

Application for authorisation of the proposed acquisition of Origin Energy Limited by Brookfield LP and MidOcean Energy

Statement of: Mark Joseph Carney
Address: 41 Rue Victoria, Gatineau, QC J8X 2A1, Canada
Occupation: Chair and Head of Transition Investing, Brookfield
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I, Mark Joseph Carney, Chair and Head of Transition Investing, of Suite 100, Brookfield Place, 181 Bay Street, Toronto, Canada say on oath:

- 1 I am the Chair of Brookfield Asset Management Limited (**BAM**) and Head of Transition Investing in the Brookfield group. I am also co-head of the Brookfield Global Transition Fund (**BGTF**).
- 2 I am authorised to make this statement on behalf of BAM and BGTF.
- 3 The matters set out in this statement are based on my understanding of and involvement in BAM's operations, as well as my roles as a member of both BAM's and BGTF's executive team (including as a member of BGTF's Investment Committee).

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4 Brookfield Corporation, BAM, BGTF and their affiliates are referred to in this statement as **Brookfield**.

5 I make this statement from my own knowledge, except where otherwise stated. Where I refer to information I have received from others, I believe it to be true.

6 Annexed to this statement are documents marked Annexures 'MJC-1' to 'MJC-4'. One annexure, being 'Confidential Annexure MJC-2' is confidential to Brookfield. In this statement, I refer to each document by reference to the relevant annexure number.

7 Brookfield claims confidentiality over:

- (a) the parts of this statement highlighted in **Confidential to Brookfield**; and
- (b) the confidential annexure to this statement, marked Confidential Annexure 'MJC-2',

on the basis that they contain commercially sensitive and confidential information concerning the business of Brookfield.

1 **Professional qualifications and experience**

8 I hold a bachelor's degree in Economics from Harvard University (1988), a Master of Economics from Oxford University (1993) and a Doctorate in Economics from Oxford University (1995). The title of my Doctor of Philosophy thesis is 'The Dynamic Advantage of Competition'.

9 I commenced my role as Head of Transition Investing at Brookfield in October 2020. In this role, I focus on the development of products for investors that combine positive social and environmental outcomes with strong risk-adjusted returns. I also co-lead BGTF. In this role, I actively contributed to the development of BGTF's Impact Measurement and Management system (*IMM*) (which tracks the environmental, social and governance (*ESG*) performance of our BGTF investments), and our efforts to reduce the carbon footprint of our portfolio companies.

10 I commenced my role as Chair of the Board of Directors of BAM in December 2022, immediately upon the completion of the spin-out of BAM from Brookfield Corporation.

11 In addition to my roles at Brookfield, I currently hold the following positions:

- (a) UN Special Envoy for Climate Action and Finance, where I am responsible for supporting the United Nations Secretary-General António Guterres' climate strategy and galvanising climate action. My focus is on reform of financial markets and institutions to mobilise private finance to the levels needed to achieve alignment with the Paris Agreement;
- (b) Co-Chair for the Glasgow Finance Alliance for Net Zero (*GFANZ*), a global coalition of over 550 financial institutions with combined balance sheets of more than US\$130 trillion, that are committed to accelerating the decarbonisation of the economy. In this role, I set strategy for GFANZ, act as Chief Executive of its Secretariat, Chair its steering committee of CEOs, and serve its senior representative in meetings with senior government officials,

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regulators, and leaders of financial institutions, non-government organisations (**NGOs**) and stakeholder groups. While at GFANZ, I have overseen the development of the new framework for transition planning and finance for GFANZ members and the companies that they finance. This voluntary framework is in the process of being implemented, and in some jurisdictions, such as the United Kingdom, it informs formal transition plan requirements (through the UK Transition Plan Task Force). Central to its approach is financing companies and assets that are aligning to transition pathways consistent with the Paris Agreement;

- (c) Advisory board member at the Hoffman Institute for Global Business and Society at INSEAD, which aims to equip business leaders and decision makers with the tools to deliver positive outcomes for society in line with globally agreed sustainability goals. In this role, I provide advice and guidance to the Dean and senior management of the Institute on developments in sustainability;
- (d) Member of the Board of Cultivo, a public benefit corporation that accelerates finance to regenerate nature. It does this by building portfolios of high-quality natural capital that generate healthy financial returns that are good for nature and society. In this role, I fulfil standard fiduciary responsibilities of a board member;
- (e) Advisor to Watershed, a climate platform which provides tools for companies to measure, report and reduce emissions and related services. In this role, I provide strategic advice to the CEO of Watershed on the development of their products and relevant trends in international climate policy and regulation;
- (f) Chair of Chatham House's Panel of Senior Advisors. Chatham House is an independent international affairs think tank, providing thought leadership on key global issues. In this role, I chair the advisory board which provides perspectives to the senior leadership of Chatham House on global developments and potential research priorities;
- (g) Chair of Canada 2020's Advisory Board, which is focused on progressive public policy solutions in Canada;
- (h) Senior Counsellor of the MacroAdvisory Partners, a global markets, geopolitics and policy advisory firm;
- (i) Member of the Advisory Board of the Oxford Blavatnik School of Government, the University of Oxford's school of public policy;
- (j) Chair of the Group of Thirty, an independent consultative group on international economic and monetary affairs comprised of leading academics, and current and former policymakers;

