attractive renewable power and decarbonization opportunities all over the world.

**Operator**

Our next question comes from the line of Rupert Merer with National Bank.

**Rupert M. Merer National Bank Financial, Inc., Research Division - MD and Research Analyst**

Now you talked about Brazil and the higher power prices there and the potential for recontracting some of your assets in Brazil. How much of your capacity in Brazil will be up for contract negotiation over the next couple of years? And how much upside do you see with the pricing environment there?

**Connor David Teskey Brookfield Renewable Partners L.P. - CEO**

Perfect. So Rupert, why don't I start and then I might hand to Wyatt for some of the specifics. But what we look to do in our Brazilian operation is we are obviously targeting a highly contracted profile. But what we do, do is we always leave sufficient cushion to account for any resource variability such as the resource variability we've seen thus far this year.

In certain years, we don't use all that cushion. In years of low hydrology like this one, we use more of it, but it positions us well to handle situations such as the drought-like conditions that are currently being experienced. The majority of our power is contracted going forward for a number of years under long-term contracts, but we do continue to hold a small minority of position that we contract on a short-term basis to provide flexibility in these situations. Wyatt, can I hand to you for some of the specifics?

**Wyatt Hartley Brookfield Renewable Partners L.P. - CFO**

Yes. So just to put some numbers around that, Rupert, as Connor mentioned, the way we think about contracting our portfolio is so that in a down resource year like we're seeing this year and then potentially into 2022, that we're not going to be short of our delivery obligations, and we use a lot of historical data to back that up. What that translates to is between 80% and 85% of our normal course or

LTA generation we can track, and then we leave that remaining 15% to 20% open. And that's where we -- one, we achieved the benefit of not being caught short. And secondly, as we mentioned in our prepared comments that to the extent we generate above that 80% to 85%, we're then monetizing that surplus energy in a very attractive power price market. So there is some upside, but the majority of our portfolio is contracted.

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**Rupert M. Merer *National Bank Financial, Inc., Research Division - MD and Research Analyst***

Okay. Very good. And really a follow-up to the last question from Rob. It seems like you're anticipating you could be investing in other sorts of infrastructure in the future. Are you going to contemplate investing in hydrogen infrastructure like some of your peers or carbon capture or renewable natural gas? And if so, how much of your investment, do you think that could make up in the coming years?

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**Connor David Teskey *Brookfield Renewable Partners L.P. - CEO***

Thanks, Rupert. Few different ways to come at that question. Increasingly, more and more of our business has been making investments around being a solutions provider, providing energy transition and decarbonization solutions, in particular, for businesses and corporates around the world that increasingly are setting higher and higher decarbonization objectives for themselves. We feel that we are in a very strong position to be that operating partner and that capital provider.

And the reason for that is -- the first step in many corporates or many businesses decarbonization plan is to address their scope 2 emissions by supplying their business with green power. We have been a producer and provider -- a leading producer and provider of green power to corporates for years. And what this allows us to do is help corporates get the low-hanging fruit in their decarbonization plan. From there, we then engage with those counterparties on other ways that we can be helpful in being a partner in helping them decarbonize their business or reach their own net zero targets.

When it comes to ways other than the provision of green power, we see a tremendous amount of opportunity. And some of the technologies you mentioned, we are absolutely following incredibly closely. We expect green hydrogen to be a very large and attractive investable opportunity for Brookfield Renewable in the future and one that we feel that we are exceptionally well positioned for when the cost curve for the production of green hydrogen comes down over time.

Green hydrogen is not cost-effective on a wide scale basis in many markets around the world today. But what we are doing internally is looking both within our portfolio and in opportunities in the market that will be well positioned when that cost curve for green hydrogen comes down such that we will be on the front foot and ready to take advantage of those investing opportunities in the future when they become available. And I would say green hydrogen is just one type of future opportunity we're looking at other opportunities as well, whether it be carbon capture storage or the build-out of long-term duration energy storage and batteries.

