



Australian Government



Northern Australia Infrastructure Facility

Clayton Utz – Northern Australia Event

Northern Australia Infrastructure Facility

Ms Laurie Walker, CEO September 2017

www.naif.gov.au

Northern Australia a key contributor and well placed

UNTAPPED POTENTIAL

- **11.7% of GDP**
- **5.5% of Population**
- **40% of Australia's landmass - five times the size of France**
- **90% of Australia's gas reserves**
- Large agricultural and tourism opportunities close to Asia

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.
- Australia will receive over one million visitors per annum from Chinese nationals.
- Longstanding and recent FTAs across Asia



NAIF a brief history

“The facility will address gaps in the infrastructure finance market for northern Australia and is an integral part of the government's plan for northern Australia.”

	NAIF is seeking
<ul style="list-style-type: none">• Established 1 July 2016• \$5 billion of loans available for infrastructure development• Independent Board makes investment decisions• Strong collaboration with all arms of Government (Federal, States (WA and QLD) and Northern Territory)• Available for approval until June 2021(can be 30 year tenor)• NAIF aims to ‘crowd in’ private sector financiers• Can provide NAIF debt on concessional terms	Bankable infrastructure projects
	Proponent can be public or private sector (not NAIF)
	Capable of servicing a sustainable capital structure of debt and equity
	NAIF debt may be on concessional terms
	Aim to accelerate a project or enable a project that otherwise would not happen

NAIF's Vision

Transformation of Northern Australia

What does success look like for NAIF?

