



**Australian Government**



**Northern Australia Infrastructure Facility**

# 8<sup>th</sup> Annual Queensland Infrastructure Transport Infrastructure Conference 2017

Ms Laurie Walker, CEO  
24 May 2017

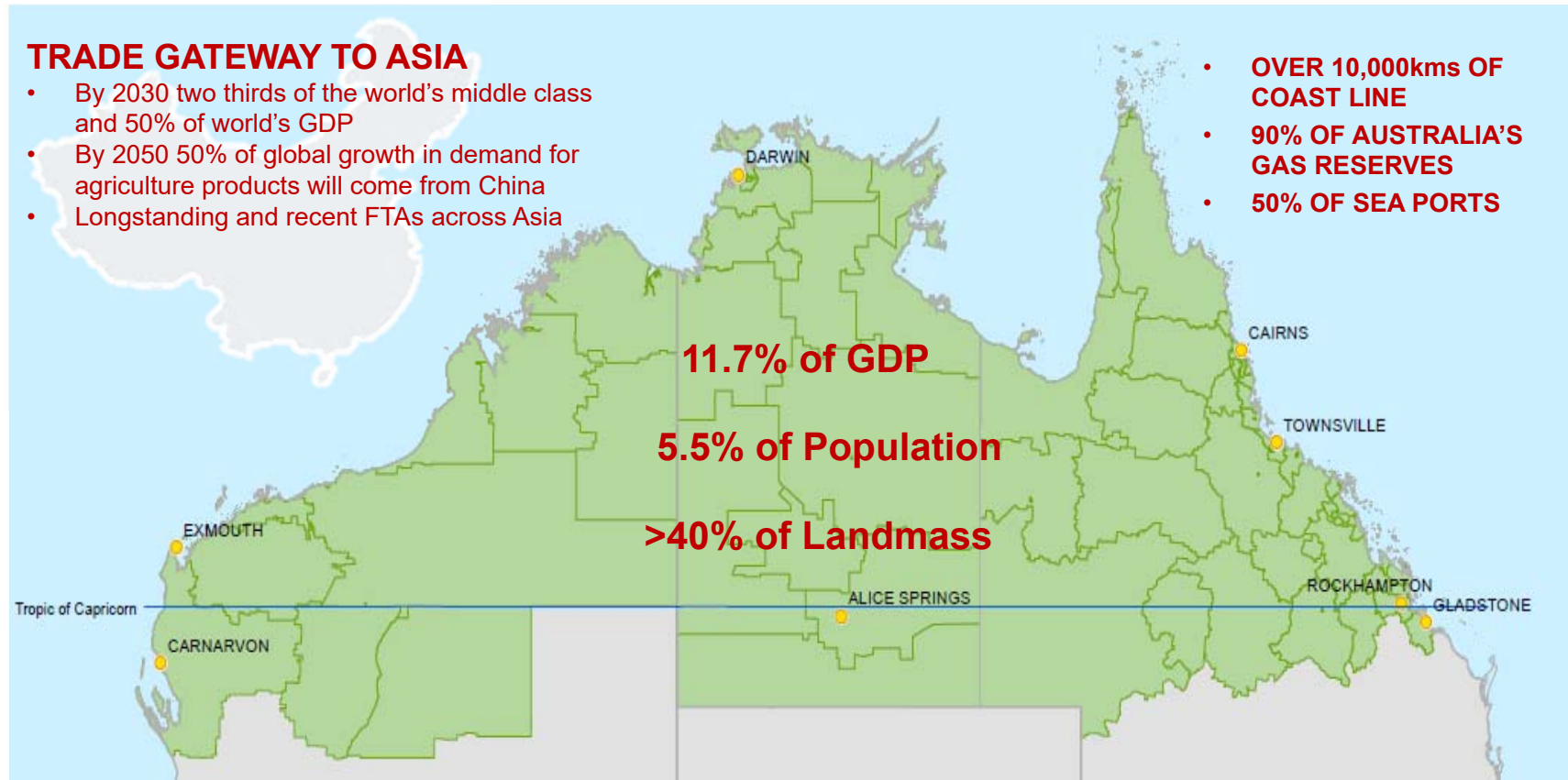
[www.naif.gov.au](http://www.naif.gov.au)