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- (k) Board Member of the Peterson Institute for International Economics, an independent non-profit non-partisan research organisation dedicated to strengthening prosperity and human welfare;
- (l) Global Advisory Board Member at PIMCO, an investment management firm;
- (m) External Board Member at Stripe, a global fintech company;
- (n) Board Member at Bloomberg Philanthropies, a philanthropic organisation;
- (o) Board Member of Rideau Hall Foundation, an independent and non-political charity established to amplify the impact of the office of the Governor General to serve Canadians through a range of initiatives; and
- (p) Member of Harvard University Board of Overseers, a Board of Harvard University focused on advancing the interests of the university as a whole by, *inter alia*, directing the visitation process, which is the primary means for periodic external assessment of Harvard's Schools and departments, and providing counsel to the University's leadership on priorities, plans, and strategic initiatives.

12 Prior to joining Brookfield, I held the following roles:

- (a) Finance Adviser to the (now former) UK Prime Minister, Boris Johnson. In this role I led the private finance agenda for the United Nations Climate Change Conference (known as COP26) in Glasgow in 2021 to develop the information, tools and markets needed to create a more sustainable financial system to support the path to net zero. This included the launch of the International Sustainability Standards Board, the launch of the UK's Transition Plan Task Force and the creation of GFANZ;
- (b) Governor of the Bank of England from 2013 to 2020, where I was responsible for leading the Bank's policy decision-making committees: Monetary Policy Committee, Financial Policy Committee and Prudential Regulatory Committee. As Governor, I also chaired the senior management committee of the Bank, setting its strategic direction, and determining its major operational decisions. While at the Bank, I developed its position on sustainable finance and pioneered the development of climate disclosure and climate stress testing;
- (c) Vice Chair of the European Systemic Risk Board from 2013 to 2020, where I was responsible for supporting the Chair (Mario Draghi) in the development of EU macroprudential policy, including its first macroprudential policies with respect to climate risks;
- (d) Chair of the Global Economy Meeting and Chair of Economic Consultative Council of BIS from 2018-2020. These are the main committees of the BIS for the discussion of macro-economic developments and policies;

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- (e) Chairman of the Financial Stability Board (**FSB**) from 2011 to 2018, where I oversaw the development of the reforms in response to the Global Financial Crisis including for Globally Systemic Financial Institutions, new bank capital and liquidity rules for banks, new prudential rules of OTC derivatives, and new standards for shadow banking. While at the FSB, I launched the Task Force on Climate-related Financial Disclosures in 2015 (**TCFD**). The TCFD has become the leading voluntary standard for the disclosure of climate-related financial risks and its recommendations are being adopted by the International Sustainability Standards Board as a formal, global regulatory standard;
 - (f) Chairman of the Bank for International Settlements' Committee on the Global Financial Systems from 2010 to 2012;
 - (g) Governor of the Bank of Canada from 2007 to 2013;
 - (h) Senior Associate Deputy Minister of Finance at the Canadian Department of Finance from 2004 to 2007;
 - (i) Deputy Governor at the Bank of Canada from 2003 to 2004; and
 - (j) Various roles at Goldman Sachs from 1988 to 2003, including managing director of investment banking, executive director, emerging debt capital markets and co-head of sovereign risk.
- 13 Through these roles, I have developed a particular interest in, and focus on, the role of private finance in funding global environmental goals.
- 14 The philosophical grounding for the role of private finance in this endeavour was set out in my *2020 BBC Reith Lectures* and in *Value(s): Building a Better World for All*, which was published in May 2021 by HarperCollins. In those works, I drew upon my international experience to offer a blueprint for how we can channel the dynamism of the market to transform global problems, like climate change, into opportunities.
- 15 In my previous roles overseeing and regulating financial systems (including as the Governor of the Bank of England, Chairman of the Financial Stability Board and Governor of the Bank of Canada), I identified that both the physical risks of climate change and the transition to a net zero carbon economy present fundamental risks to the stability of the global economy and financial system. I first set out my thesis on this in a 2015 speech to Lloyds of London, *The Tragedy of the Horizon*, which has become the foundation for much of the subsequent work I have undertaken in the financial sector to address the issue.
- 16 I consider that initiatives to address these risks create large commercial opportunities with associated large public benefit, particularly in the sphere of private investment in renewable energy and decarbonising the activities of companies in high emission sectors, including power generation.

