



Australian Government



Northern Australia Infrastructure Facility

# Queensland Transport Infrastructure Conference Economic Opportunities for Australia in developing our North

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

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# NAIF- Key Facts

“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.”

- 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 NT)
- Available for approval **until June 2021** (can be nearly 30 year tenor)
- NAIF aims to ‘**crowd in**’ **private sector** financiers

NAIF is seeking

Infrastructure projects

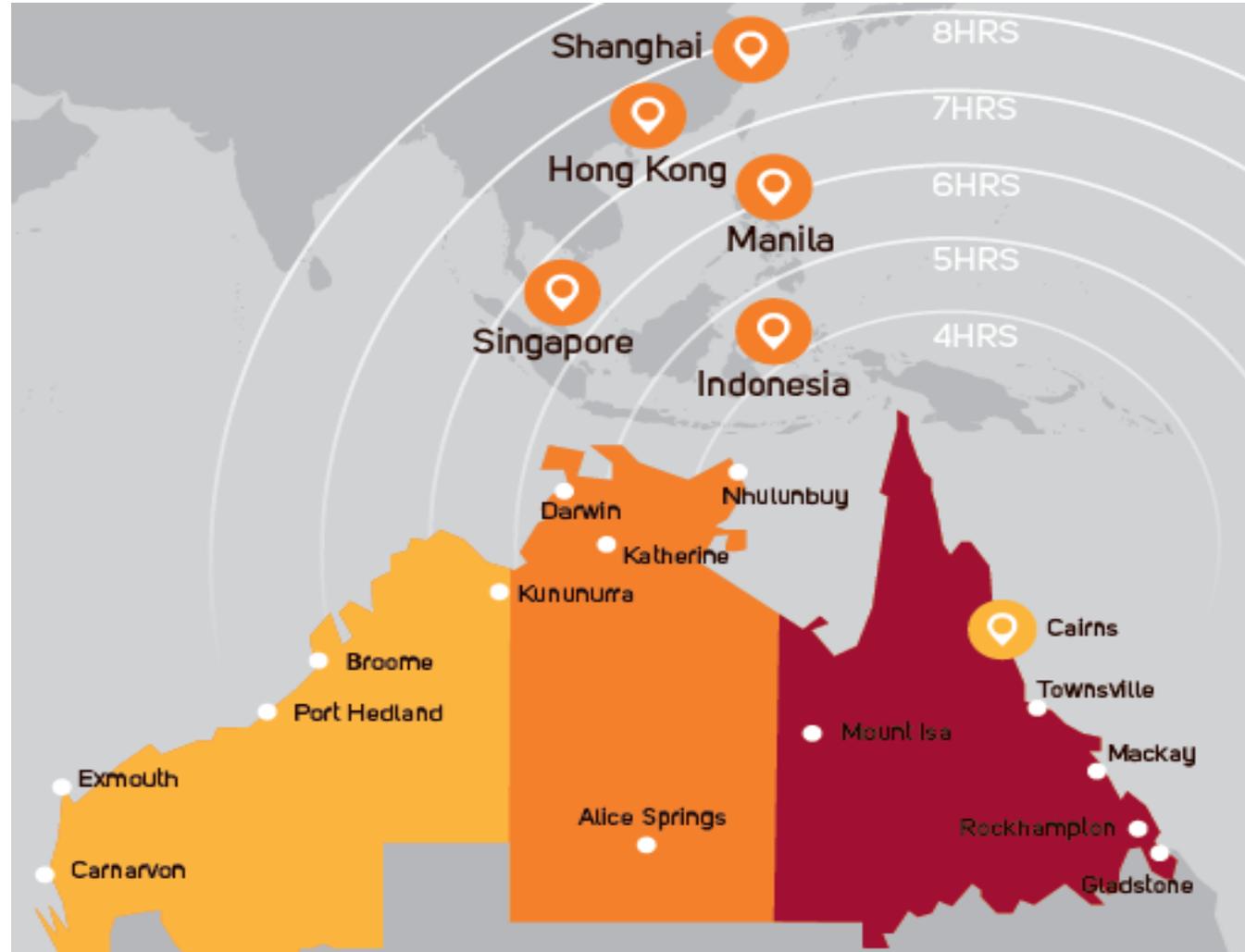
To enable or accelerate project delivery

