



Australian Government



Northern Australia Infrastructure Facility

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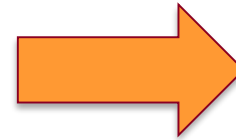
A partnership between the private and public sectors

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October 2017

www.naif.gov.au

Infrastructure is the enabler of economic growth



Opportunities for Growth

Social amenity

NAIF a brief history

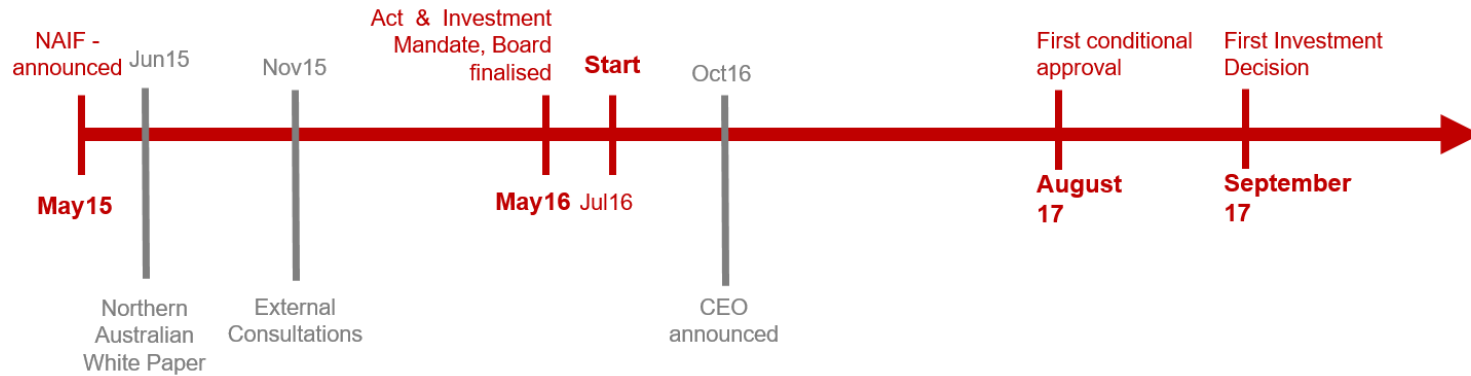
- Established 1 July 2016
- \$5 billion of loans available for infrastructure development
- Independent Board makes investment decisions
- Available for approvals until June 2021
- Can provide NAIF debt on concessional terms
- Strong collaboration with all arms of Government (Federal, States (WA and QLD) and NT)



**Development of
infrastructure in
Northern Australia**

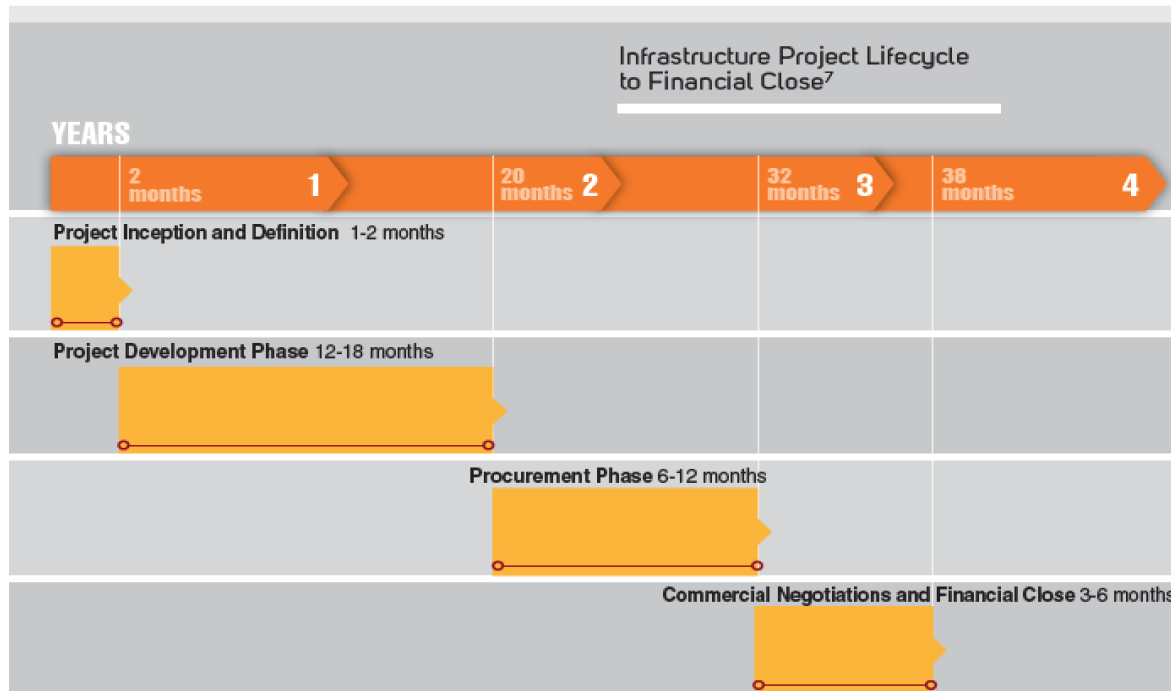
**'Crowd in Private
Sector financiers and
participants**