17 Where I express opinions in this statement, I have based these opinions on the knowledge, expertise and experience that I have outlined above in this section of my statement.

2 Overview of BAM's and BGTF's investment strategies

2.1 BAM

18 My decision to join Brookfield was influenced by my interest in the role private investment can play in addressing the challenges posed by climate change. I wanted to work with a firm actively seeking to deploy its capital and resources to address the risks associated with climate change and to assist in the transition to low carbon economies. Given Brookfield's track record and operational expertise in renewable energy projects, and its access to private capital, I considered that Brookfield had the potential to make a material difference to advancing the transition to net zero emissions globally. My experience since joining Brookfield has been consistent with this assessment.

19 Through my role as Chair of BAM and Head of Transition Investing at Brookfield, I have a detailed understanding of, and input into BAM's general investment strategy. Brookfield's investment focus is on long-life, high-quality assets across renewable power and transition, infrastructure, private equity, real estate, and credit. Brookfield selects its investments on a value basis, with the goal of maximising its return on capital by enhancing the value of its investments through its operating expertise. Brookfield's strategy involves investing in sectors where it can leverage its strong capabilities as an owner-operator, its large-scale capital, and its global reach, to maximise returns for investors.

20 Through my role at BAM, I am aware that Brookfield supports the goal of net zero greenhouse gas emissions by 2050 or sooner. I and the other members of the Brookfield executive believe that the transition to net zero represents both an unprecedented global challenge but also an attractive investment opportunity if it can be managed well. This is reflected in BAM's extensive renewable and transition assets portfolio. Brookfield is one of the largest global owners and operators of hydroelectric wind and solar power generation facilities, and has a significant development portfolio.

2.2 BGTF

21 I am co-head of BGTF, alongside Connor Teskey (the CEO of Brookfield Renewable Partners and Head of Brookfield's Renewable Power & Transition business). Together with Connor Teskey, I was involved in developing the investment strategy for BGTF, which was established as an impact fund to address the global issue of climate change.

22 In developing BGTF, Connor Teskey and I considered that, with careful work, it should be possible to achieve the same level of investment returns typically associated with investments in large scale infrastructure, while still having a clear impact on climate change and the transition to a net zero emissions economy.

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- 23 When BGTF was launched in 2021, it was unique in that the fund was expressly focused on 'transition finance', which broadly speaking relates to investing in assets and companies to transition them to 'net zero' emissions faster than they otherwise could. I am aware that there has been an increase in the prevalence of transition finance in recent years, but in 2021, BGTF was one of the first funds established with this express goal.
- 24 BGTF focuses on: (i) large scale acquisitions of operating businesses and platforms; and (ii) greenfield developments (which are new developments of renewable energy infrastructure and resources). Opportunities are identified according to BGTF's 'Investment Themes':
- (a) **Business transformation:** investments that seek to help transition businesses, primarily within the utility, energy, industrial and technology sectors, towards a net zero business model (a 'brown' to 'green' transition).
 - (b) **Clean energy:** investments that seek to expand or enhance low-carbon and renewable energy production, and related technologies that provide and support additional capacity to the energy mix.
 - (c) **Sustainable solutions:** investments that seek to advance the adaptive capacity of communities or drive the growth of a circular economy, including through waste management, resource efficiency, development of resilient infrastructure, and other services that support these solutions.
- 25 Another key focus of BGTF is to generate attractive financial returns while making a measurable environmental impact. BGTF's impact objectives include:
- (a) **Focus on high-quality assets that drive decarbonisation:** a core pillar of Brookfield's investment philosophy is to invest in high-quality assets. BGTF places an additional emphasis on investments that present opportunities to accelerate decarbonisation and the transition to a net zero global economy. Brookfield has been making sizeable investments in the development of clean energy generation, energy transition and decarbonisation assets for decades, and BGTF uses this expertise when sourcing and executing transactions.
 - (b) **Investing where transitioning to net zero creates value:** as a patient 'value investor', Brookfield focuses on investments which provide returns in the medium to long term, rather than the short-term while leveraging its experience in originating and structuring tailored, scaled, and creative transactions. This, combined with its operational capabilities and expertise in clean energy and power markets, creates value from the transition to net zero.
 - (c) **Driving decarbonisation with transparent and measurable metrics:** embedded in BGTF's investment strategy is the implementation of a robust IMM system to measure BGTF's positive environmental impact contribution. The IMM provides a robust framework

for integrating impact considerations into the screening, due diligence, planning and asset management phases of the investment process to help drive impact outcomes. Investors benefit from transparent reporting, with impact metrics measured, monitored, and reported in line with investment objectives.