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**Operator**

And our next question comes from the line of Sean Steuart with TD Securities.

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**Sean Steuart *TD Securities Equity Research - Research Analyst***

A couple of questions. I want to start with the ongoing capital recycling and upfinancing activity. And you referenced ongoing ambitions on both of those fronts, and that's not a surprise, I suppose. But Connor, I'm wondering if you can give us updated thoughts on -- with respect to capital recycling, the valuation sweet spots, whether it's by technology or geography? And has that evolved over the last 3 to 6 months and where you're seeing a more attractive opportunity set?

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**Connor David Teskey *Brookfield Renewable Partners L.P. - CEO***

Certainly. Thanks, Sean. Maybe just to say two things. In the quarter, we closed the previously announced sale of our Irish and Scottish wind assets. And we've also recently received the approvals and would expect to close our U.S. wind sale pretty shortly here.

In terms of dynamics that we're seeing in the market, there's perhaps two things we would highlight. We continue to see a very, very robust bid for de-risked, long-term contracted wind and solar assets. We spoke in our prepared remarks about how there is more and more capital flowing towards renewable power asset classes and other forms of sustainable or decarbonization assets. That is simply increasing the prices that we are seeing for long-term derisked assets, which creates a robust environment for us to sell into for assets

where we've achieved our business plan.

The other thing that we're seeing in terms of capital recycling and up-financing is the increasing value and scarcity of our hydro fleet. Within our portfolio, we've long stated that we have significant up-financing capacity within our hydro fleet. And we would say in the current market where there's an increasing build-out of wind and solar and the baseload characteristics and the inherent storage characteristics of hydro are increasingly becoming more valuable that is helpful for -- to us from both a monetization perspective if we ever chose to sell those assets, but it's also increasingly helpful to us from an up-financing perspective because we're seeing tremendous capacity to raise capital in those assets within our portfolio, particularly in North America.

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**Sean Steuart TD Securities Equity Research - Research Analyst**

That's useful. Second question, following on your previous comments with respect to decarbonization services. Can you give us some more context behind your partnership with Trane Technologies? And if possible, any context on the scale of that partnership opportunity and your objectives to grow that out over the mid to long term?

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**Connor David Teskey Brookfield Renewable Partners L.P. - CEO**

Certainly. So maybe to take a step back, our distributed generation business in the U.S. is one of our fastest-growing and most dynamic platforms within Brookfield Renewable. And we see a tremendous growth opportunity for providing on-site renewable power generation for self-consumption by commercial and industrial counterparties.

What we see in this agreement with Trane that we're really excited about is we are a leader in providing distributed solar generation on the outside of the building. And to put it simply, Trane is a global leader in providing energy-efficient services and decarbonization services on the inside of the building. And therefore, the benefits of the transaction are really obvious in two ways: one, collectively, we can provide an unparalleled -- excuse me, an unparalleled full suite of products to commercial and industrial customers. But secondly, we can cross-sell our respective products across each other's customer bases because we target the exact same sectors.

So what we would say is this creates an opportunity to grow our DG business even faster than it is already growing but also to invest alongside Trane in providing some of these energy efficiency and decarbonization solutions inside the building as well.

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**Operator**

And our next question comes from the line of Nelson Ng with RBC Capital Markets.

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**Nelson Ng RBC Capital Markets, Research Division - Analyst**

Great. In your -- in the commentary, I think you said Brazil hydrology was pretty weak. I noticed that Q2 hydrology was actually strong and -- so just going forward, do you expect weak hydrology for the rest of the year in Brazil? And I guess the question is, would the additional profit on the uncontracted generation make up for the lower generation?

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**Connor David Teskey Brookfield Renewable Partners L.P. - CEO**

So Nelson, I'll start, but maybe just to clarify, it was a fairly weak hydrology quarter across 3 of our 4 hydro markets. We had below LTA hydrology in Canada, the United States and Brazil. We did have above LTA hydrology in Colombia. So I just want to make that clarification.