First Investment Decision September 2017 with more to come



First Investment Decision – Onslow Marine Support Base

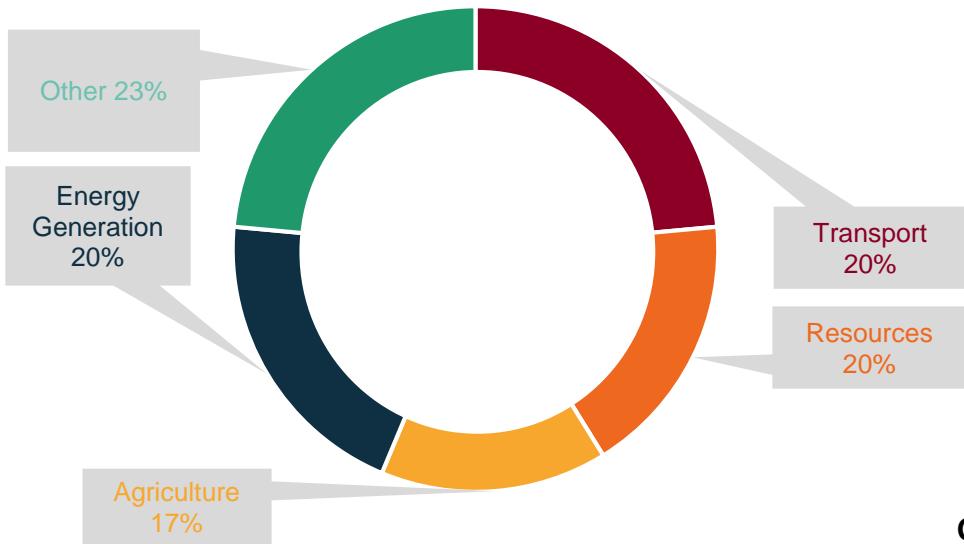
Ten projects in due diligence and execution



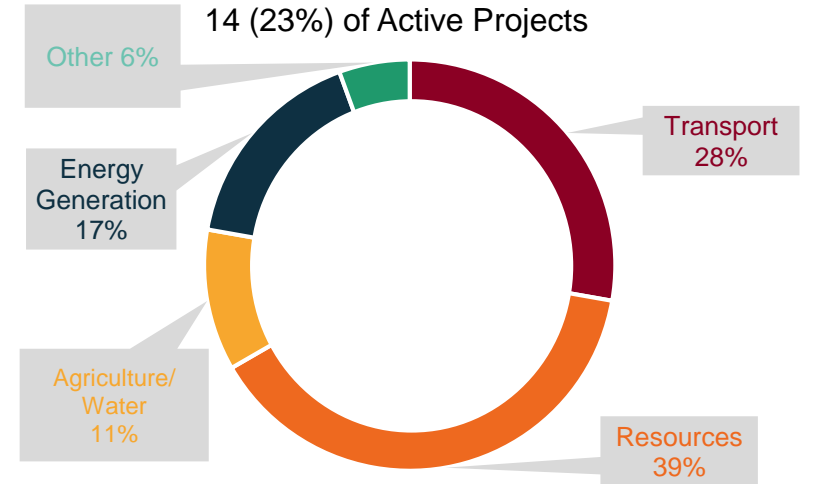
Projects:			
Northern Territory	Western Australia	Queensland	
2	3	5	
Sectors:			
Renewables	Transport	Resources	Tourism
3	4	2	1
30%	40%	20%	10%
Total median value: \$300 million			