- (d) **Enhancing value with an operations-oriented approach:** BGTF targets opportunities where it can leverage Brookfield's long-standing experience in energy transition and decarbonisation, while enhancing returns.

26 I am a member of the BGTF Investment Committee, which is responsible for considering and approving investments made by BGTF. Through this role, I am aware that there are four criteria (referred to internally as the '4A Criteria') which the BGTF Investment Committee considers in deciding whether or not to make an investment in a particular asset or company. I was instrumental in developing the criteria. The 4A Criteria are:

- (a) **Alignment:** for each investment made by BGTF, the Investment Committee must be satisfied that the asset can achieve alignment with the Paris Agreement over the life of BGTF's investment. The Paris Agreement is a global agreement signed by over 194 governments with the objective of achieving global net zero emissions by 2050.
- (b) **Additionality:** by 'additionality', I mean that BGTF's investment in the asset / company must make a meaningful contribution to the transition of that asset / company to net zero. For example, if the Investment Committee considers that an asset / company is already on track to achieve net zero emissions by 2050, or BGTF's investment will not meaningfully advance the impact outcomes over and above the status quo, this would not meet the 'additionality' criteria.
- (c) **Avoidance:** the term 'avoidance' refers to the Investment Committee needing to be satisfied that the investment in the asset / company would not give rise to other ESG risks. ESG risks are assessed as part of BGTF's due diligence process.
- (d) **Accountability:** by 'accountability' I mean that that the Investment Committee will ensure that the asset / company reports emissions and meets applicable standards regarding carbon disclosure.

27 The impact management system using the '4A Criteria' is set out in detail in the BGTF Disclosure Statement 2022, in an extract regarding the 'Operating Principles for Impact Management', a copy of which is attached at **Annexure MJC-1**.

28 Once an investment has been made by BGTF, part of my role as co-head involves overseeing that investment to make sure it continues to meet the 4A Criteria. BGTF also reports to its investors on progress against these criteria and performance of the investment against the IMM framework (which I described above in paragraph 25(c)). These performance metrics are

important for the large institutional investors in BGTF, who often have their own decarbonisation targets in relation to their investments.

29 BGTF has raised approximately US\$15 billion in committed capital. Since the fund closed in July 2022, approximately US\$7.8 billion (excluding the proposed investment in Origin) has been deployed or allocated, spanning a range of decarbonisation technologies with investments at significant scale. A full list of BGTF's investments is set out in its 2022 Annual Report, a copy of which is attached at **Confidential Annexure MJC-2**.

3 Brookfield's experience in renewable energy

30 Through my role as Chair and Head of Transition Investing of Brookfield, I am generally aware of the extensive number of renewable energy projects Brookfield has invested in globally and been instrumental in delivering. For example, in 2019, Brookfield made a C\$750 million investment in a Canadian power producer, TransAlta Corporation, directed at transitioning the company from coal to clean energy. With the benefit of Brookfield's investment, TransAlta is expected to have no coal generation post 2025.

31 The investment in TransAlta Corporation was made by Brookfield Renewable Partners L.P. (**BEP**). BEP is a publicly traded platform for decarbonisation technologies. It has a diversified portfolio consisting of hydroelectric, wind, solar, distributed energy, and sustainable technology solutions across five continents.

32 I understand from my work at Brookfield that BEP has been an owner, operator, developer, and acquirer of renewable power for decades. BEP is focused on investing in new asset classes across the decarbonisation spectrum, including utility, solar, onshore wind, distributed generation, hydro, business transformation, carbon capture and offshore wind. BEP has expanded and become increasingly focused on providing decarbonisation and energy transition as a service, helping businesses and governments globally to advance their sustainability goals. BEP has a presence across all major clean energy technologies globally, with over 120,000 MW of operating and development capacity. This includes: (i) 10,600 MW in hydro; (ii) 25,300 MW in wind; (iii) 55,000 MW in solar; (iv) 12,200 MW in distributed generation; and (vi) 17,300 MW in storage and other assets.