The one thing I would add is, as Wyatt mentioned in his opening remarks, we manage the business to the long-term LTA. And at this point, we're already partway through Q3. And with the exception of Brazil in most of our Canadian and Mid-Continent U.S. assets, we are seeing a reversion towards LTAs. So we don't expect hydrology to be as difficult in Q3 as it was in Q2 based on what we're seeing at this point.

In terms of when we look to production in Brazil next year, it's certainly tough to forecast exactly what hydrology would be. The recontracting activities we have done are significantly beneficial to our portfolio. But I think it would be not prudent for us to try and guess what hydrology will be in 2022 in the Brazilian market.



**Nelson Ng RBC Capital Markets, Research Division - Analyst**

Okay. Got it. And then can you just provide a bit more color on your ability to essentially pull your contracts from the government and then recontract it in the market? Is there a lot of other -- is this for very specific assets? Or can you do that for additional assets going forward?

**Wyatt Hartley Brookfield Renewable Partners L.P. - CFO**

Yes. Nelson, it's Wyatt here. You're exactly right. It's not broadly -- it's broadly available to the market. But really what happened here was as they generate -- or the distributing company or the distributors in the country of Brazil looked at their projections for 2022, they effectively realized that they were overcontracted. And so when that occurs, what the government or the regulator often does is set up a mechanism whereby certain projects can uncontract, thereby reducing that over-contracted position of the distribution companies.

And so in this case, what it was is effectively any project that was being delivered new for the year of 2022 was provided the opportunity to uncontract. And so -- as we mentioned, we're about to deliver our 300-megawatt development project in the country. And so that was eligible for -- under this mechanism to uncontract and we then were able to concurrently recontract in the free market at effectively double the rates and earn a very good boost for 2022 revenues.

**Nelson Ng RBC Capital Markets, Research Division - Analyst**

So those same assets would be contracted in the following year? It's just for 2022, right?

**Wyatt Hartley Brookfield Renewable Partners L.P. - CFO**

Exactly right. It is not uncontracted long term. It is focused only for 2022 and the contract, the PPA contract that we put in place when we built the asset, continues from 2023 onwards.

**Nelson Ng RBC Capital Markets, Research Division - Analyst**

Okay. And then just one last question before I get back in the queue. On the repowering side, Connor, you mentioned that there are a lot of opportunities out there. You're obviously working on Shepherds Flat. I think you have a project in New York and California, I believe. Is the main focus on repowering in the U.S. given the available tax credits? Or are there other geographies that you're focused on right now?

**Connor David Teskey Brookfield Renewable Partners L.P. - CEO**

Yes, certainly, great question. And you're absolutely right. We are seeing the most attractive opportunities right now primarily in the United States. And there's really two things driving that. As you mentioned, there's very supportive tax credit regimes that repowering qualify for in the United States. And then there's a second nuance about the U.S. that is much simpler, which is to put it very simply, the projects in the U.S. are a lot bigger. And therefore, you can get economies of scale during the repowering process.

While we are seeing the greatest opportunities in the short term in the United States, the broader opportunity that gets us very excited is Europe. And the reason for that is Europe does have a very large and aging wind installed fleet that we think will be eligible for repowering, as in the future, more support for repowering does come forward from governments and regulatory authorities in that market. And that's something we're tracking very closely.

**Operator**

And our next question comes from the line of Mark Strouse with JPMorgan.

**Mark Wesley Strouse JPMorgan Chase & Co, Research Division - Alternative Energy and Applied & Emerging Technologies Analyst**

I just want to clarify something for me, if you don't mind. Just with the supply constraints that we're seeing globally, understand you're very well diversified across assets and across geographies, but for some of your projects, are you seeing delays in any particular areas with the need to potentially increase pricing as your component inputs increase as well. And to the extent that you are raising PPA prices, what is the customer response to that? Are you getting much pushback?