Strong diversified pipeline of potential transactions

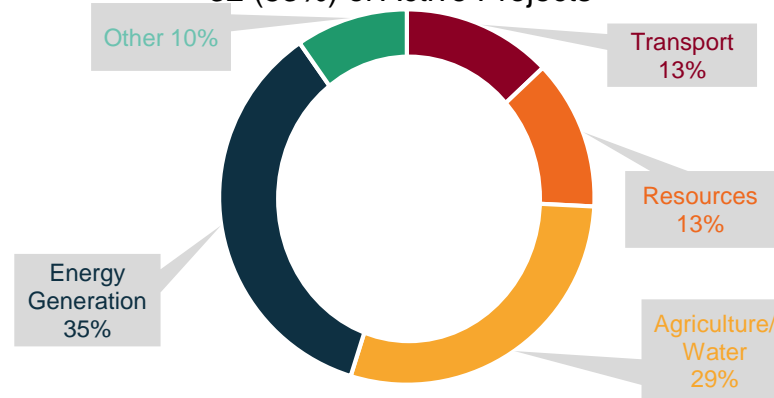
All enquiries by Sector (140)



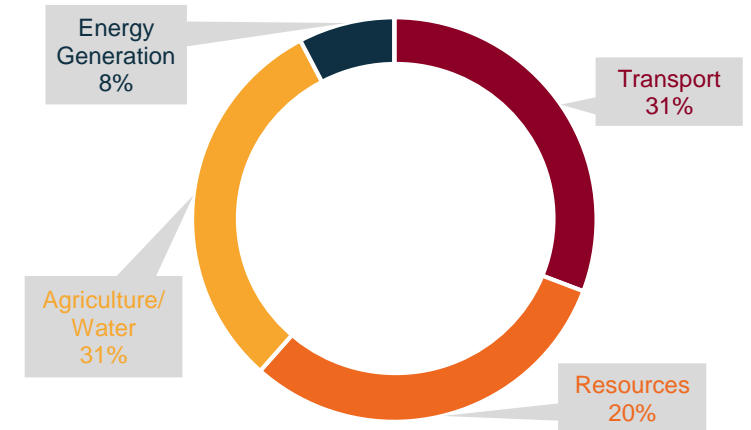
Western Australia
14 (23%) of Active Projects