# Northern Australia a key contributor and well placed

## TRADE GATEWAY TO ASIA

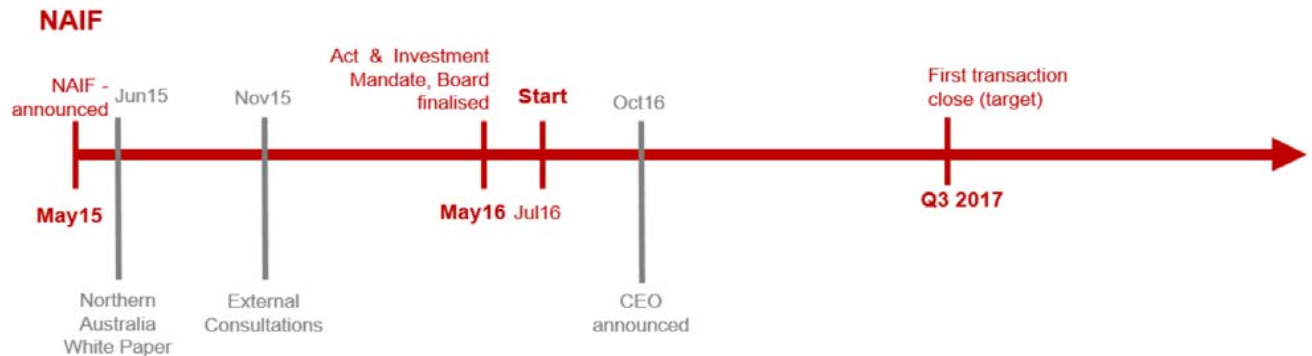
- By 2030 two thirds of the world's middle class and 50% of world's GDP
- By 2050 50% of global growth in demand for agriculture products will come from China
- Longstanding and recent FTAs across Asia

- **OVER 10,000kms OF COAST LINE**
- **90% OF AUSTRALIA'S GAS RESERVES**
- **50% OF SEA PORTS**



# NAIF – A Brief History

- NAIF established 1 July 2016
- \$5 billion of loans available to be written up to 30 June 2021
- Active and independent Board chaired by Ms Sharon Warburton
- Responsible Minister, Senator the Hon Matt Canavan, Minister for Resources and Northern Australia
- Strong collaboration with Queensland, Western Australia and Northern Territory Governments



## Project Investment Proposal Pipeline currently:

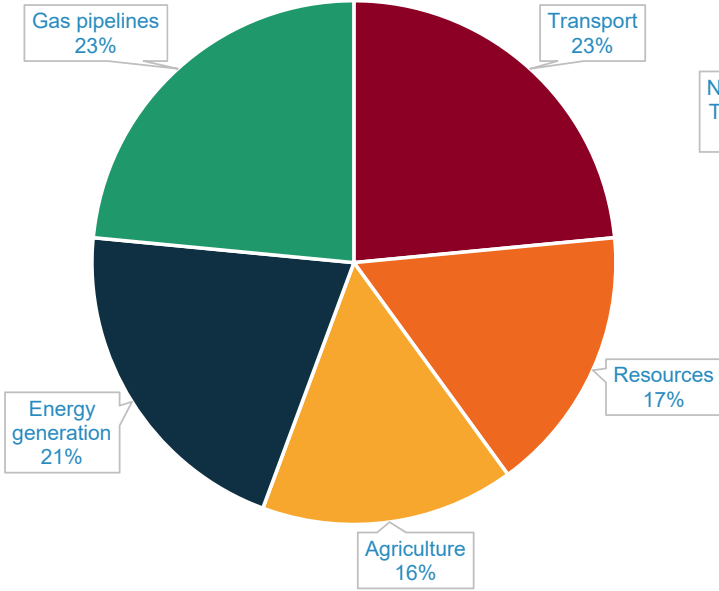
- 55 active enquiries across all jurisdictions
- Four projects in due diligence
- Across more than one jurisdiction and in three sectors

# Pipeline – Total Enquiries as at 1 May 2017

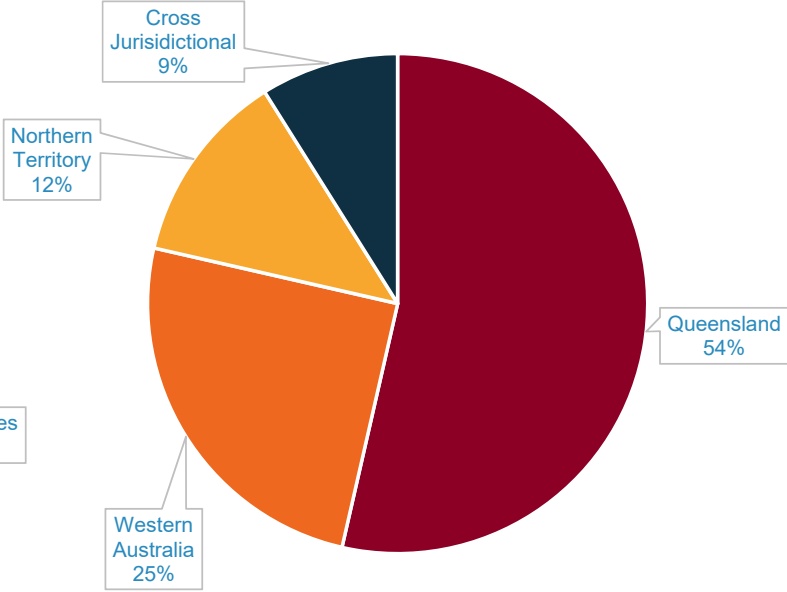
NAIF must have regard to a preference for diversified portfolio by industry and geographic spread