**Connor David Teskey Brookfield Renewable Partners L.P. - CEO**

Certainly. Thanks, Mark. And maybe we'll come at this from two different perspectives. We'll talk a little bit about the macro and then we'll go down to our business. So obviously, there was an increase in equipment costs, notably in solar panels over, call it, the last 6 or 9 months. This was largely driven by increasing demand; and two, a number of, call it, short-term supply shocks in key production markets that we're largely through at this point. And as we look going forward, one, those short-term supply shocks seemed to be increasingly behind us, but there is also growing visibility on new production capacity coming back online. And we very much expect to see any supply concerns largely resolved over the next 9 to 12 months.

When it comes to our business, any effect as a result of these supply shocks has been incredibly muted and I would say immaterial. And there's two things I would point to. First and foremost, one thing we do as part of our risk management and approach to development is we procure our equipment at the same time as we lock in a contract. And therefore, we're never taking basis risk in that we lock in a contract and leave ourselves exposed to equipment prices increasing and dramatically eroding our returns. We would always look to do those things very, very close together, concurrently, if possible, and therefore, we're locked in contractually on both sides and market moves in terms of prices won't affect our underlying projects. I would say that has been our largest mitigant over the last 6 or 9 months and removed any material downside effect that could have affected us from the supply shortage.

The second thing we would say is, through our centralized procurement, we've maintained very strong relationships with the Tier 1 suppliers. And yes, have we had to work with Tier 1 suppliers to maybe adjust shipping schedules or things like that as a result of the supply shocks? Absolutely. But none of it was material. And outside the boundaries of our construction and development schedules, it was all within our plan. And therefore, when we look at our large solar developments around the world at this point, they continue to be on time and on budget.

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**Mark Wesley Strouse JPMorgan Chase & Co, Research Division - Alternative Energy and Applied & Emerging Technologies Analyst**

Okay. And then similar kind of question, just regarding government incentives globally. I mean are you seeing any of your prospective customers kind of sitting on their hands near term, waiting on for more -- waiting on clarity around a potential infrastructure bill in the U.S., the Fit-for-55 program in Europe, anything else?

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**Connor David Teskey Brookfield Renewable Partners L.P. - CEO**

Not particularly. All these things are going to be incremental tailwinds for our business. But I would say the overarching support is just a massive continued increase in corporate and utility demand for green power. And the growth in that overarching increase in demand far outweighs any individual short-term customers biases to waiting for more visibility. So I would say it's not having a material impact from what we're seeing. We continue to see demand for green power growing universally across all major markets around the world.

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**Operator**

And our next question comes from the line of Pearce Hammond with Piper Sandler.

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**Pearce Wheless Hammond Piper Sandler & Co., Research Division - Research Analyst**

I was just curious, when you look around the international markets that you may not be in right now. Are there some markets that look intriguing based upon what they're moving forward with their own decarbonization plans? And are there some markets that might be moving up to the forefront, where you might be able to get some outsized opportunities and apply your expertise that you have built up in the international markets over time?

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**Connor David Teskey Brookfield Renewable Partners L.P. - CEO**

Thanks, Pearce. It's a great question. At this point, we wouldn't suggest that there's any markets around the world that we're looking to enter on an accelerated basis. But I would say there are a number of markets around the world where we have a very small footprint. And through our operations over the last 3 or 4 years, we have small footprints in a number of markets that we could look to expand on dramatically in the coming years. We're going to look to continue to grow in our core markets, North and South America, Europe, India, China, but in the last few years, we do have small operations through our underlying portfolio companies in Japan, in Australia, in Chile, in Uruguay. And these are all markets where we have operations, we have personnel on the ground. And in addition to our large core markets, we could see ourselves grow increasingly larger platforms going forward. But we're going to continue to be prudent and

cautious and look to do it when we see attractive risk-adjusted returns. The benefit of our platform continues to be a global approach where we can allocate our capital where we see the best opportunities. And the nice thing about the growth we've had in recent years are there are a few more regions where we are looking at opportunities and could deploy capital if we see attractive projects or assets to acquire.