33 One of the key benefits Brookfield brings to renewable energy projects is the ability to leverage the centralised global procurement network Brookfield has developed with leading renewable energy technology providers. Within the Brookfield group, there are a significant number of personnel who are specialists in different types of renewable technologies (such as solar and wind). Access to these technical specialists is critical to the implementation and delivery of renewable projects.

34 Such expertise is available to all of Brookfield's portfolio companies which sit at the regional or local level. This means that in every region in which Brookfield invests or owns renewable assets,

in addition to having a dedicated operating team in-country responsible for sourcing, executing and operating the assets, this local team is then directly supported by centralised global functions, including but not limited to procurement.

35 I consider that this business structure facilitates decentralised regional or local decision making while enabling portfolio companies to tap into Brookfield's global renewable expertise, strong procurement relationships, and global economies of scale.

4 The Proposed Acquisition

4.1 Fit with BGTF strategy

36 In my role as co-head of BGTF and a member of its Investment Committee, I was involved in analysing the proposed investment in Origin Energy (**Origin**) by Brookfield and MidOcean Energy (the **Proposed Acquisition**). Under the Proposed Acquisition, subsidiaries (yet to be formed) of a limited partnership EOS Aggregator (Bermuda) LP (**Brookfield LP**) will acquire Origin's Energy Markets business (including its energy retailing business, electricity generating assets, energy wholesale and trading business, its LPG business and domestic gas trading business) (**Origin Energy Markets**). The Brookfield-controlled investors in Brookfield LP will be comprised of BGTF I, BEP, and other Brookfield managed co-investors. The other investors in Brookfield LP will include Buckland Investment Pte. Ltd. (which is managed by GIC Special Investments Private Limited, which is in turn wholly owned by GIC Private Limited), Davis Investments Pte. Ltd. Wholly owned by Temasek Holdings (Private) Limited (collectively, the **BGTF Consortium**). Brookfield is also discussing the opportunity with Reliance Industries and other possible co-underwriters. In addition, MidOcean Energy will retain Origin's Integrated Gas division (including its 27.5% shareholding in Australia Pacific LNG and certain upstream gas interests).

37 Part of my role as co-head of BGTF includes monitoring the execution of business plans of BGTF investments. I have oversight responsibilities and am directly involved in dealings with, and reporting to, BGTF investors. BGTF's investment in the Origin Energy Markets business will constitute one of the largest investments BGTF has made to date. If the Proposed Acquisition proceeds, together with the other senior managers of BGTF, I will continue to oversee BGTF's investment in the Origin Energy Markets business and will monitor the execution of BGTF's business plan for the Origin Energy Markets business to ensure it achieves Paris Agreement alignment as soon as possible, but in any event, over BGTF's hold period.

38 I consider that BGTF's proposed acquisition of the Origin Energy Markets business is an attractive investment for BGTF. It gives BGTF the prospect of major 'additionality' in the sense that there is the potential to secure the transformation of the business so that it is materially decarbonised sooner. Based on analysis of the Origin Energy Markets business carried out by Luke Edwards (Managing Director, Head of Australia – Renewable Power & Transition) and his team, I understand that the business is the source of a significant proportion of Australia's carbon

emissions, due to its electricity generation and retail businesses. As such, I consider that a successful material decarbonisation of the Origin Energy Markets business will significantly reduce Australia's carbon emissions.

39 Further, I consider that the investment in BGTF also meets the other 4A Criteria (which I described in paragraph 26 above). I consider that through the Proposed Acquisition, BGTF will be able to leverage Brookfield's global experience and capabilities in renewables development and unique access to capital in order to support the material transition of the Origin Energy Markets business from carbon-intensive generation sources to additional renewable energy, as I explain in more detail in section 4.2 below.

4.2 Benefits of BGTF Consortium ownership of the Origin Energy Markets business

40 Through my role as the UN Special Envoy for Climate Action and Finance, and previously as an advisor to the UK Government for the 2021 United Nations Climate Change conference in Glasgow (COP26), I have developed an understanding of the key challenges which countries around the world (including Australia) will face in achieving net zero emissions by 2050. Based on my experience, I expect Australia will face significant challenges in achieving net zero by 2050, including decommissioning carbon-intensive electricity generation (such as coal fired power stations), and the parallel acceleration of the creation of replacement renewable energy resources (which I refer to as the 'ramp up' of renewable energy resources).

41 I consider that the acquisition by the BGTF Consortium of the Origin Energy Markets business will address both these challenges. The BGTF Consortium provides greater certainty as to the Origin Energy Markets business's ability to decommission its carbon intensive generating assets (particularly its coal-fired Eraring Power Station) as the Origin Energy Markets business will be able to significantly ramp up a pipeline of new renewable energy generation and storage projects to replace the generating capacity which these assets provide, as well as address its short position.