Queensland
32 (53%) of Active Projects



Northern Territory
10 (17%) of Active Projects



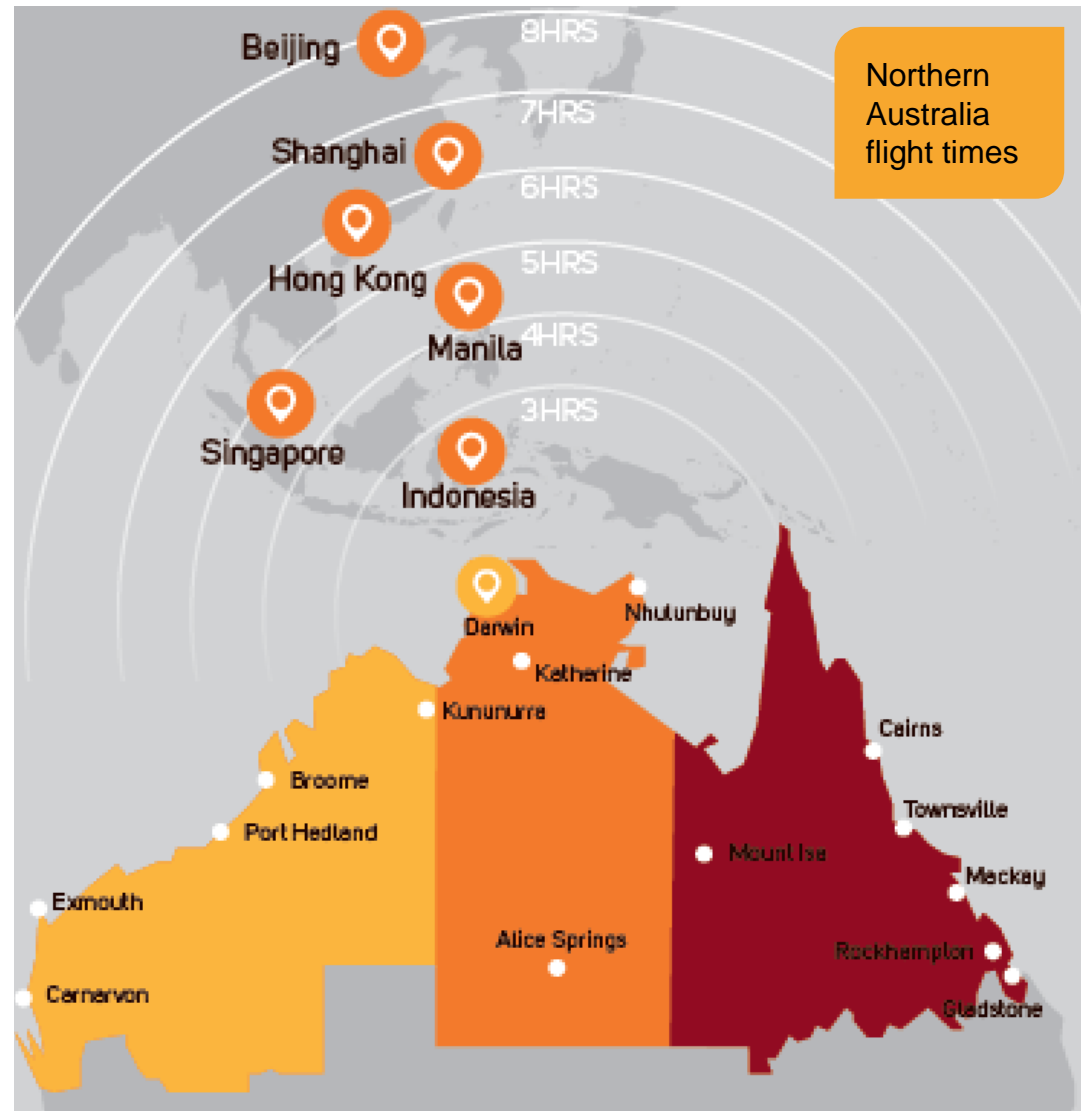
Northern Australia a key contributor and well placed

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



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, bringing forward**
- NAIF's risk appetite has a high tolerance to factors that are unique to investing in Northern Australia infrastructure including :

- Remoteness
- Distance
- Climate / seasonality
- Population / usage numbers

- Timeframe
- Construction
- Ramp up
- Technology

Types of infrastructure

Industry sectors

Energy & minerals

Agriculture

Tourism

Education



Types of infrastructure NAIF can support

Water assets

Rail

Roads

Airports

Energy

Communications

Seaports

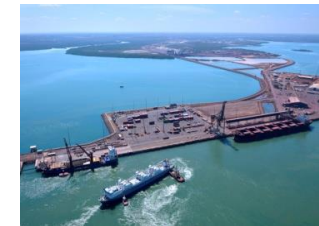
Treatment, Distribution, Storage

Associated cargo / storage facilities

Generation, Distribution Storage

Training 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 projects

So what does a NAIF project look like?

Proponent can be a public or private sector entity

Business case largely developed

'Bankable', with a revenue stream, capable of servicing some debt and equity

But may not meet return hurdles with bank debt terms, without NAIF concessions

NAIF loan will accelerate a project or enable a project that otherwise would not happen

NAIF project requirements

Equity Capital

- Can be **domestic** or **foreign**. NAIF does not provide equity or fund feasibility studies.