Enquiries	No
Transport	27
Resources	19
Agriculture	18
Energy generation	24
Gas pipelines	27
Construction	
Telecommunications	
Tourism and water	
<b>Total</b>	<b>115</b>

All enquiries (115) by Sector

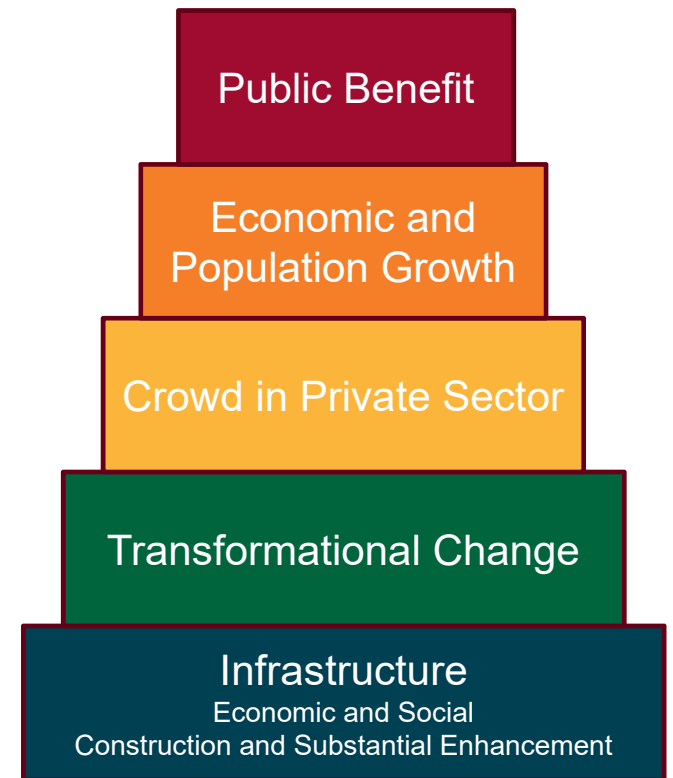


Active enquiries (55) by Jurisdiction



# NAIF – An Important Mandate

- **Objective 1:** support growth in economy and population to benefit northern Australia
- **Objective 2:** 'crowd in' private sector investment
- Transformational change not incremental
- Unlock market opportunities and address challenges
- Achieve through construction of infrastructure and NAIF capability to enable projects which would not otherwise proceed (including by bringing forward)
- Specific high risk tolerance re factors unique to investing in projects NAIF tasked to assist
- NAIF's focus is on public benefit (rather than return – to cover at least administrative costs plus cost of funds). Preference for multi user access
- Indigenous Engagement Strategy setting out objectives for Indigenous participation procurement and employment



# Infrastructure Sector Analysis

Infrastructure Assets	Examples	Industries				
		Resources	Agriculture	Livestock	Tourism	Education
Land Transport	Roads					
Sea Transport	Seaports					
	Marinas					
	Cargo holding					
Air Transport	Airports					
	Cargo holding					
Energy	Generation					
	Transmission/ distribution					
	Storage					
Water	Supply/ treatment					
Communications	Cables					
	Transmission					
Supply Chain	Storage facilities					
Social Infrastructure	Hospitals					
	Training Facilities					
	Accommodation					

# NAIF – designed to meet challenges

Element	Description
Ownership	Asset ownership and other capital providers (equity providers or lenders) may be domestic or foreign. FIRB applies.
Partnership with other debt financiers	50% of infrastructure debt must come from other private or public sector financiers e.g. could include ARENA, CEFC, export credit agencies or other. Preference to 'crowd in' private sector.
Gap finance	Designed to fill a financing gap. NAIF finance is limited to the amount necessary to enable a project to proceed, or to proceed much earlier than it would otherwise.
Concessions (to be limited to the minimum required for a project to proceed)	<p>Concessional terms having regard to the extent of the public benefit generated.</p> <p>Relative to other lenders financing terms (tailored to the circumstances of the transaction) may be:</p> <ul style="list-style-type: none"> <li>• longer loan tenor (not exceeding the longest term of Commonwealth borrowing – up to 30 years)</li> <li>• lower interest rates but not below the Commonwealth borrowing rate</li> <li>• patient capital including extended periods for interest capitalisation or deferral of loan repayments</li> <li>• different fee structures</li> <li>• cash flow or security subordination</li> </ul>
Mechanism	Must demonstrate the ability of the loan to be repaid or refinanced. This is a loan not a grant.
Size	A non mandatory preference for investments of \$50 million or more. The NAIF Board will apply flexibility.

