

# *Pacific Hydro Australia's Leading Renewable Energy Company*



## *Why the world needs renewable energy*

- CO2 emissions have increased by one third since the beginning of the industrial era.
- A 60% cut in global greenhouse gas emissions is needed to avoid catastrophic climate change. The developed world, via mechanisms such as Kyoto Protocol and AP6, has set targets to reduce greenhouse emissions by by 2010. In some countries, reduction targets can be up to 15% total energy requirements.
- Global electricity consumption is predicted to grow 85 % by 2030.
- By 2040, half of the world's energy could come from renewable sources. Reliance on wind and hydro run of river energy will continue to increase.
- If unabated, the current effects of global warming could imply around US\$ 300 billion in environmental damage by 2050.

Source: Pacific Hydro projections, EWEA, GWEC

# Who we are

## Pacific Hydro Pty Ltd.

Pacific Hydro Pty Ltd. is an Australian company and leader in electricity generation based on renewable sources.

Pacific Hydro owns operations and development assets in **Australia, Chile, Philippines, Fiji, USA and Brazil**. The main assets comprise run of river power plants, wind farms and geothermal development.



# Who are our owners

## IFM

Industry Funds Management, is one of the major pension investment funds in Australia, participating in areas like **Infrastructure**, **Private Capital Funds** and **Fixed Return Funds**. IFM has total funds under management of approximately **USD 5.4 billion**. IFM is part of a larger group, IFS, which has a total fund pool of approximately USD\$28 billion

Pacific Hydro is 100% owned by IFM, representing the pension funds of ordinary Australian workers.

In infrastructure, IFM participates in areas like **Electricity** and **Gas**; Airports, highways, telecommunications and social Infrastructure.



*Our vision:  
Powering a cleaner world*

*Our mission:  
To produce electricity  
through the innovative  
commercialization of  
renewable energy sources*



# *Pacific Hydro: long term objectives*

- Pacific Hydro is Australia's leading renewable energy company. Its long term objectives are:
  - 5 million tonnes reduction in greenhouse gas.
  - 1800 MW of projects in operation or development around the world.
  - US\$1 billion of investment in new energy projects over the next 5 years in Chile alone.



# Pacific Hydro worldwide

- Pacific Hydro is a global leader in renewable energy development

- The company has established its operations in Chile as a business platform for Latin America.

- Pacific Hydro is well established in Chile, is investing in the Brazilian wind market and is studying further opportunities in Latin America.



## *Chile is our business platform for Latin America*

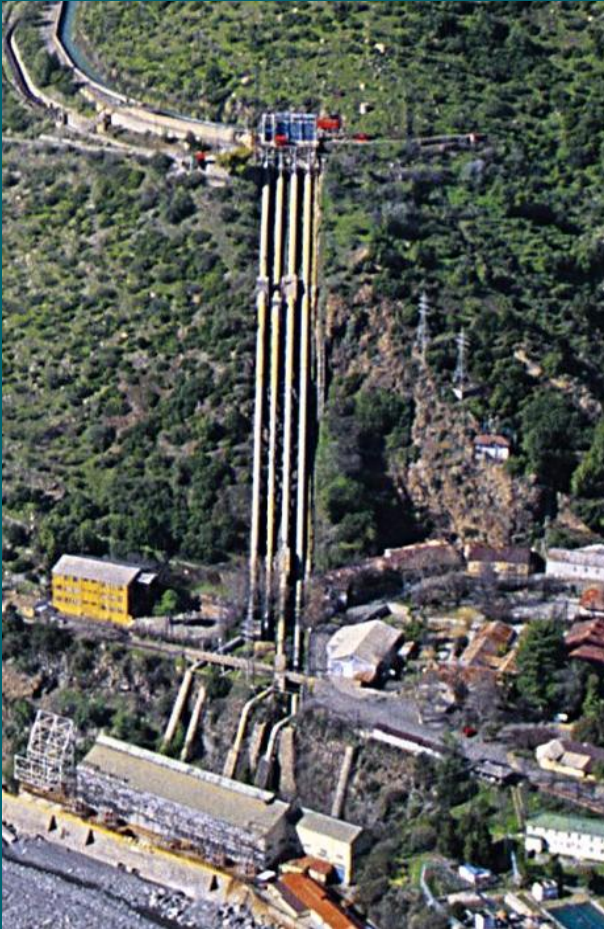
Pacific Hydro came to Chile in 2002 because it recognized Chile's vast resources and the opportunity to develop renewable energy projects.

We established operations in Chile based on:

- Availability of long term renewable resources
- Stable regulatory framework
- Economical and political stability
- Open and competitive energy market
- Growing energy consumption rates



## *Our experience in Chile*



- 2002 - Pacific Hydro opened its office in Santiago and acquired up to 400 MW of water right options for the development of Run-of-River hydro's in the Tinguiririca Valley, Region VI
- 2004 - April: Acquisition of 76 MW of Run-of-River hydro power plants, Coya and Pangal also in Region VI. In addition, 600MW of water rights in the Cachapoal Valley were secured with this acquisition for Run-of-River hydro development
  - June: JV agreement (50-50) with SN Power to develop Tinguiririca Run-of-River hydro projects. The first project to be developed was the 155MW La Higuera
  - December: Purchased Tinguiririca water rights

## *Our experience in Chile*



- 2005 - Commenced Cachapoal valley development
  - June: Signed La Higuera PPA
  - September: Awarded CORFO incentive to explore wind conditions on Chiloé Island
  - October: Project Financed the La Higuera project (155 MW) and commenced construction
  
- 2006 - March: La Higuera registered to generate carbon credits under Kyoto Protocol CDM
  - April: Chiloé wind monitoring mast installed

## *Challenges for Pacific Hydro in being a new market entrant in Chile*

- Quickly gaining a in-depth understanding of the market
- Language barriers
- Understanding regulatory changes
- Search for local consultants/advisors
- Choosing partners
- Finding local staff
- Understanding regulatory and administrative processes and timings
- Availability of Project Finance
- Secure contracts: PPA, EPC
- Operating assets and developing greenfield projects



## *Our ongoing challenges in the Chilean market*

- **Regulator:**
  - Provide clear incentives, framework and policy to develop renewable energy projects
  - Adapt PPA bidding rules and framework to accommodate worldwide Project Finance standards for securing PPA's and project execution
- **Government:**
  - Create simple and fast procedures for administrative permits and authorizations
  - Guaranteed timings for permits and authorizations
- **Support for technology and innovation based in Chile:**
  - Support in the process of developing feasibility studies, certification, etc
- **Financial:**
  - Competitive international financing to secure Greenfield projects