NAIF Product: senior debt to 'quasi-equity'

- **At least 50% of financing from private and/ or public sector financiers** eg lenders, bond market, export credit agencies or other such as government grants/loans.
- NAIF aim is to **'crowd in' private sector rather than compete.**

Gap Financier

- **Amount necessary to enable a project to proceed**, or to proceed much earlier than otherwise would

Concessions

With regard to public benefit generated

- **Longer tenors** (up to 30 years)
- **Lower interest rates** (not below the Commonwealth bond rates)
- Ramp up and life cycle consideration, **different risk allocation.**
- **More patient** (e.g. extended periods for interest capitalisation, deferral of loan repayments)
- **Different fee structures**
- **Subordinated** in security or cash-flow.

Mechanism

Must **demonstrate ability for the loan to be repaid or refinanced.**

Size

Flexible - preference for **investments of \$50 million or more but not mandatory.**

How does NAIF stimulate investment?

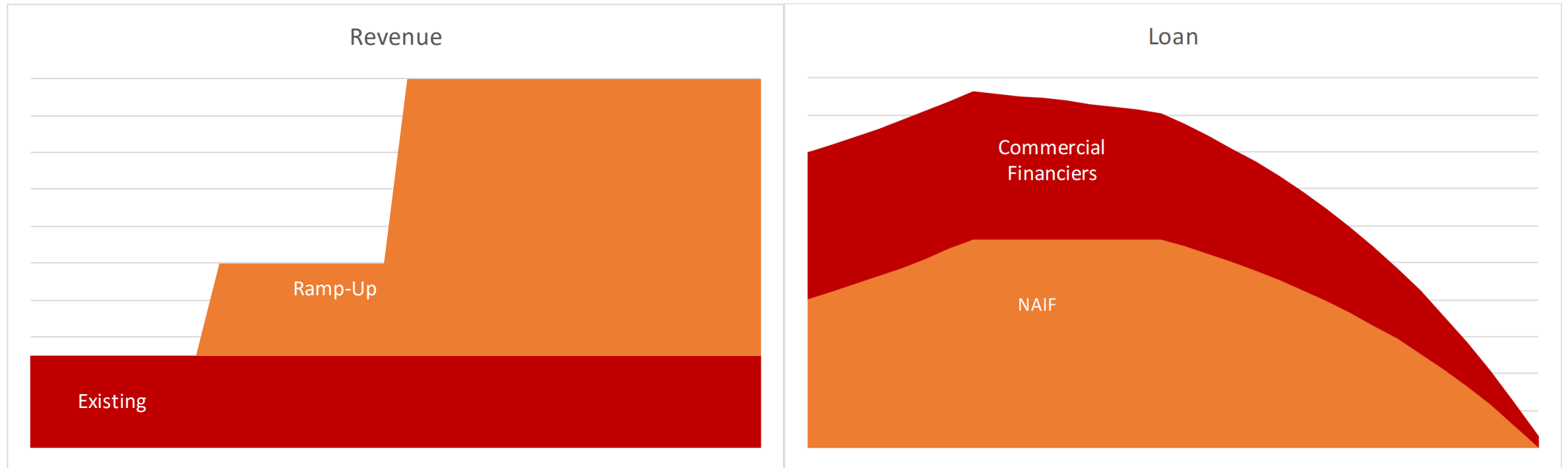
NAIF uses long term view of infrastructure and risk appetite to encourage private sector participation

1. better match **revenue ramp up and life cycle of new projects** with debt servicing
2. absorb **merchant risk** where uncertain utilisation/ pay back period
3. Considering **current versus future growth** expectations
4. **Foundation versus future** users of infrastructure
5. **Residual value**
6. assist in **mixed infrastructure/non infrastructure projects** with NAIF infrastructure debt
e.g. operating or production assets

NAIF can seek **conditional approval** before final equity and debt raising, to crowd in the private sector