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**Pearce Wheless Hammond Piper Sandler & Co., Research Division - Research Analyst**

And then my follow-up question, I know the Biden infrastructure bill is kind of moving through Washington in fits and starts. But when you look at that bill, are there one or two different things that you think could be a big beneficiary -- or benefit Brookfield in that bill?

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**Connor David Teskey Brookfield Renewable Partners L.P. - CEO**

Certainly. One of the most exciting things about Biden's infrastructure bill, is it is so all-encompassing. There are things in that bill that can be helpful to so many different parts of the market. And we think for investors and operators such as ourselves that can play across the decarbonization spectrum across operating or development assets, there will be a number of opportunities. The obvious one that -- is when you look at some of the growth in our development pipeline quarter-over-quarter, we added about 4,000 megawatts of development pipeline. And a large portion of that increase was in the United States, where we increasingly have been growing our development pipeline in-house using our own organic development teams.

And with some of the potential tax credit increases that are considered under Biden's bill, our development pipeline could see some of those projects developed faster and pulled forward. That's the most obvious one, but there's certainly a lot in the bill that will help decarbonization across the entire spectrum.

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**Operator**

And our next question comes from the line of Ben Pham with BMO.

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**Benjamin Pham BMO Capital Markets Equity Research - Analyst**

What's the overwhelming demand for the energy transition fund and it sounds like, to your comments, that there's great alignment between you guys and the fund. Do you think maybe now just with that evidence or with that data you're seeing that you look at the next 10 years, are you -- Brookfield Renewable, are you perhaps more and more an energy transition company versus a pure-play, balanced renewable company?

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**Connor David Teskey Brookfield Renewable Partners L.P. - CEO**

Ben, it's a great question. And we increasingly -- and I'll go back to a comment that we made before, more and more of our investments over the last 5 or 7 years have been about being a solutions provider, decarbonization and energy transition solutions. And what I would say is for decades and decades and decades, we have been a leading owner, operator, developer and acquirer of renewable power generation assets. And we do not see that growth in our business slowing down at all. The renewable sector continues to grow at an exponential basis on a global scale, and we expect to participate in our portion of that growth, if not more going forward.

The decarbonization solutions component to our business is completely incremental and also a very large growth opportunity going forward. So what I would say is we expect to see significant growth in both the traditional renewable power generation business -- sorry, I should say, the traditional renewable power generation component of our business, but also tremendous growth in these energy transition type investments. Given the sizable renewables base that we already have, it will certainly take a long time before we aren't predominantly a renewable power generation company, but we do view ourselves as a global decarbonization solutions provider.

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**Benjamin Pham BMO Capital Markets Equity Research - Analyst**

Okay. That's great. And then maybe a macro question on Brazil, maybe to close off some of the questions that (inaudible) has mentioned the -- your disclosures about a shaping generation. Is that just in relation to the assured generation you're pulling forward, some generation early and then letting it balance in the second half, you still get your -- pretty much your fixed payment from the government?

**Wyatt Hartley Brookfield Renewable Partners L.P. - CFO**

Yes, that's exactly right, Ben. That's just with our energy marketing team on the ground and the way the pooling mechanism, the central pooling mechanism works in Brazil allows you to kind of shape your generation and take advantage of pricing in certain periods. And so that's exactly what that's reflective of. It's something that we do annually just to optimize our generation. And we continue looking forward, we expect to take advantage of that in the coming years as well.

**Operator**

Our next question comes from the line of Mark Jarvi with CIBC Capital Markets.

**Mark Thomas Jarvi CIBC Capital Markets, Research Division - Director of Institutional Equity Research**

I wanted to come back to a couple of topics. First one is that Amazon agreement. I appreciate you don't want to talk too much about it, and it's really early stages, but can you kind of clarify whether or not this is contracting of existing assets, you'll be building new assets to fit their energy needs and if that's more of a DG or utility scale? Or is it just kind of all-encompassing on all those attributes?