Broad economic and social public benefit

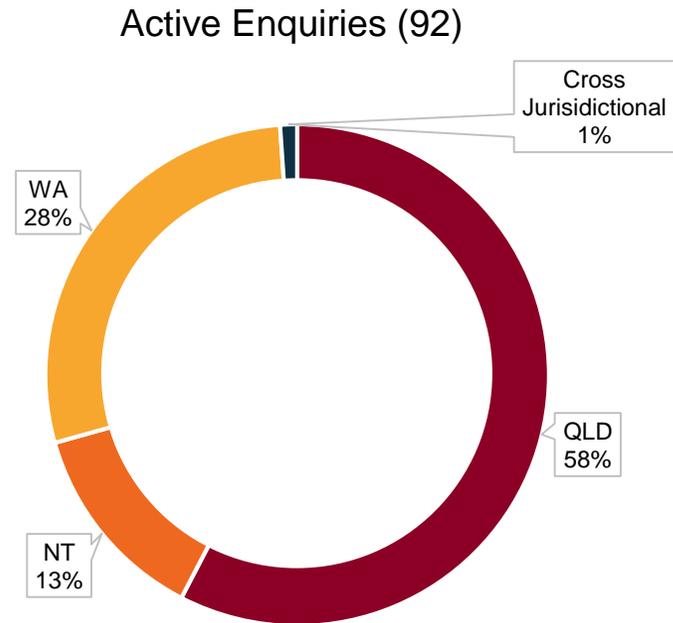
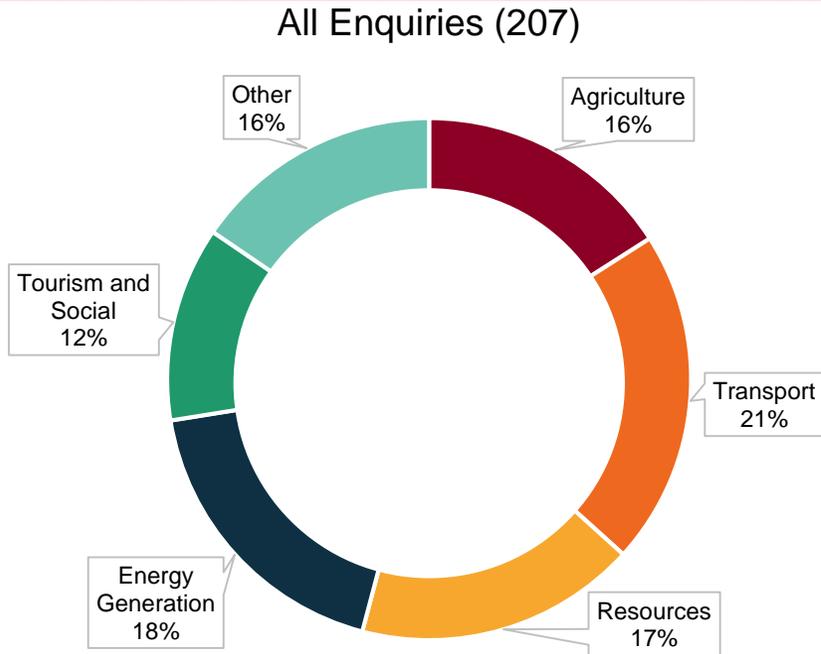
Can assist with higher risks and need for concessional terms

Must be capacity to repay NAIF finance and service equity

# Northern Australia



# Strong diversified pipeline of potential transactions



## Pipeline

21 projects in due diligence

4 Conditional Approvals

1 Investment Decision

## Projects in Due Diligence

	Northern Territory	Queensland	Western Australia
	7	8	6
Sectors			
Renewables and Energy	4	6	4
Transport	4	5	2
Manufacturing			
Resources			
Tourism and Social			

# New Investment Mandate: Streamlined Eligibility Criteria

Five rather than seven mandatory criteria. Removed all non-mandatory criteria.

