



Australian Government



Northern Australia Infrastructure Facility

Developing Northern Australia Conference

Financing Infrastructure Development as an Enabler of Growth

Laurie Walker
Chief Executive Officer
18 June 2018

www.naif.gov.au

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

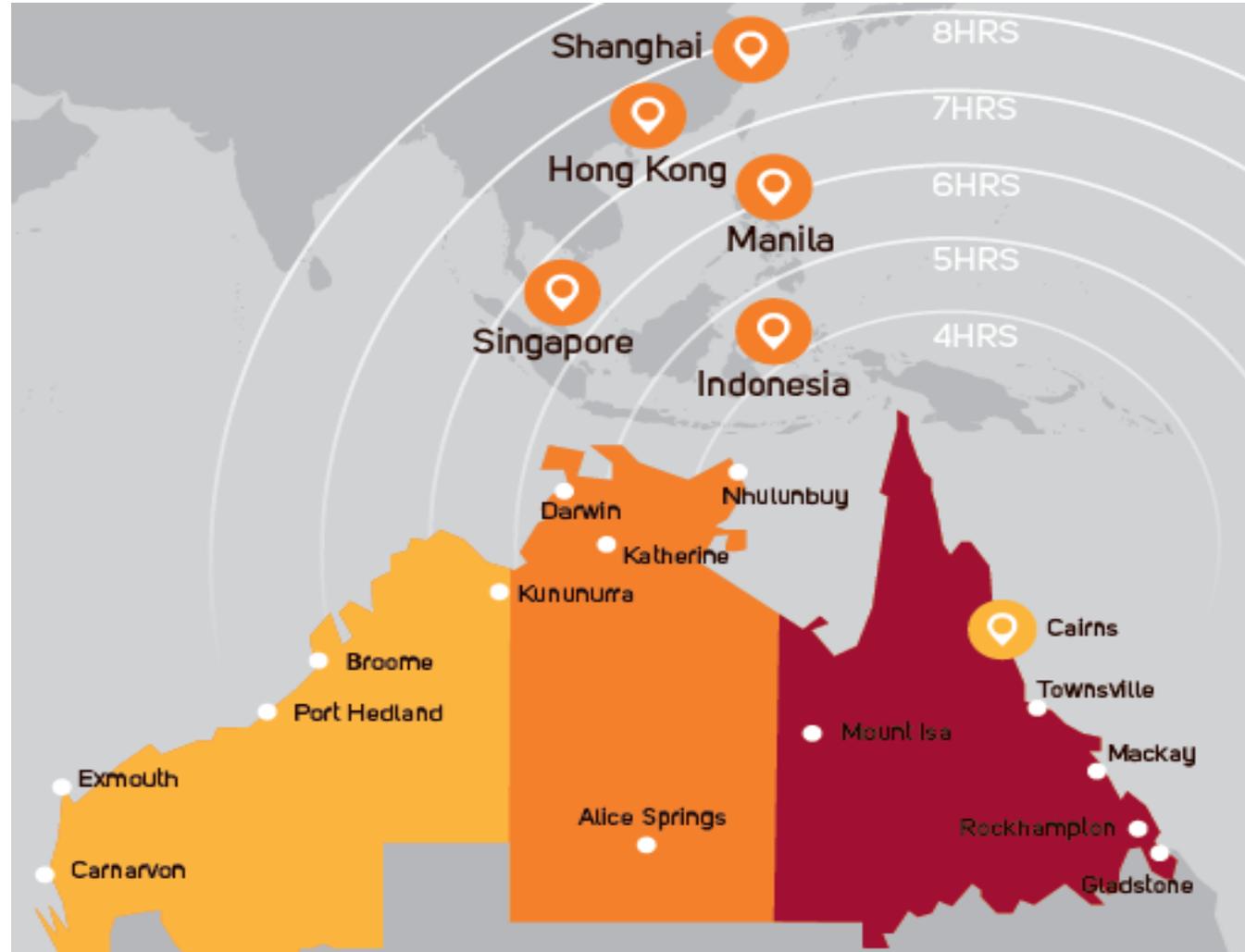
To enable or accelerate project delivery