**Connor David Teskey Brookfield Renewable Partners L.P. - CEO**

Mark, thank you for the question. What we expect under this agreement is largely the development of new assets. And Amazon's green power needs are largely driven by the incredible growth of their cloud services businesses and the data center usage and the energy load of those data centers. And obviously, data centers are large consumers of energy and can support utility scale renewable power projects. So we expect this to drive new development projects from both our existing pipeline and new projects that we may either develop organically or acquire, and it will be primarily across wind and solar, but it's a global collaborative initiative.

**Mark Thomas Jarvi CIBC Capital Markets, Research Division - Director of Institutional Equity Research**

Okay. That's very helpful. And then just going back to the inflation comments. You brought up the inflation escalator of the projects, the offshore wind projects in Poland. Is that a project also where you've locked in at least some of the costs at this point? There's a lot of talk, Siemens Gamesa came out with a sort of profit warning and so they want to pass on some of the higher costs. Maybe just talk a little bit about any exposure there on inflation pressures on the offshore wind stuff that you're starting to get into.

**Connor David Teskey Brookfield Renewable Partners L.P. - CEO**

Yes, certainly. So maybe just to speak for a moment to the first part of your question. The reason why we enjoy these contracts so much is really four reasons, and they're very much in line with how we spoke for many years about the types of opportunities we want to see in offshore. We want to see long-term contracts. These are 25-year contracts. They are inflation-linked. These contracts don't require us to take curtailment risk, and their CFDs not versus market price but versus captured price. So we don't take basis risk on them either.

And obviously, the Polish offshore market needs to be built out, we will be one of the first projects that are brought online. But we think the quality of these contracts is going to shine through very, very readily to the market. And people will understand the robustness of the underlying cash flow streams.

In terms of what we're seeing in CapEx costs, nothing that isn't in line with our underwriting. We obviously underwrote this investment earlier this year in a recovering global economy. And I would say there's nothing at this point that we're concerned about in terms of CapEx cost. In terms of building the offshore pipeline out in Poland, our business is partnered with Equinor. So we're partnered with one of the leading existing offshore owners and developers, and we see nothing at this point that concerns us from a CapEx perspective.

**Mark Thomas Jarvi CIBC Capital Markets, Research Division - Director of Institutional Equity Research**

Okay. And then my last question is just on equity deployment. And if I look kind of roughly the numbers, what's been done in China, in India in the last couple of quarters, it's maybe like 10 to a little bit more than that, 10% plus of your equity deployment this year. Is that kind of the right level? Or I mean we see some of the Bloomberg New Energy forecast where deployment of capital in Asia could be 40%, 50% of capital deployed for the next 20 years. Is that a percentage that we should see just continue to steadily climb higher? And if so, is there sort of a cadence to that growth? Or are we at the sort of 10%, 20% pace for a while now?

**Connor David Teskey Brookfield Renewable Partners L.P. - CEO**

Certainly. So we don't tend to be too prescriptive and look to remain flexible, able to deploy our capital wherever we see the most attractive opportunities. What we have seen in India and China since we entered those markets in 2017 is we've built out our platforms, both operational and investment platforms regionally on the ground in both those markets.

And what we're seeing now is the ability on an almost continuous basis to do small attractive bolt-on acquisitions in those regions, and we would expect that to continue going forward. I think when it comes to geographic focus of our investments, we've long said that 75% plus of our portfolio and our equity is going to be deployed into developed countries, and then 20%, 25% in developing countries. We don't expect that to change going forward. There may be periods of time where we see more opportunity in India or China versus, let's say, North America or Europe. But over any extended period, we expect to stay pretty close to that 75% plus in developed countries and 20% to 25% in developing countries.

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**Operator**

And our next question comes from the line of Andrew Kuske with Credit Suisse.