Infrastructure development

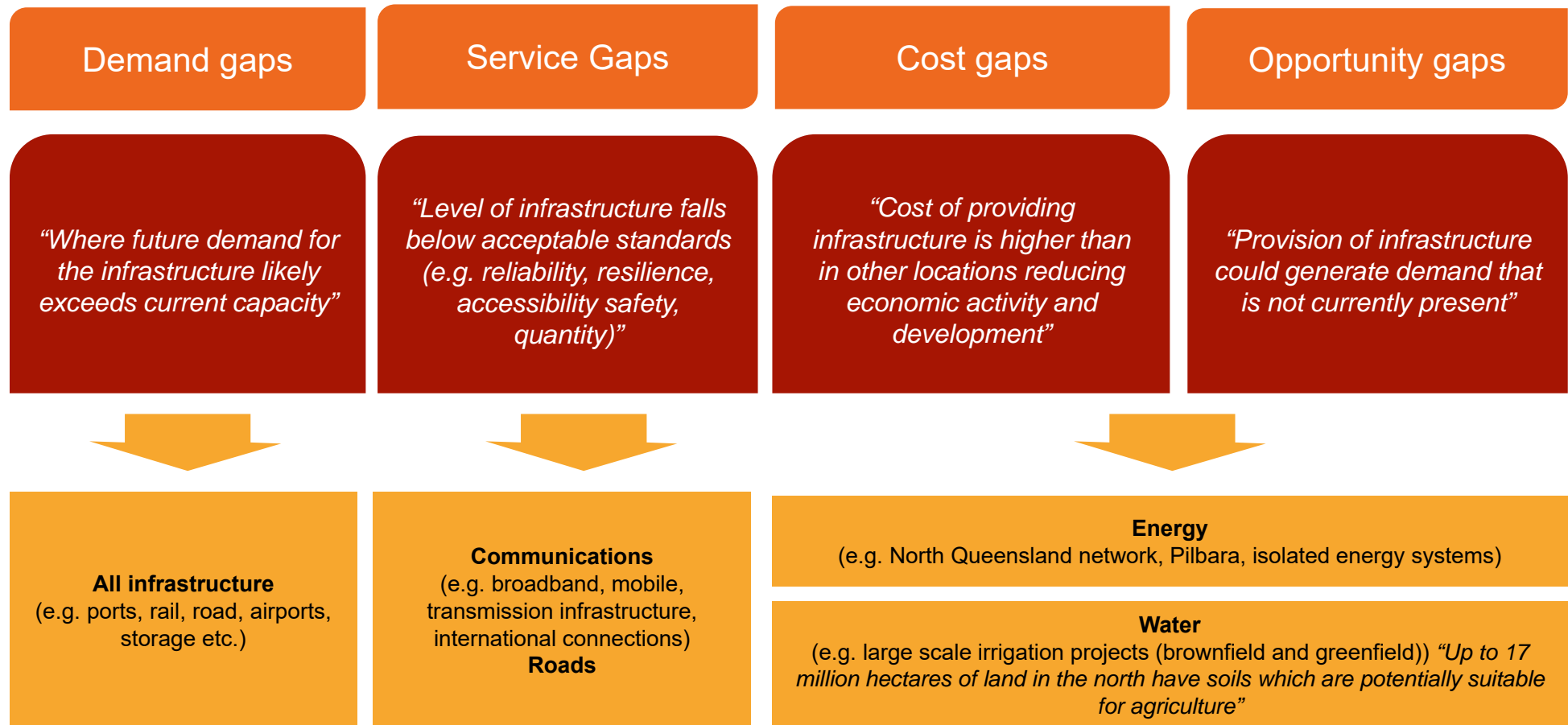
Generation of public benefit

Growth in population and economy of northern Australia

Greater participation of private sector finance in northern Australia

Sustainable Indigenous participation, procurement & employment

Types of infrastructure gaps NAIF is looking to help close



Types of infrastructure

Industry sectors

Minerals & energy

Agriculture

Tourism

Education

Types of infrastructure NAIF can support

Water assets

Rail

Roads

Airports

Energy

Communications

Seaports

Treatment,
Distribution,
Storage

Associated
cargo / storage
facilities

Generation,
Distribution,
Storage

Social
infrastructure
eg hospitals

Training or medical
research facilities

Marinas

- Project can incorporate infrastructure and non-infrastructure components. e.g. associated infrastructure for large-scale agricultural projects
- Single user, but preference for multi-user
- Greenfield projects and/or enhancements to infrastructure

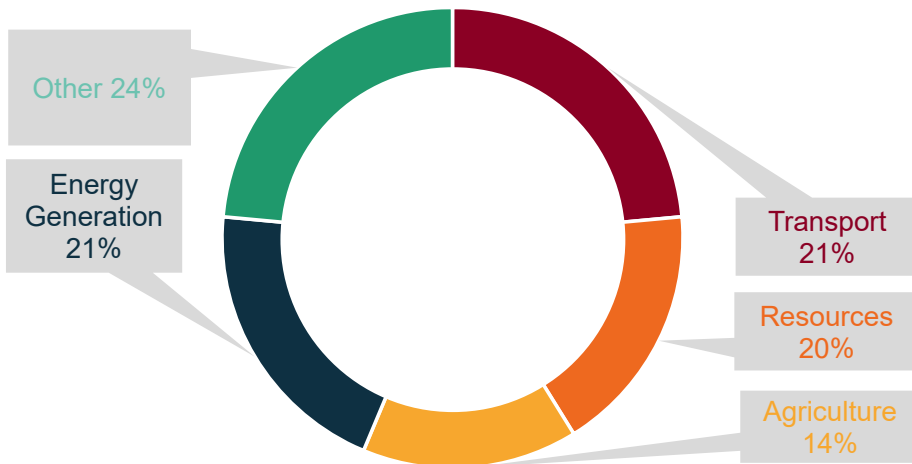


NAIF can meet financing challenges

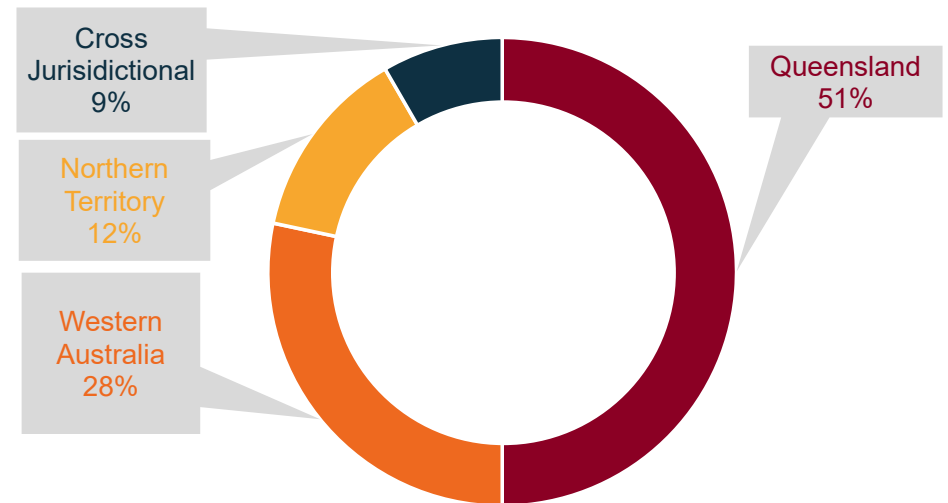
<p>Equity Capital</p>	<p>Can be domestic or foreign. NAIF does not provide equity.</p>
<p>NAIF Product: senior debt to 'quasi-equity'</p>	<p>Project must source at least 50% of infrastructure debt from private and/ or public sector financiers (e.g. lenders, bond market, export credit agencies or other (e.g. government grants))</p> <p>NAIF aim is to 'crowd in' private sector rather than compete</p>
<p>Gap Financier</p>	<p>NAIF financing is limited to the amount necessary to enable a project to proceed, or to proceed much earlier than it otherwise would.</p>
<p>Concessions (minimum required for a project to proceed)</p>	<p>NAIF can provide concessional terms, but concessions will have regard to the extent of the public benefit generated. Relative to other lenders financing terms may:</p> <ul style="list-style-type: none"> • Have longer tenors (up to 30 years) • Have lower interest rates (not below the Commonwealth bond rates) • Be more patient (e.g. extended periods for interest capitalisation or deferral of loan repayments) • Have different fee structures • Be subordinated in security or cash-flow.
<p>Mechanism</p>	<p>NAIF provides loans, with the project required to demonstrate the ability of the loan to be repaid or refinanced.</p>
<p>Size</p>	<p>Flexible - but preference for investments of \$50 million or more.</p>