Broad economic and social public benefit

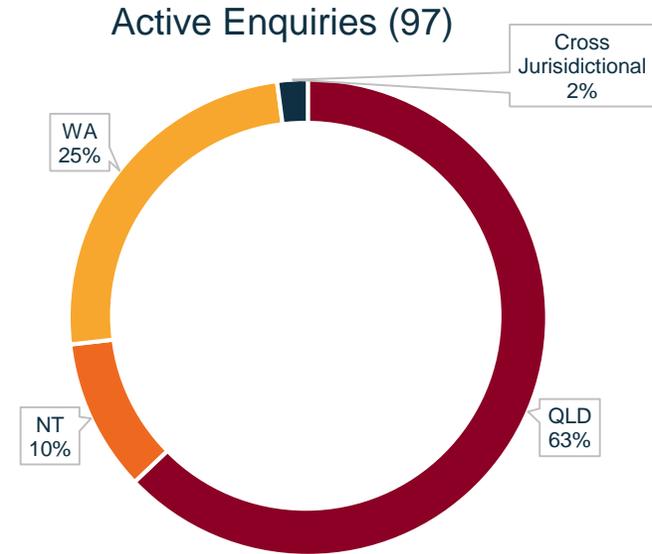
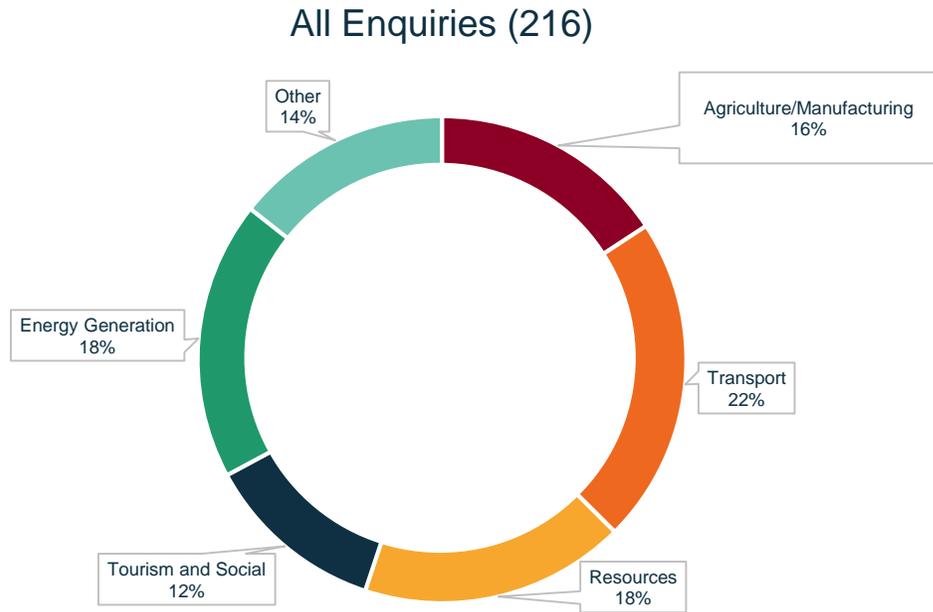
Can assist with higher risks and need for concessional terms

Must be capacity to repay NAIF finance and service equity

Northern Australia



Strong diversified pipeline of potential transactions



Pipeline

18 projects in due diligence

3 Conditional Approvals

2 Investment Decisions*

Projects in Due Diligence

Projects in Due Diligence				
Northern Territory	Queensland	Western Australia		
4	8	6		
Sectors				
Renewables and Energy	Transport	Manufacturing	Resources	Tourism and Social
4	7	2	3	2

*As at 3 May 2018

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

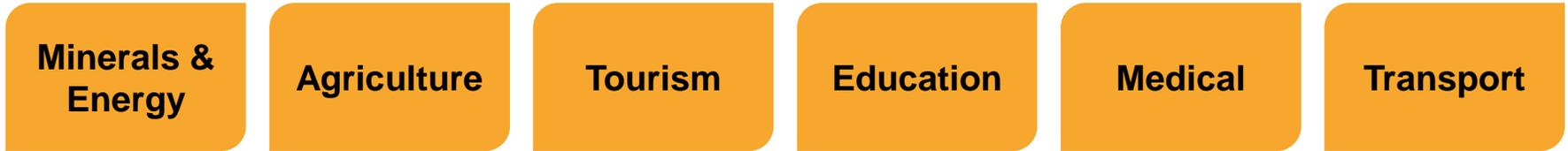
- **Foundational Infrastructure now included**
- **Must bring new capacity on line**
- **Multi user capacity (now or during expected life) relevant**

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:

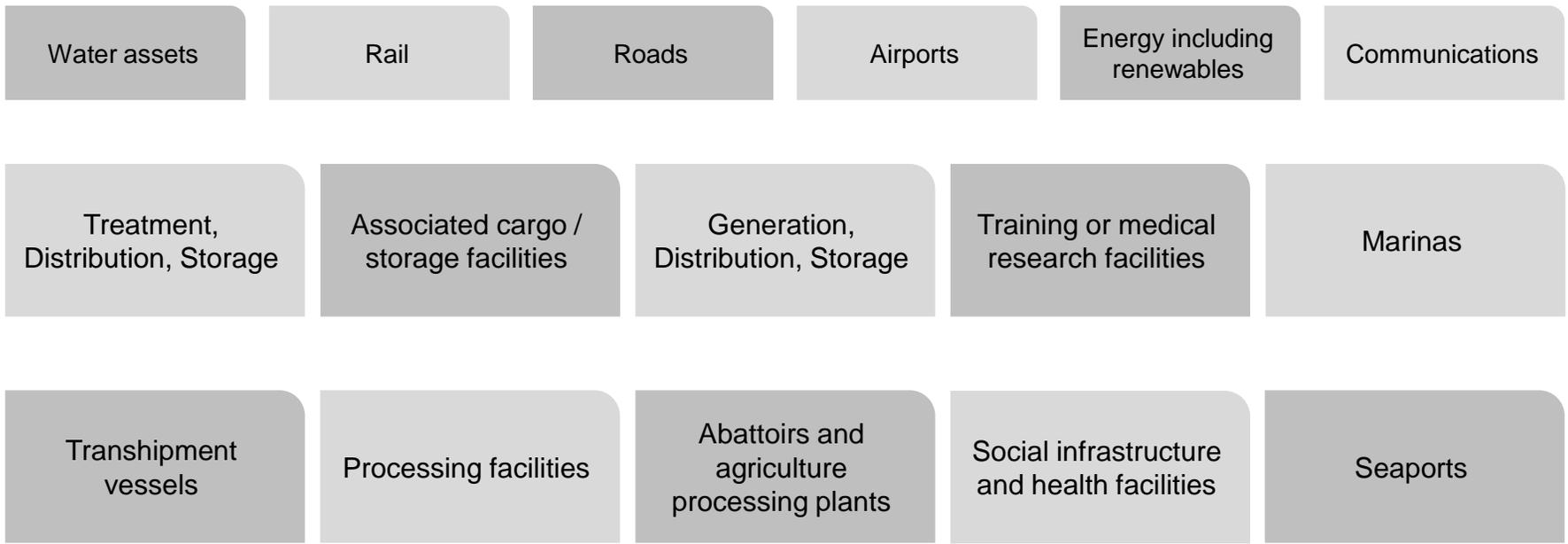
- a) the transport or flow of people, goods, services or information; or
- b) the establishment or enhancement of business activity in a region; or
- c) an increase in economic activity in a region, including efficiency in developing or connecting market; or
- d) an increase in population.

Infrastructure to support all new key sectors for the North

Industry sectors – wide range of eligible asset types



Types of infrastructure NAIF can support



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 (i.e. $\leq 50\%$ 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

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

Indigenous Engagement

Mandatory Criterion 5 – Indigenous Engagement Strategy (IES)

All Proponents **must** provide a strategy which sets out objectives for **Indigenous participation, procurement and employment** that reflect the Indigenous population in the region of the proposed Project

Supports the Commonwealth's broader agenda to improve the lives of Indigenous Australians.

An IES is **mandatory** for all proponents.

NAIF carries out due diligence on each IES to independently verify content.
The NAIF Board is responsible for endorsing/accepting an IES.

IES must be:

- Sustainable in the long term
- Make a valuable contribution to the local population

Proponents must report against objectives in their IES.

NAIF monitors these outcomes over time.