The project must:

1. Involve the construction or enhancement of infrastructure
2. Be of public benefit
3. Be located in, or have significant benefit for, northern Australia
4. Be able to repay or refinance NAIF's debt
5. Have an Indigenous Engagement Strategy

# New Investment Mandate: Broader reach

*“NAIF able to consider a broader range of infrastructure to better reflect the needs of regional and remote areas in northern jurisdictions”*

## Eligible

## Key Amendments announced 18 April 2018

- **Foundational Infrastructure now included**
- **Must bring new capacity on line**
- **Multi user capacity (now or during expected life) relevant**

The Board is satisfied the project incorporates (in whole or in part) construction or enhancement of physical structures, assets (including moveable assets) or facilities which are associated with:

- a) the transport or flow of people, goods, services or information; or
- b) the establishment or enhancement of business activity in a region; or
- c) an increase in economic activity in a region, including efficiency in developing or connecting market; or
- d) an increase in population.

# Infrastructure to support all new key sectors for the North

## Industry sectors – wide range of eligible asset types

Minerals & Energy	Agriculture	Tourism	Education	Medical	Transport
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## Types of infrastructure NAIF can support

Water assets	Rail	Roads	Airports	Energy including renewables	Communications
Treatment, Distribution, Storage	Associated cargo / storage facilities	Generation, Distribution, Storage	Training or medical research facilities	Marinas	
Transhipment vessels	Processing facilities	Abattoirs and agriculture processing plants	Social infrastructure and health facilities	Seaports	



# New Investment Mandate : Significantly more flexible

*“Improved NAIF ability to support and accelerate projects that deliver growth opportunities to northern jurisdictions”*

## Key Amendments announced 18 April 2018

### Amount of Debt NAIF can finance

NAIF can now lend up to 100% of debt for eligible projects, which removes the 50 per cent cap on NAIF debt financing.

### Risk sharing

Must be reasonable allocation of risk between NAIF and other finance sources.  
Commonwealth (as a whole) not to be majority risk taker ( ie  $\leq 50\%$  of project equity).

### Project size - no minimum

It is now clear NAIF can consider smaller projects (subject to their economics), where they meet other criteria – non mandatory references to size have been removed.

### Board assesses the gap test

NAIF continues to encourage private sector financing through NAIF’s participation in a project. It will rely on the Board’s commercial expertise to determine whether a project could proceed without NAIF assistance.

### Non-mandatory criteria removed

NAIF must still consider a preference for projects that address an infrastructure need through a Commonwealth, State or Territory assessment process, pipeline or priority list.

# Other NAIF Financing Features

<b>Financial Assistance</b>	Loan or alternative financing mechanism. Qld, WA or NT lender of record.
<b>Concessions (minimum required for a project to proceed)</b>	NAIF funds not a grant but terms can be highly <b>concessional</b> . Will have regard to the extent of the <b>public benefit</b> generated. Relative to other lenders financing terms may: <ul style="list-style-type: none"><li>• Have <b>longer tenors</b> (up to nearly 30 years)</li><li>• Have <b>lower interest rates</b></li><li>• Be <b>more patient</b> ( eg <b>longer interest capitalisation, interest only periods</b>)</li><li>• Offer <b>tailored loan repayment</b> schedules</li><li>• Be <b>subordinated</b> on cash-flow or security basis</li></ul>
<b>Proponent</b>	<b>Can be private or public sector.</b> NAIF not a sponsor.
<b>Equity Capital</b>	Can be <b>domestic</b> or <b>foreign</b> ownership. NAIF does not provide equity or feasibility funding.
<b>Non-NAIF Debt</b>	NAIF can partner with other financiers both public and private. NAIF aim is to <b>complement</b> private sector rather than <b>compete</b> with it.