# How does NAIF envisage it can help?

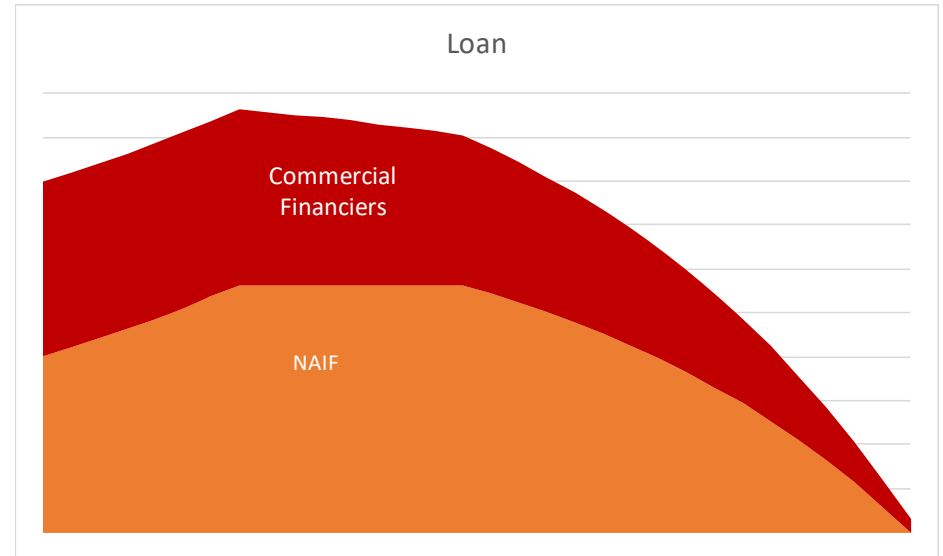
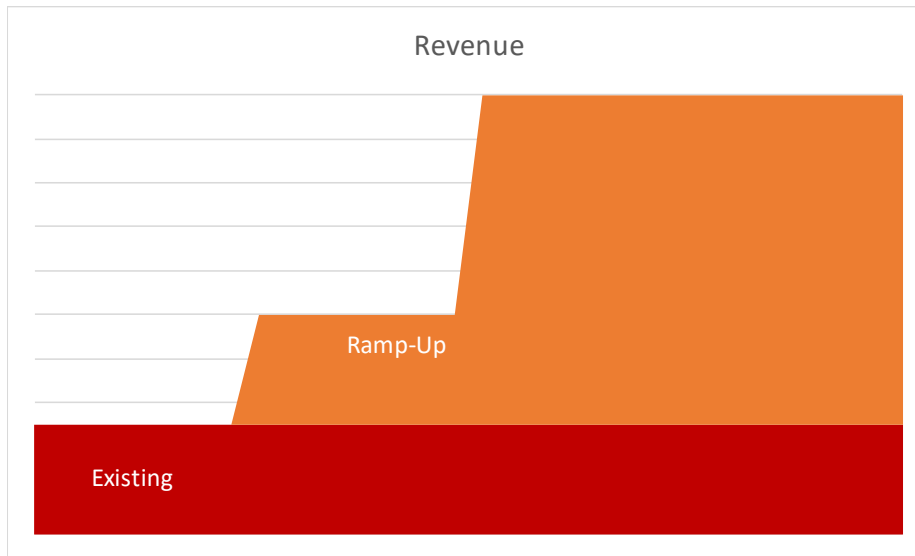
## **NAIF's optionality through its concessions is a new way of supporting Northern Australia:**

- Assist development of new, more resilient or reliable supply chains
- Assist in overcoming diseconomies of scale and first mover disadvantage
- Better use of infrastructure by co-sharing, reducing costs, enhancing to create broader benefits, bring forward
- Under the Act NAIF's risk appetite may have a high tolerance to factors that are unique to investing in Northern Australia economic infrastructure including but not limited to:
  - distance
  - remoteness
  - climate
- Use risk appetite (on a case by case basis) to look to:
  - better match revenue ramp up and life cycle of new projects with debt servicing
  - absorb element of merchant risk where uncertain utilisation/ pay back period
  - mitigate project cost premium
  - scale up technology
  - credit risk view of producer/offtake at an aggregated level
  - provide liquidity to match size of capital need
  - assist in mixed infrastructure/non infrastructure projects with NAIF infrastructure debt e.g. operating or production assets