Strong diversified pipeline of potential transactions

All enquiries by Sector



Active enquiries by region



NAIF Timeline

Ten transactions
in due diligence

First close targeted
ca Q3 CY2017



How does NAIF envisage it can help?

NAIF's concessions are a new way of supporting the North

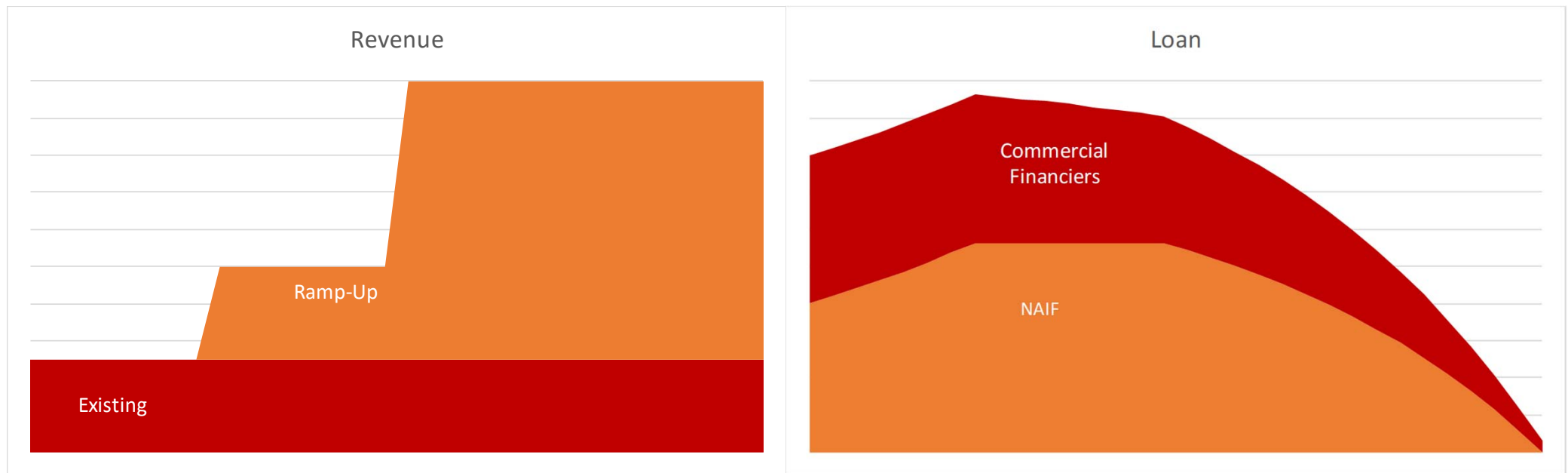
- Assist development of **new, more resilient** or **reliable supply chains**
- Assist in overcoming **diseconomies of scale** and **first mover disadvantage**
- Better use of infrastructure by encouraging **co-sharing, reducing costs, enhancing to create broader benefits, bring forward**
- NAIF's risk appetite has a high tolerance to factors that are unique to investing in Northern Australia infrastructure including but not limited to:
 - **distance**
 - **remoteness**
 - **climate**