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**Andrew M. Kuske Crédit Suisse AG, Research Division - MD, Head of Canadian Equity Research and Global Co-ordinator for Infrastructure Research**

And I guess the question is for Connor. And it really builds upon your solutions provider comments throughout this call. And I guess just philosophically, how do you think about Brookfield Renewables business on a longer-term basis? Are you effectively incubating other businesses underneath for later monetization potential? Clearly, you've been doing that with assets over time, but are now you're expanding the portfolio into a number of business lines, which can be unique and distinct in their own right.

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**Connor David Teskey Brookfield Renewable Partners L.P. - CEO**

It's a good question, Andrew. And maybe it's easiest to tell you around our philosophy and why we think we're well positioned. There's a few things when we look at being that type of solutions provider. Over 70% of carbon emissions around the world can be traced back directly or indirectly to power generation in the energy sector. And by being a leading player in that space and having knowledge of clean energy technologies that we have through decades of owning and operating wind, solar, hydro, storage, distributed generation, we're very well placed to extrapolate that knowledge to other forms of decarbonization solutions.

What I would say in, call it, more direct response to your question is, we're not changing our approach to investing or changing our approach to risk tolerance as we pursue more of these decarbonization solutions. We still are going to focus on owning real assets that are supported by long-term highly visible cash flows. We want to look at solutions where we aren't taking binary risk, either binary technology risk or binary development risk. That's never been core to our strategy.

And we want to focus on those solutions where investing in scale or leveraging our global platform differentiates us. So the one point I would make about -- the question, which was a great one, is we're not going to look to be on the leading edge taking technology risk as we pursue these decarbonization solutions, but rather looking to be a counterparty to governments and businesses where we can be either a scale capital provider or a scale operating partner in terms of installing, building or operating commercially viable, cost-effective, readily available existing technology solutions.

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**Andrew M. Kuske Crédit Suisse AG, Research Division - MD, Head of Canadian Equity Research and Global Co-ordinator for Infrastructure Research**

That's very helpful color and commentary. And I guess the extension of that, if we look back in time, Brookfield was never a leader in the beginning stages of solar or wind. And as the technology became more viable and more economic then you really entered full force. So how do you think about batteries really in that context? What kind of time frame do you think batteries will become much more economic and more viable for your larger scale capital?

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**Connor David Teskey Brookfield Renewable Partners L.P. - CEO**

Fantastic question. And I would say we are following the battery sector very, very closely. And maybe beyond the battery sector, the broader energy storage sector. And we think the different energy storage solutions that are being considered right now, it isn't going to

be necessarily one winner that comes out of them, but a number of them may be complementary to each other, whether it's increasing penetration of lithium-ion batteries or the increasing improvements people are seeing in kind of longer-duration iron-air batteries or the scale energy storage that traditional pumped hydro can provide.

I would say we're following all of these technologies. The one comment I would make, Andrew, is we are increasingly installing batteries in select cases within our portfolio today. While batteries are not commercially viable on a widespread basis at this point, in select situations within our portfolio, they are commercially viable today, and we are installing batteries, and we see an increasing number of those situations cropping up across our portfolio, particularly in North America.

So because we're already seeing that trend, we would see batteries becoming a larger and investable large-scale opportunity, I would say, in the relative short to medium term, definitely in the next few years.

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**Operator**

And our next question comes from the line of Frederic Bastien with Raymond James.

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**Frederic Bastien Raymond James Ltd., Research Division - MD & Equity Research Analyst**

Connor, just circling back on the Polish renewable business. How far are you and Equinor from breaking ground on the offshore wind project?

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**Connor David Teskey Brookfield Renewable Partners L.P. - CEO**

Yes. So there's still a number of things to be done. Our expectation would be to start construction in 2023, and everything is on track to do that at this point.

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**Frederic Bastien Raymond James Ltd., Research Division - MD & Equity Research Analyst**

And would you look to get this development under your belt or at least well underway before investing in other offshore projects? Are you indifferent to that and open to potentially investing in newer ones right now?