# Levering risk appetite to encourage other financiers

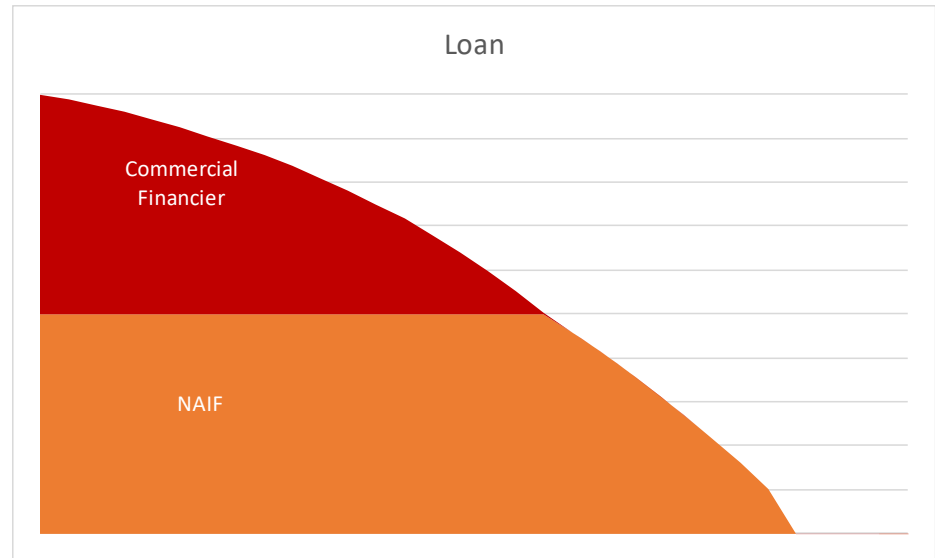
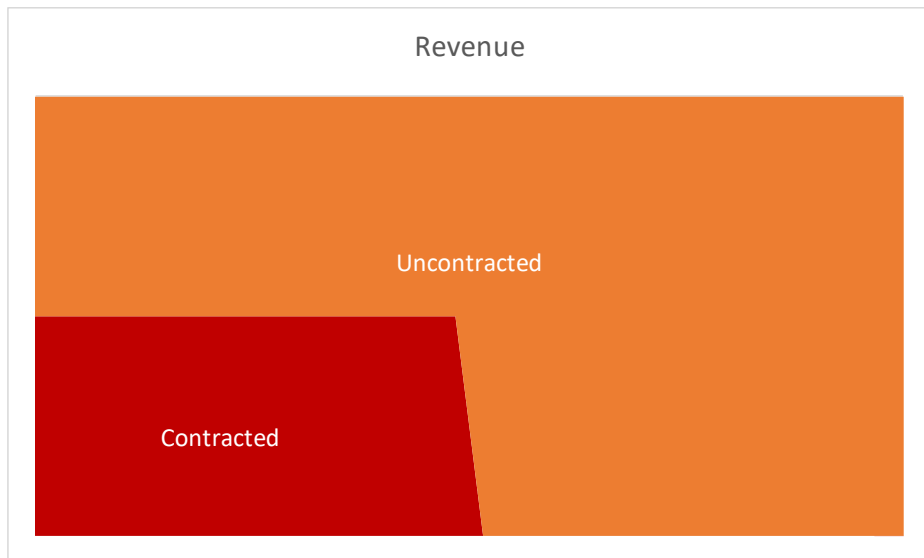
To support new market entrants and better match revenue ramp up and life cycle of new projects Commercial Financiers may want more certain revenues. NAIF may allow interest capitalisation and interest only periods during ramp up before repayment to support new market entrants



*Indicative only for illustrative purposes. Actual concessions determined on a case by case basis.*

# Leveraging risk appetite to encourage other financiers

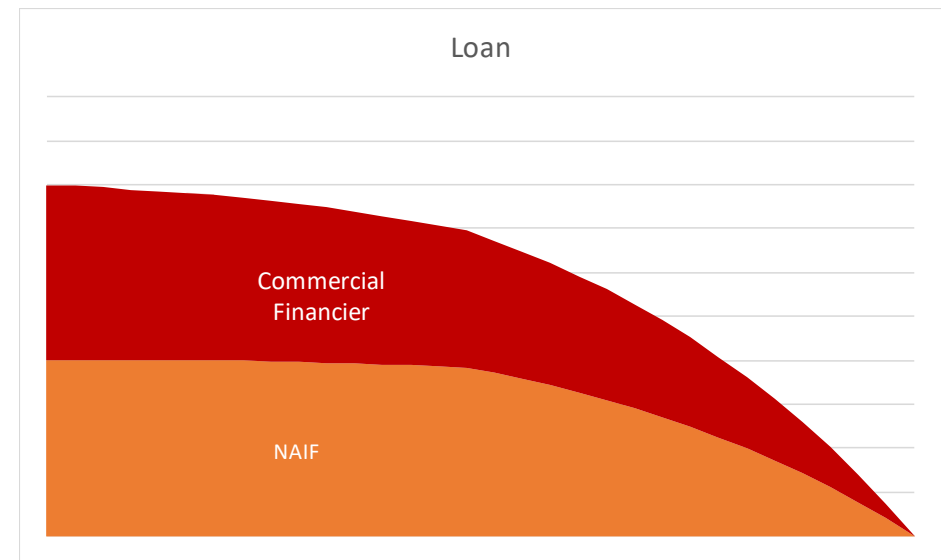
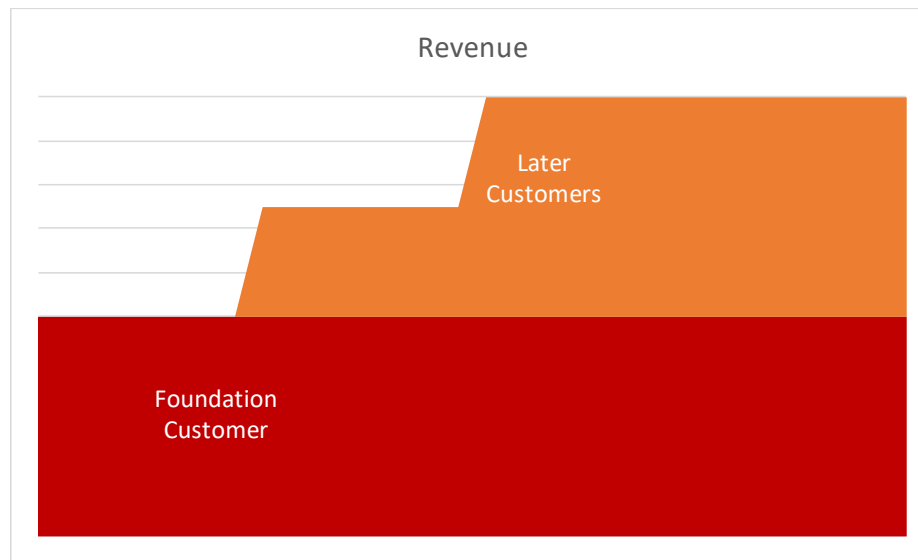
NAIF may absorb element of merchant risk where uncertain utilisation/ pay back period  
Commercial Financiers consider contracted revenue. NAIF may consider expected uncontracted revenue over the project life