# How does NAIF envisage it can help?

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

### Use risk appetite to:

- better **match revenue ramp up and life cycle of new projects** with debt servicing
- absorb element of **merchant or user risk** where uncertain utilisation/ pay back period
- mitigate **project cost premium**
- scale up **technology**
- take some credit risk of **end producer/off-taker**
- provide **liquidity to meet capital need**

# Examples

## Structuring

Aligning debt principal and interest payments with long term project cash flows

## Stretching the Infrastructure Dollar

Providing a concession to support an expanded infrastructure build

## Expanding Debt Envelope

Managing a broader risk profile, increasing gearing and lowering cost of capital

## Cost of Capital

Utilising a component of NAIF debt to lower average cost of debt

## Liquidity

Adding to debt market capacity where market unable to “fill the debt envelope”

# First Investment Decision WA – Onslow Marine Supply Base (OMSB)

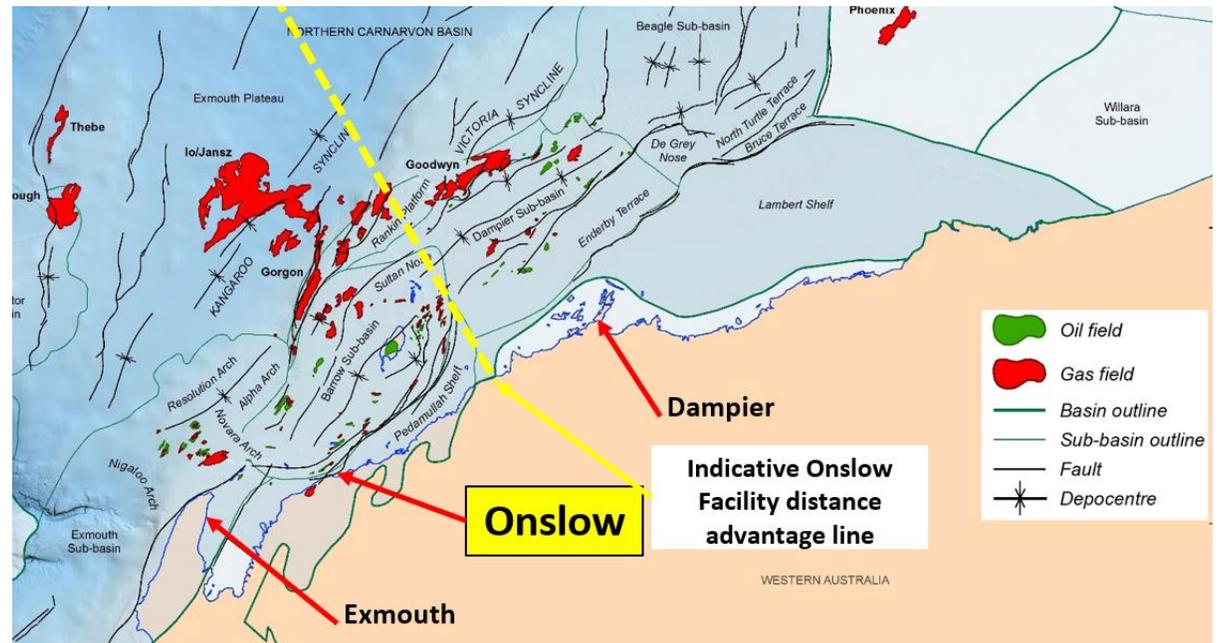
**Goods/services involved:** Development of a marine supply facility including wharf and harbour expansion

**Location:** Beadon Creek Onslow, Western Australia

**Amount of NAIF loan:** up to \$16.8m

**Investment Decision:** September 2017

**Financial Close:** Expected May 2018



NAIF Investment will **accelerate and bring forward construction**. Expansion may have been **delayed 3-5 years** whilst OMSB built up capital.

NAIF provided **critical funding for this gap**, for a state / national strategic project.

OMSB report NAIF has been **professional and rigorous in their approach**, to understanding and then backing the project.

# Thank you



**Australian Government**



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