Use risk appetite to encourage private sector participation by looking 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 of **end producer/off-taker**
- provide **liquidity to meet capital need**
- assist in **mixed infrastructure/non infrastructure projects** with NAIF infrastructure debt e.g. operating or production assets

Leveraging risk appetite to encourage other financiers

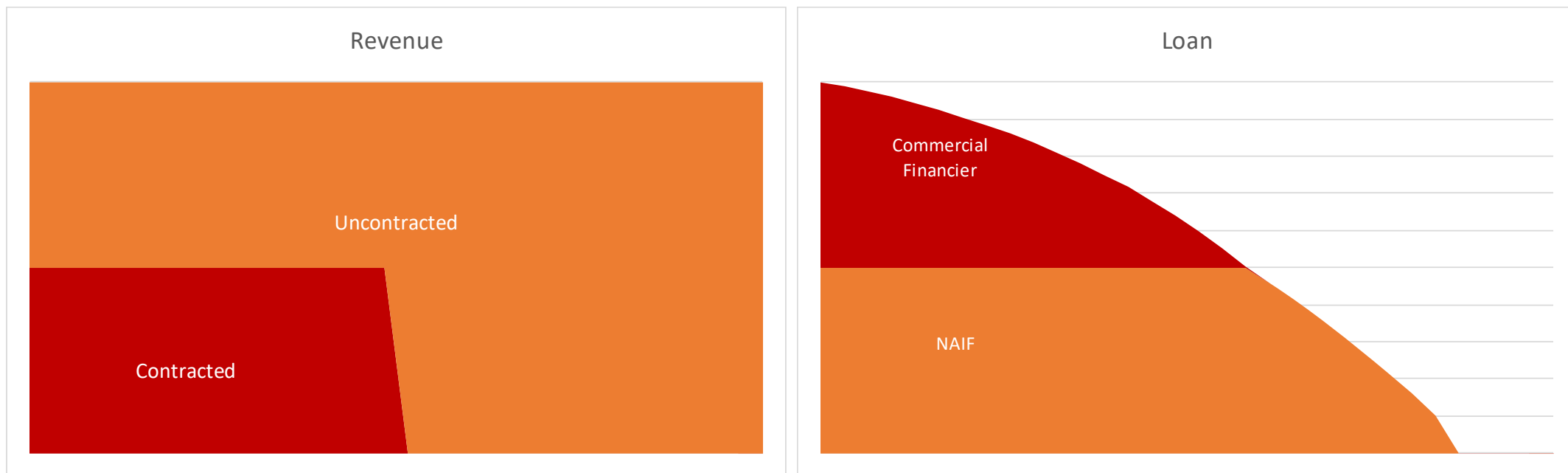
To support new market entrants and better match revenue ramp up and life cycle of new projects Commercial Financiers may want more certain revenues. NAIF may allow interest capitalisation and interest only periods during ramp up before repayment to support new market entrants.



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.