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**Connor David Teskey Brookfield Renewable Partners L.P. - CEO**

Absolutely, we would invest in other offshore opportunities today using our same approach, finding those opportunities that play to our strength, where we see attractive risk-adjusted returns. We've been incredibly comfortable with the offshore space for a number of years at this point. The opportunity in Poland was one where we were able to transact with a counterparty we liked, an investment profile that we thought provided us appropriate upside with strong downside protection. If we could find similar attractive opportunities, we would invest significantly in offshore readily today.

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**Operator**

Our next question comes from the line of Naji Baydoun with IA Capital Markets.

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**Naji Baydoun Industrial Alliance Securities Inc., Research Division - Equity Research Analyst**

Just staying on the topic of offshore wind. I'm just curious about your -- the third project in your pipeline. I believe it's Baltic one. Is there a view of maybe bidding that project in the Polish auction process in 2025, be it subsidy-free or otherwise?

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**Connor David Teskey Brookfield Renewable Partners L.P. - CEO**

Absolutely. So we have a third project. It's very large. It's about the same size as the other two projects combined. And because there was less visibility around that project initially, we weren't as prescriptive in our underwriting. But given the increased support that we're seeing and the increased rapid maturation of the Polish offshore wind segment that 1.5 gigawatt project, we think, is increasingly valuable. And while no decisions have been made, we will certainly look for opportunities to find ways to build out or monetize that asset in the future. We think there's definitely upside there, and it's a great project, but we're still a number of years before we need to make any significant decisions.

**Naji Baydoun *Industrial Alliance Securities Inc., Research Division - Equity Research Analyst***

Okay. But I suppose the decision hasn't been made about either developing it or selling it definitively, just kind of maintaining flexibility there?

**Connor David Teskey *Brookfield Renewable Partners L.P. - CEO***

Absolutely, no decisions made yet.

**Naji Baydoun *Industrial Alliance Securities Inc., Research Division - Equity Research Analyst***

Maybe just a clarification about the increased stake to 40%. What would be the net of that to Brookfield -- to BEP?

**Connor David Teskey *Brookfield Renewable Partners L.P. - CEO***

Certainly. So we invest through our private fund where we own 25%. So on a look-through basis, we would be just shy of 10%.

**Naji Baydoun *Industrial Alliance Securities Inc., Research Division - Equity Research Analyst***

Okay. Got it. Perfect. Just the last question on India. If you could provide more color on the 1.7-gigawatt development pipeline with the joint venture. How quickly you think that can move forward and be developed and maybe if you think there's opportunities to add more prospects to that pipeline?

**Connor David Teskey *Brookfield Renewable Partners L.P. - CEO***

Certainly. So I might answer the second part of that question first. Right now, our JV partnership only applies to that 1.7-gigawatt pipeline. So that's our focus at this point. We're seeing a number of different opportunities around development or adding new assets in India, but they would be outside of this specific agreement. In terms of the other opportunities within that pipeline, there's two other projects that make up the remainder of those 1.7 gigawatt, those are both being, I would say, developed on plan with our counterparty. They're on a slightly deferred timeline as was always going to be expected. But we would see the opportunity to make a decision on whether or not we want to acquire those projects, we expect within the next couple of years.

That's probably an appropriate timeline. And the one thing I would reiterate is this is an option for us. We do not have to acquire the projects, but it is our option, too, if we think they represent attractive investment opportunities.

**Operator**

Thank you. Now I will turn the call back over to CEO, Connor Teskey, for any closing remarks.

**Connor David Teskey *Brookfield Renewable Partners L.P. - CEO***

Okay. Thank you, everyone. As always, we want to thank everyone for their continued support. We look forward to updating you at the end of next quarter with our Q3 results. Thank you, and have a good day.

**Operator**

This concludes today's conference call. Thank you for participating, and you may now disconnect.

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