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# Levering risk appetite to encourage other financiers

NAIF objective is to facilitate multi user infrastructure.  
Commercial Financiers may only consider foundation customer revenues. NAIF may take into account future customers that may begin operations after construction of project

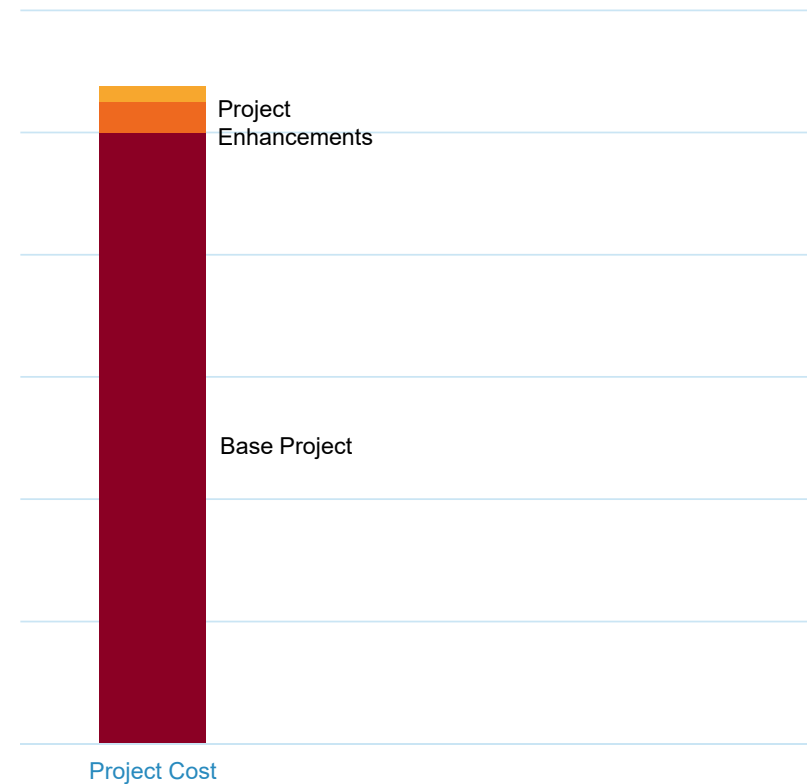
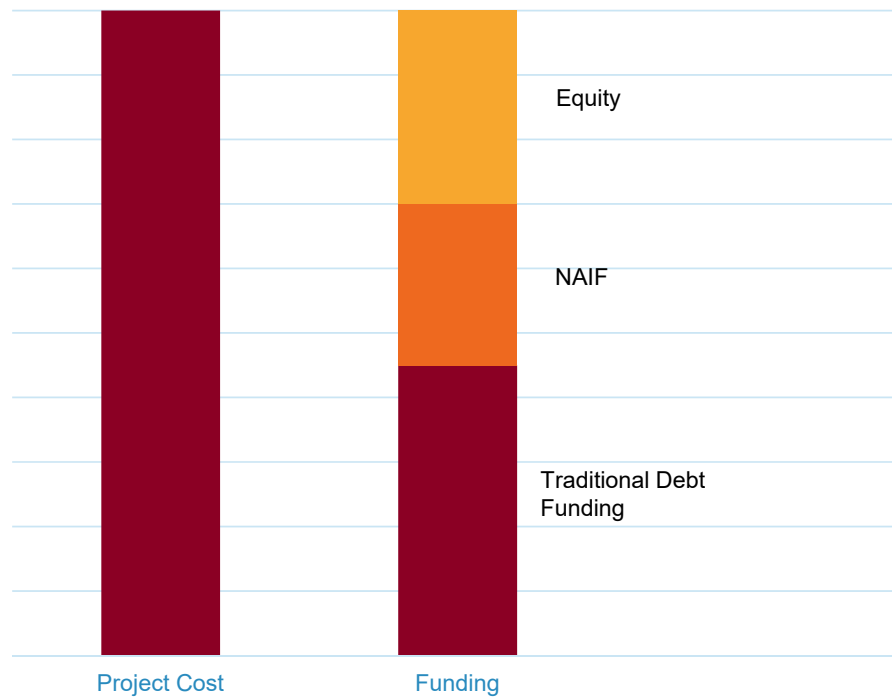