42 In particular, I consider that there are three key reasons why the Origin Energy Markets business will be better placed to overcome these challenges if it is acquired and privatised by the BGTF Consortium (as opposed to remaining a public company), being:

- (a) **Access to capital:** I consider that the decommissioning of the Eraring Power Station, and the building of replacement capacity through new renewable energy resources, will require a substantial amount of capital. As a public company, Origin has limited ability to secure new investment and limited capacity to spend the significant amount of capital needed for a transition to renewable energy. Origin is limited in its ability to reinvest its cashflow because of the preference of its public shareholders for regular dividends. Its primary source of incremental capital would be through a new share issue or rights issue, which would likely prove dilutive to shareholders in the near term.

In contrast, BGTF does not have these limitations. As outlined in section 2.2, BGTF has significant capital already raised and committed from investors available to invest in the Origin Energy Markets business. Furthermore, investors in BGTF have a long-term investment horizon of over a decade. They have no expectation of receiving regular distributions and instead are focused on total return over a decade horizon.

- (b) **Capabilities and experience in renewables development:** as outlined above in section 3, Brookfield has a well-established track-record of investing in, delivering, and operating renewable energy resources. If the BGTF Consortium acquires the Origin Energy Markets business, I consider that the BGTF Consortium will be able to draw on Brookfield's experience in renewable development in order to significantly ramp up the Origin Energy Markets business's renewable energy pipeline. I consider that access to Brookfield personnel who have specific expertise and know-how associated with particular renewable energy resources (notably, wind), is a key benefit which the BGTF Consortium can bring to the Origin Energy Markets business.
- (c) **Centralised global procurement network and access to renewable technologies:** as countries around the world move towards alignment with the Paris Agreement, I consider that there will be increasing pressure on the supply chain for access to renewable energy technologies (and the resources used to build such technologies). Given that Brookfield is engaged in extensive renewable energy projects around the world, I am aware that it has strong existing relationships with tier-1 renewable energy technology providers (such as solar panel, wind turbine and battery manufacturers). This centralised procurement function negotiates with suppliers on behalf of the broader Brookfield business and its portfolio companies, rather than on an individual project-by-project basis. As such, Brookfield benefits from procurement economies of scale and is better able to secure supply of high quality inputs.

I consider that in a resource-constrained world, the Origin Energy Markets business under BGTF Consortium ownership will be in a better position to acquire the renewable energy technologies it will need to build significant renewable energy generation capability. It will be able to utilise the supply relationships that Brookfield has established with renewable energy technology providers.

- 43 In light of the above, I consider that the Origin Energy Markets business under BGTF ownership, and as a member of the Brookfield group, will have greater access to the required levels of capital, operational expertise and procurement capability needed for the material decarbonisation of the Origin Energy Markets business. I consider that there is a much higher degree of certainty under BGTF Consortium ownership that the Origin Energy Markets business will be able to decommission the coal-fired Eraring Power Station by as close to 2025 as possible, and

significantly ramp up its renewable energy generation in line with the targets under the Paris Agreement (as compared to if Origin were to remain a public company).

4.3 The BGTF Consortium's intentions as owner of the Origin Energy Markets business

4.3.1 The 'green build-out' plan

44 As I explained above, given my role as co-head of BGTF and a member of its Investment Committee, I am aware of, and was involved in, the development of the BGTF Consortium's plans for the Origin Energy Markets business.

45 I consider the key difference in the BGTF Consortium's approach to developing the Origin Energy Markets business is best illustrated by its relative commitment to developing new renewable generation and storage assets as compared to Origin.

46 I understand that Origin currently sources the majority of its wholesale electricity from its own coal and gas fired generation assets and from swaps and other financial contracts with third parties. It has comparatively modest plans to develop new renewable generation. I understand that, in its 2022 Climate Transition Action Plan (**CTAP**), Origin outlined plans to develop new renewable generation and storage either itself or through power purchase agreements (**PPAs**) with third parties to increase its owned and contracted renewable generation and storage capacity to a total of 4 GW by 2030.

47 The BGTF Consortium, on the other hand, intends to deploy a 'green build-out' plan for the Origin Energy Markets business, providing for up to 14 GW of renewable generation and storage by 2033.

48 This means that the 'green build-out' plan will result in the Origin Energy Markets business (under BGTF Consortium ownership) developing substantial additional renewable generation and storage capacity, compared to Origin's likely development path. Australia will therefore benefit from a more rapid and extensive decarbonisation than would have been the case absent the Proposed Acquisition.