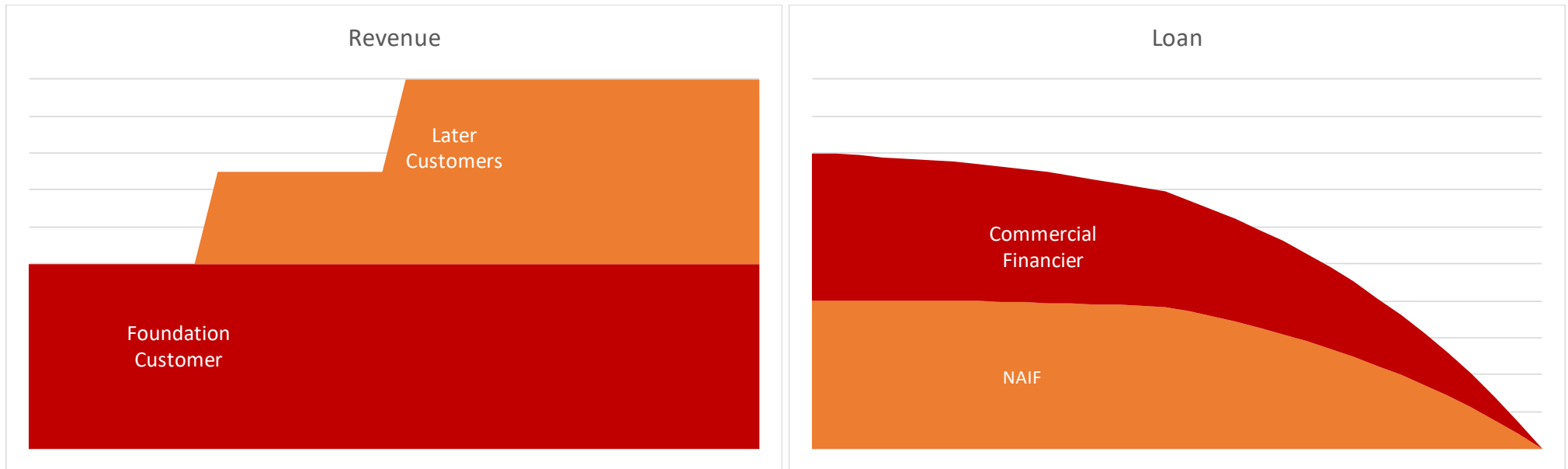


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Leveraging risk appetite to encourage other financiers

NAIF objective is to facilitate multi user infrastructure.

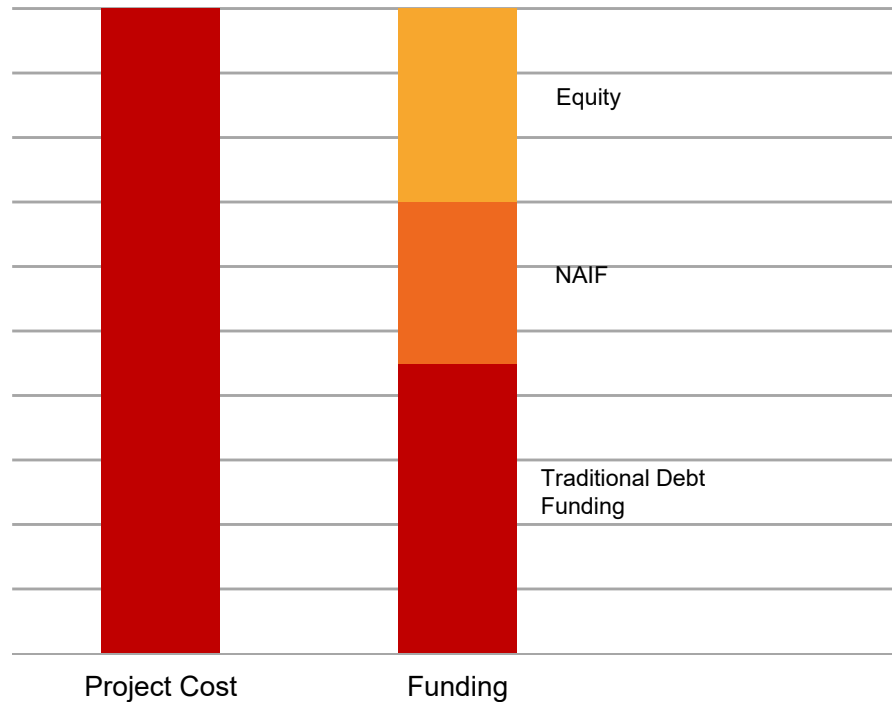
Commercial Financiers may only consider foundation customer revenues. NAIF may take into account future customers that may begin operations after construction of project.



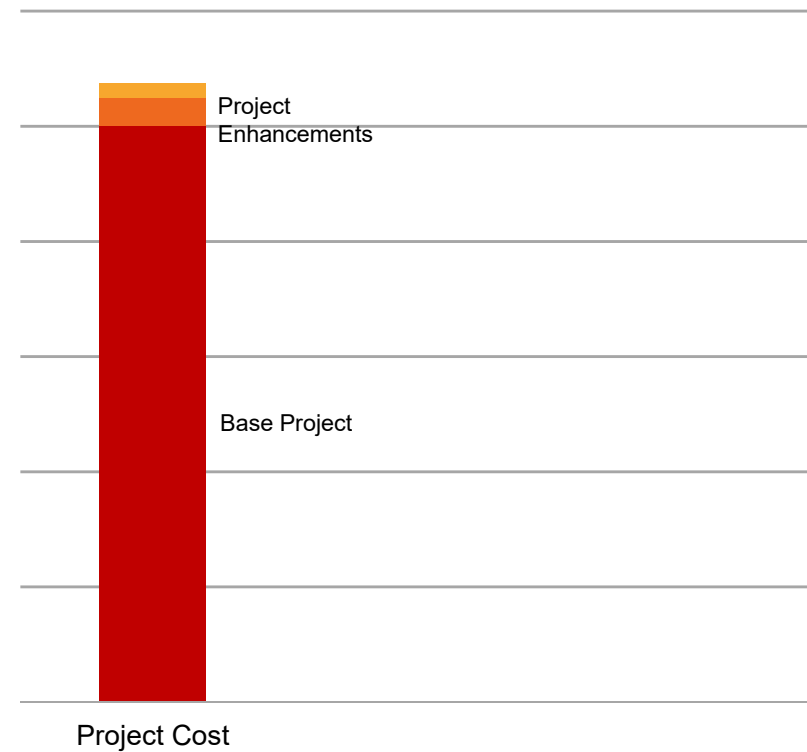
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“Filling the Gap” Funding