Leveraging risk appetite to encourage other financiers

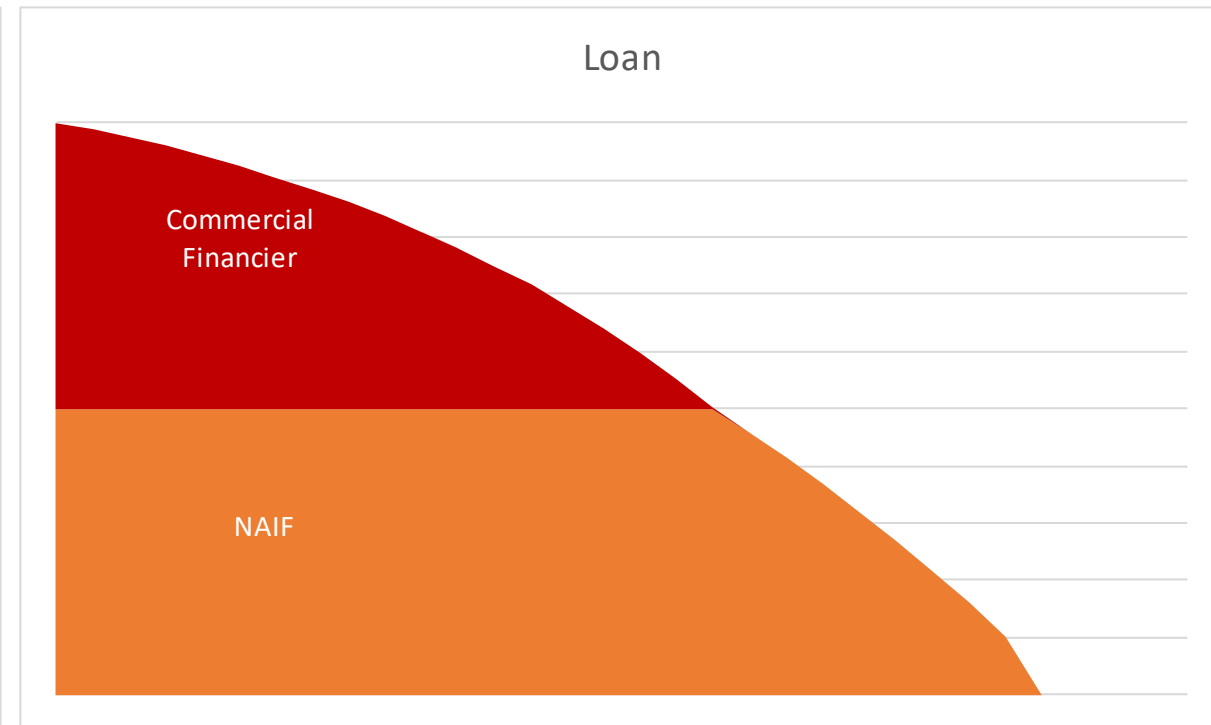
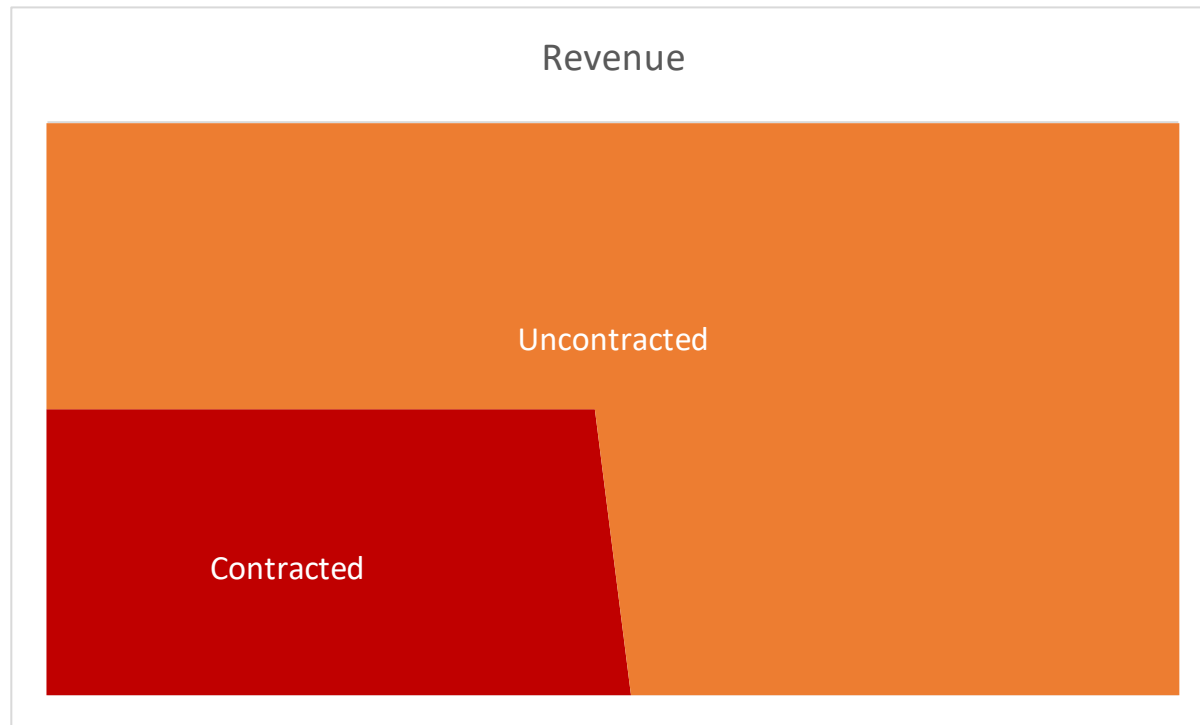
To support new market entrants and better match revenue ramp up and life cycle of new projects Commercial Financiers may want more certain revenues. NAIF may allow interest capitalisation and interest only periods during ramp up before repayment to support new market entrants.