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# “Filling the Gap” Funding

Liquidity – insufficient debt market capacity  
Project life versus initial loan life

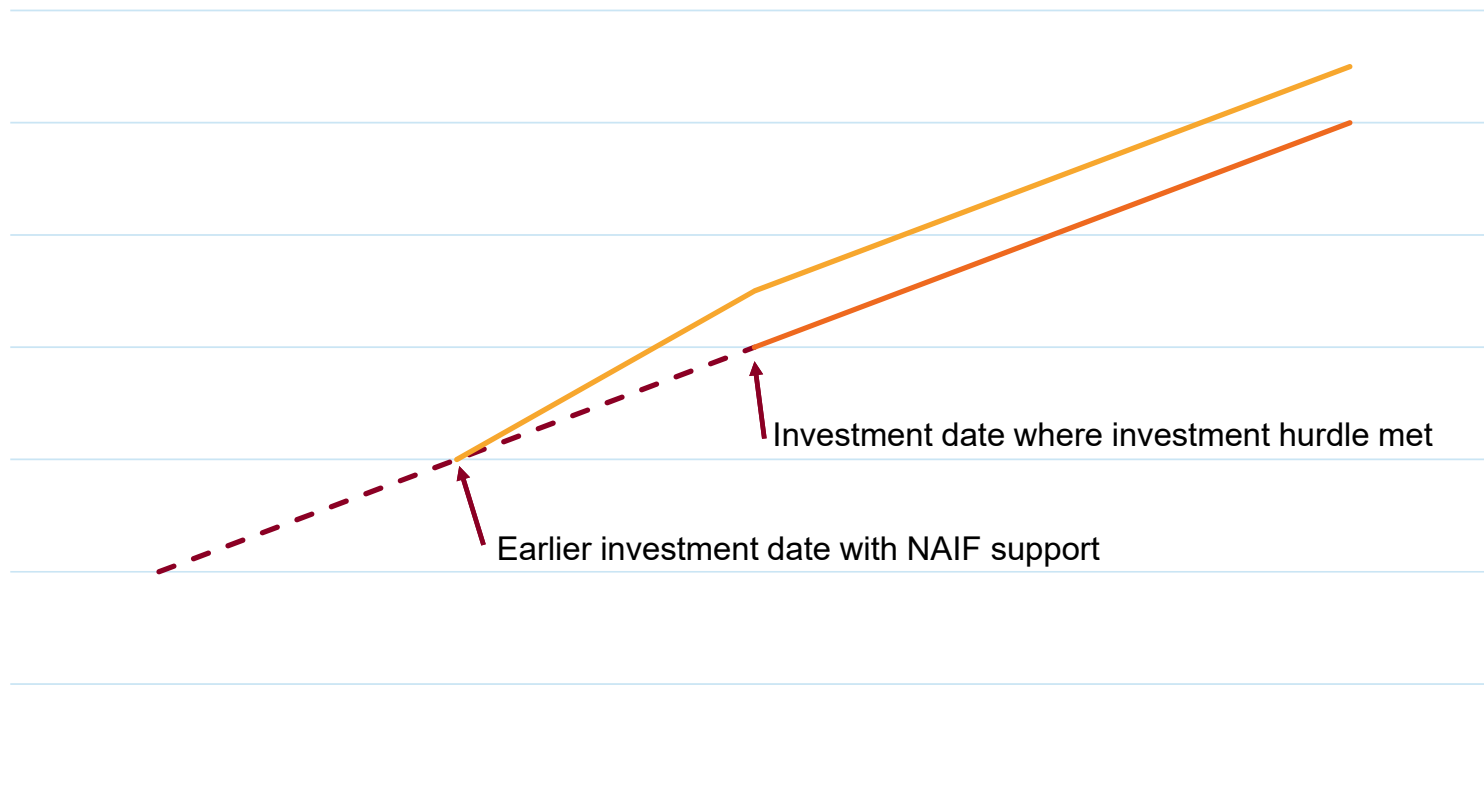
Enhance projects to provide community benefits  
where the incremental returns would not justify  
the additional investment by sponsor