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



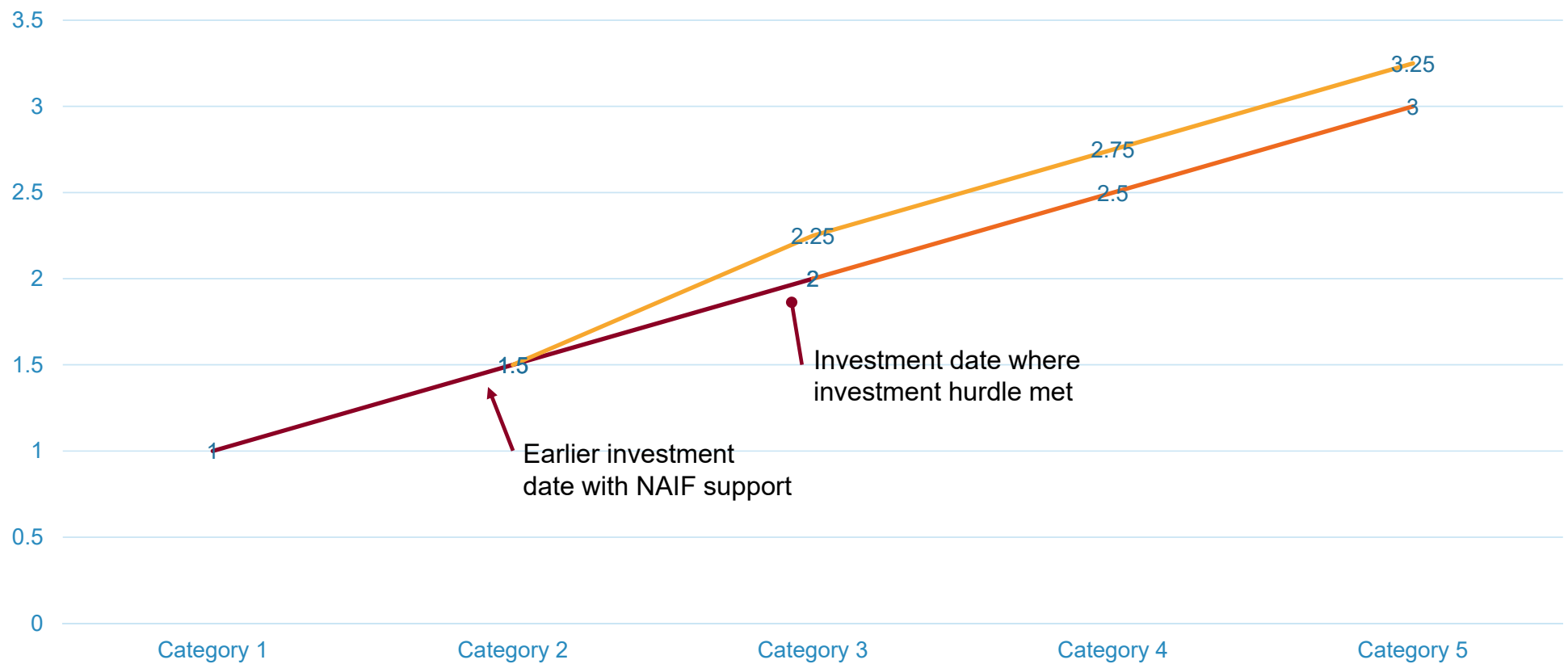
Enhance projects to provide community benefits
where the incremental returns would not justify the
additional investment by sponsor



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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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Thank you



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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

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	Hospitals					
	Training Facilities					
	Accommodation					

Application and Approval Process reflects evolving state of information