49 I consider that a number of benefits arise for Australia as a result of the 'green build-out' plan.

50 **First**, a more rapid and more certain transition. I understand from its CTAP that Origin faces a number of uncertainties in reaching its 2030 and 2050 emissions targets. These include: (i) difficulties accessing capital; (ii) difficulties accessing critical skills and supplies; (iii) delay and uncertainty in renewable projects relative to Origin's expectations; and (iv) delay to the closure of Eraring.

51 The Proposed Acquisition addresses these risks. The BGTF Consortium has the necessary capital, longer-term investment horizon, unique funding strategy, access to a well-established global procurement network, and the necessary skills and experience to not only ensure the Origin Energy Markets business planned rollout goes ahead, but also provides for the

development of an additional ~10 GW of renewables and storage capacity. This will make a material contribution to meeting Australia's net zero emissions target.

52 **Second**, under BGTF Consortium ownership, the Origin Energy Markets business will have greater opportunities to develop new technologies at a commercially viable scale. The BGTF Consortium will be able to draw on Brookfield's expansive market reach and involvement in a diverse range of projects focused on developing new renewable technologies.

53 Given Brookfield's global expertise, economies of scale, and investment in new technologies, Australia is likely to see earlier and more cost-efficient access to these technologies than it might absent the Proposed Acquisition. This is because the Origin Energy Markets business, with its significant customer base, provides a platform for those new technologies making it attractive (eg, economic) for Brookfield to invest in them in Australia.

54 **Third**, the 'green build-out' plan will result in both direct and indirect job creation. The BGTF Consortium will need to employ a team of people to carry out each project under its 'green build-out' plan. There will also be indirect job creation through the BGTF Consortium partnering with third parties in respect of certain aspects of the projects, as well as in ancillary industries in the supply chain.

55 In addition, the BGTF Consortium has ambitions to support a local manufacturing industry that will contribute to manufacturing components and parts for renewables development in Australia, particularly solar, wind and batteries. The BGTF Consortium is currently exploring the potential for this type of onshoring of manufacturing in Australia.

4.4 Incentives and accountability regarding 'green build-out' plan

56 If the Proposed Acquisition proceeds, Brookfield will be incentivised to complete the 'green build-out' plan in relation to the Origin Energy Markets business by 2033.

57 **First**, the BGTF Consortium's returns from its investment in the Origin Energy Markets business are dependent on the material decarbonisation of the business and the build out of the renewable energy portfolio of the business. This is largely because the BGTF Consortium's returns are focused on the 'back-end' and, in particular, on the divestment for value at the end of the BGTF fund life. The value of the Origin Energy Markets business is likely to be much greater when the BGTF Consortium exits that investment if the business has been substantially decarbonised by that time. Investors are likely to pay more for a business that has been transitioned to align with a net zero pathway than for a business with significant emissions. In addition, once the Origin Energy Markets business under BGTF Consortium ownership has built a renewable project, it will have the option to sell an interest in that project to third parties at a premium above construction cost, reflecting the removal of construction risk. Any returns from such on-sales could be reinvested in further renewable projects, thereby recycling capital, and adding further value. Accordingly, the BGTF Consortium is financially incentivised to make the investments needed to

build sufficient renewable energy generation assets to decarbonise materially the Origin Energy Markets business, and to do so by 2033.

58 **Second**, in addition to the financial returns from the Origin Energy Markets business, BGTF has committed to its investors that the individual assets in which BGTF invests will be aligned with the Paris Agreement over the life of the fund. This is a key aspect of the structure of BGTF, as an impact fund focused on transition financing (as I described in section 2.2 above). Accordingly, even if market conditions were to change in relation to Australia's electricity market, BGTF would still be required to implement its plans to decarbonise materially the Origin Energy Markets business and transition the existing carbon-intensive generation assets (such as the Eraring coal-fired power station) to renewable generation assets over the course of BGTF's investment in the Origin Energy Markets business. In addition to the impact commitment that BGTF has made to its investors, I am aware that other consortium members of the BGTF Consortium also have their own similarly aligned incentives and targets around decarbonisation, which will be affected by the BGTF Consortium's success in transitioning Origin as planned.

59 In addition, Origin Energy Markets' decarbonisation will be monitored, measured, and reported on, to ensure BGTF is accountable to its investors in relation to its progress towards achieving the decarbonisation of assets that it invests in.