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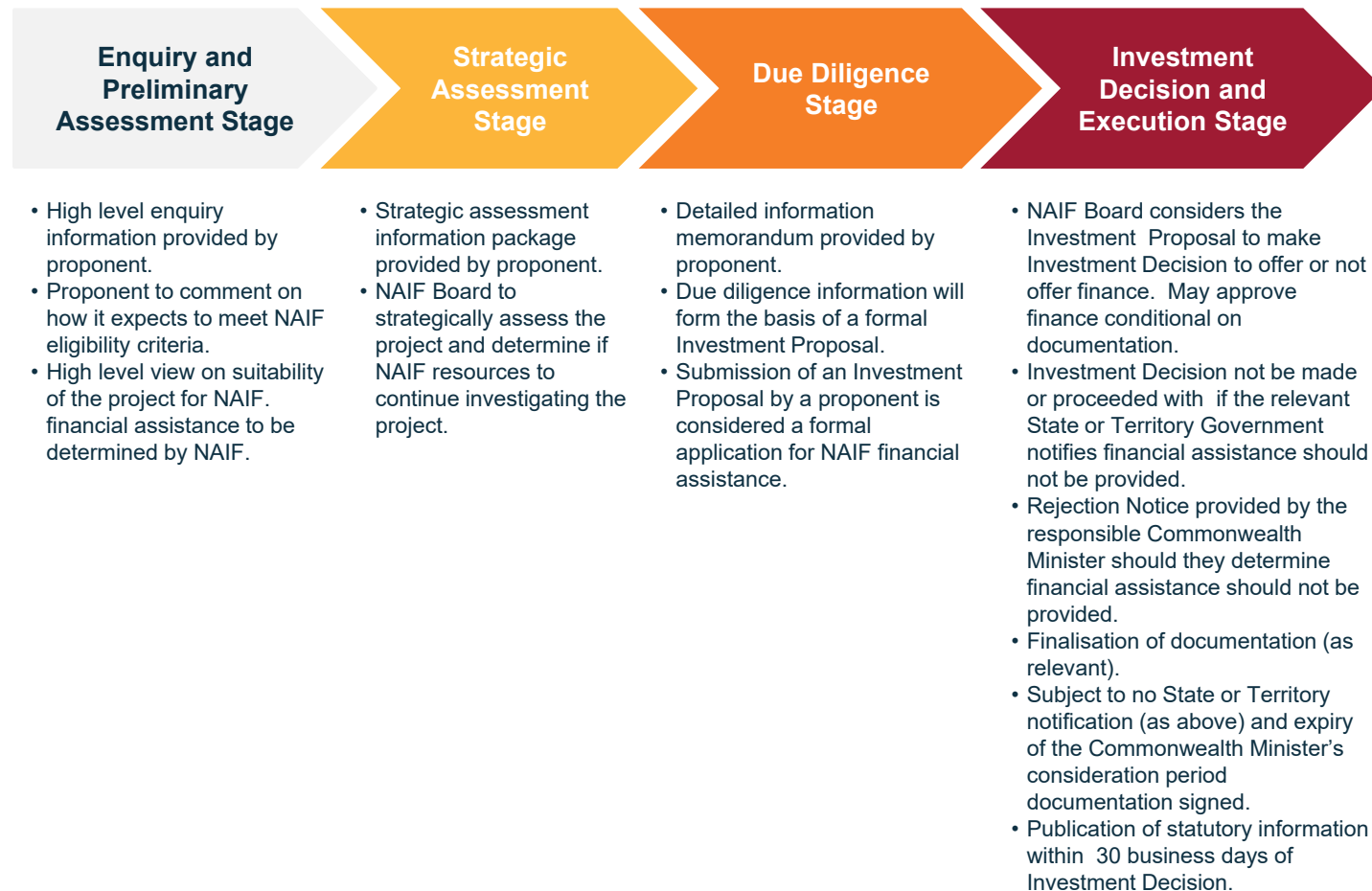
# Project Acceleration

Projects which can provide positive economic benefits prior to the date when a developer's return thresholds would be met



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# Application and Approval Process reflects evolving state of information



# Thank you

**Laurie Walker**  
Chief Executive Officer  
**Northern Australia Infrastructure Facility**  
P: 1300 466 243  
E: [naif@naif.gov.au](mailto:naif@naif.gov.au)



# Appendices



# Northern Australia Economic Infrastructure

## Section 3 of NAIF Act

“(1) objective of this Act is to provide financial assistance to the States and Territories for the **construction** of Northern Australia economic infrastructure

(2) **Northern Australia economic infrastructure** is **infrastructure** that:

- (a) provides a **basis for economic growth** in Northern Australia; and
- (b) stimulates **population growth** in Northern Australia” involve construction or enhancement of economic infrastructure

# Mandatory Criteria

## **To obtain NAIF finance projects must:**

- involve construction or enhancement of economic infrastructure
- be of public benefit
- be unlikely to proceed, or only at a much later date or with much limited scope, without NAIF assistance
- be located in, or will have a significant benefit for Northern Australia
- ensure that NAIF loan monies are not more than 50% of the project debt funding
- be able to repaid or refinanced i.e. it is not a grant
- include an indigenous engagement strategy

## **Non-mandatory criteria (Board is flexible):**

- NAIF financing is for an amount of \$50 million+
- an identified need for the proposed project