Indigenous Engagement

Mandatory Criterion 5 – Indigenous Engagement Strategy (IES)

All Proponents **must** provide a strategy which sets out objectives for **Indigenous participation, procurement and employment** that reflect the Indigenous population in the region of the proposed Project

Opportunities to leverage NAIF concessions for long term benefits – e.g. out to nearly 30 year loan facility

Employment & Participation example

Work Ready programs
Literacy and numeracy
Health and social
support

Traineeships
Apprenticeships
Vocational Training
Retention Programs

Long term employment
Engagement and
opportunity
Skilled workforce

NAIF Loan period

Procurement example

Opportunity for start ups
Joint venture potential
Increasing Indigenous
employment

Scale up
opportunities
Capacity building
and support for
business growth

Wealth creation
Experienced and
sustainable
business
Competitive

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

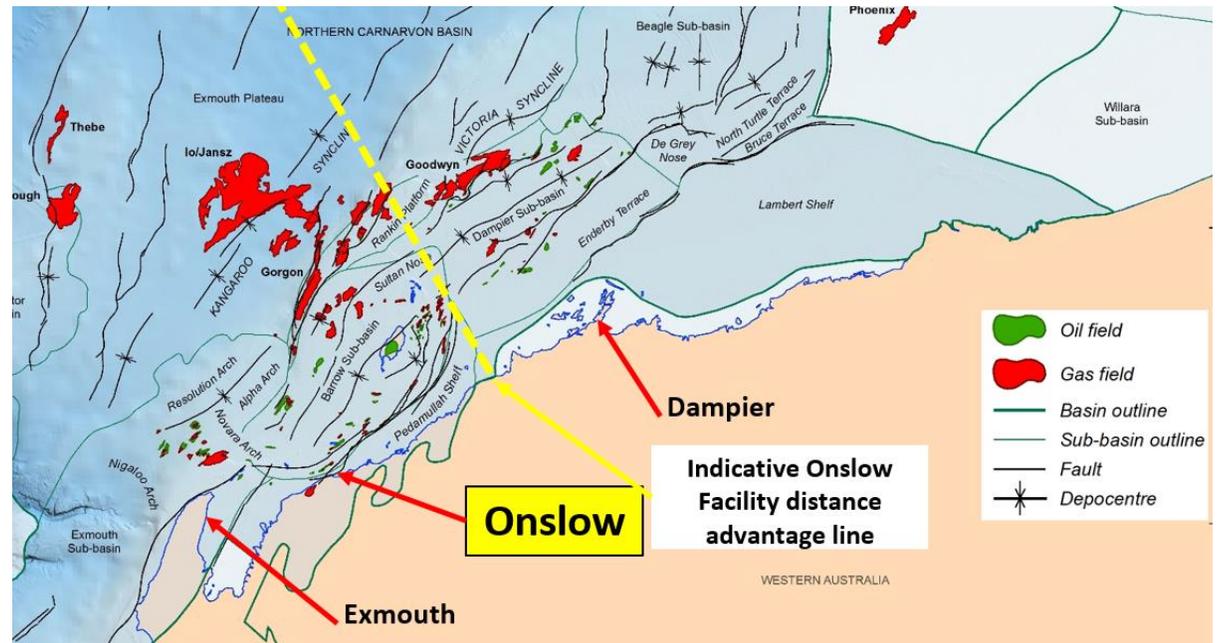
Goods/services involved: Development of a marine supply facility including wharf and harbour expansion

Location: Beadon Creek Onslow, Western Australia

Amount of NAIF loan: up to \$16.8m

Investment Decision: September 2017

Financial Close: June 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.

Second Investment Decision NT – Humpty Doo Barramundi Farm (HDB)

Goods/services involved: Solar farm, medium fish nursery and processing equipment

Location: Northern Territory

Amount of NAIF loan: up to \$7.18m (first of 3 stages with potential of up to \$30m)

Co-funded in partnership with ANZ (who also have the potential to invest \$30 million over the 3 stages) with overall capital value of \$60 million across the 3 stages.

Investment Decision: May 2018

Public Benefit:

- Generation of approximately 50 local jobs over the 3 stages which will double HDB farm employees (approx. 20 jobs in stage 1 and from 50 to 100 employees by Stage 3)
- Generating renewable energy from the solar farm, reducing demand on aging natural gas fired power stations and assisting the Northern Territory to meet its 50% renewable energy target
- Enabling medium sized fish to be sold to other barramundi farms and assist in developing their barramundi growing business



Without the NAIF loan, infrastructure investment on the farm would not have been possible in the short term. NAIF has provided HDB with the opportunity to **fast track investment**, enabling northern Australia to be firmly recognised as the leading supplier of premium saltwater farmed barramundi.

Thank you



Australian Government



Northern Australia Infrastructure Facility

Northern Australia Infrastructure Facility

P: 1300 466 243

E: naif@naif.gov.au