60 **First**, as I described in section 2.2 above, a core aspect of BGTF's investment strategy is that all potential investments meet the 4A Criteria, being alignment with the Paris Agreement over the life of BGTF's investment, additionality of investments, avoidance of ESG risks and accountability. There is a team of people within BGTF who implement the IMM system, which includes monitoring how individual investments are performing against the 4A Criteria. I have regular meetings with this team, which are often held prior to meetings of the BGTF Investment Committee. In this way, there is continual monitoring and oversight of individual assets and how they are tracking against the 4A Criteria. This type of monitoring will apply to BGTF's investment in the Origin Energy Markets business, to ensure that it meets the requirement of achieving alignment with the Paris Agreement by the end of the investment term, and I will have oversight of this.

61 **Second**, BGTF produces regular reports for investors which include reporting on the impact of its investments on decarbonising and transitioning those investments to net zero emissions. For example, BGTF's 2022 Annual Report contained reporting on the fund's impact performance, including how individual investments were tracking against BGTF's goals for renewable energy generation capacity for each investment. The Annual Report also contains information in relation to the Scope 1, 2, and 3 greenhouse gas emissions of each investment for the preceding 12-month period (see **Confidential Annexure MJC-2** for a copy of the report).

62 **Third**, BGTF has a Strategic Advisory Committee which includes senior representatives of the largest investors in the fund. I chair the strategic advisory committee, and one of the key topics

which is discussed at meetings of the committee is the fund's overall progress in the transition to net zero emissions and how BGTF is tracking in respect of this goal. This provides another mechanism by which the fund is kept accountable to its investors in respect of its commitment in relation to the transition to net zero and the goal of making all investments aligned with the Paris Agreement during the lifetime of the fund.

5 **BGTF's intentions if the Proposed Acquisition does not proceed**

- 63 BGTF's primary strategy in Australia has been and remains seeking to acquire a major gentailer such as Origin, and then transitioning that business towards net zero emissions by retiring coal fired generation and building out new renewable generation and storage. If BGTF were unable to acquire the Origin Energy Markets business or another major gentailer in Australia, it would continue to consider the development of one-off renewable generation and storage assets in Australia but, this would be in the context of other major investment opportunities across the globe.
- 64 BGTF is currently considering over 50 potential transactions across the world. BGTF's global renewables development pipeline is now 126 GW, with 5 GW on track for commissioning this year. It has another approximately 19 GW in advanced stage development that has been materially de-risked (see recent letter to unitholders, attached at **Annexure MJC-3**). Of its ~126 GW pipeline, approximately **Confidential to Brookfield**% is in North America, **Confidential to Brookfield**% in Europe, **Confidential to Brookfield**% in the Asia Pacific (spread across **Confidential to Brookfield**, etc.) and **Confidential to Brookfield**% in South America. BGTF will decide the sequencing of which projects across the globe to invest in based on a consideration of both financial return and contribution to the ESG goals of BGTF. Currently, of the over 50 potential transactions being considered by BGTF, only two are at an advanced stage in Australia, being the Proposed Acquisition and a proposed investment in the Moonlight Range wind farm development.
- 65 There are significant opportunities for investment in renewable energy projects right across the globe, including in North America and Europe. The Inflation Reduction Act (**IRA**) introduced in the United States mean that the United States in particular is a very attractive destination for investment in projects that will facilitate the transition to net zero, including renewables generation and storage. In a recent Goldman Sachs report, it was estimated that the IRA would provide '*the most supportive regulatory environment in clean tech history, unlocking, on our estimates, \$1.2 trn of incentives by 2032. We expect this to drive \$3 trn of investments across renewable electrons and molecules*'. A copy of this report is attached at **Annexure MJC-4**.
- 66 In addition to being able to consider investments globally, a key aspect of the investment strategy of BGTF is to identify large-scale transformational transactions which have the potential for very significant decarbonisation. The Proposed Acquisition meets this criterion, given the potential to build out up to 14 GW of renewable electricity generation over the lifetime of the investment,

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which will make significant progress towards decarbonising the Australian electricity industry. Smaller renewable energy projects would not meet this goal as effectively.

67 As a result of the above, if the Proposed Acquisition does not proceed, it is highly uncertain what investments BGTF would make in Australia, if any.

68 Because of the significant demand for new renewable projects globally, Brookfield is currently looking to raise a second BGTF fund. As with the current BGTF fund, any second fund would look to invest globally and in a way that makes a significant impact on decarbonising the world's economy. It is equally uncertain what investments any such second fund would make in Australia, if any absent the Proposed Acquisition.

Signed by Mark Carney
on 1 June 2023

Confidential to Brookfield

Signature of Mark Carney