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.

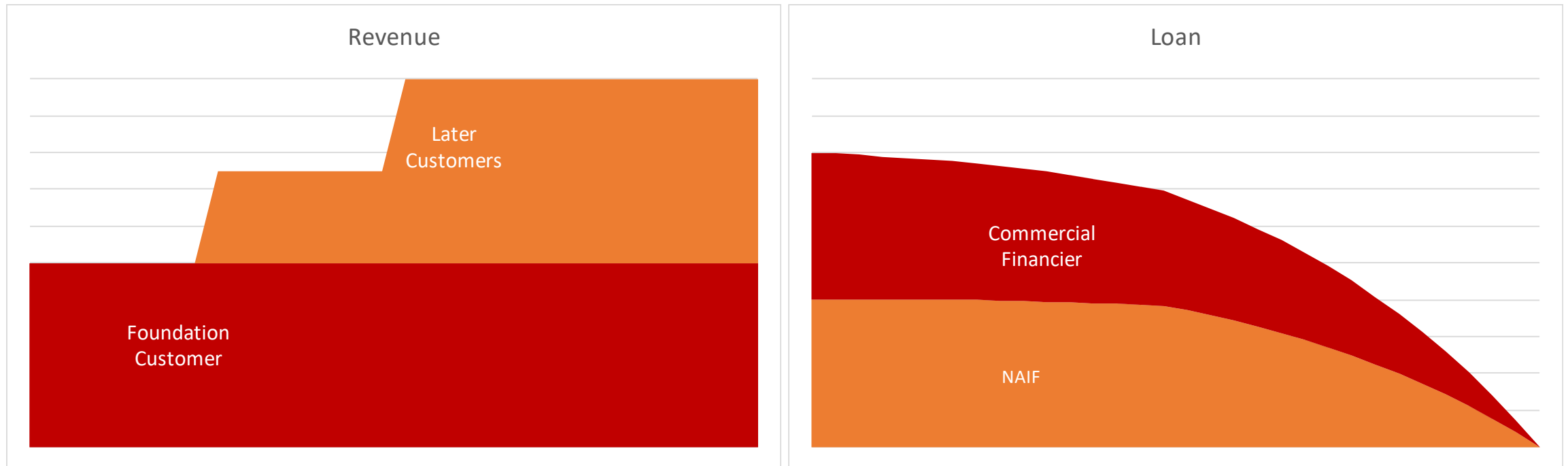


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Leveraging risk appetite to encourage other financiers

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.



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

How to engage?

1. Initial approach
2. Provision of high order information about project.
3. Strategic assessment / indicative term sheets
4. Due diligence process
5. Investment decision

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

Thank you



Australian Government



Northern Australia Infrastructure Facility

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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