Application for authorisation of the proposed acquisition of Origin Energy Limited by Brookfield LP and MidOcean Energy

Statement of:	Stewart John Upson
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Occupation:	Managing Partner and Chief Executive Officer – Asia Pacific, Brookfield
Date	2 June 2023

Contents

I, Stewart John Upson of Level 19, Brookfield Place, 10 Carrington Street, Sydney NSW affirm that:

1 I am the Managing Partner and the Chief Executive Officer (***CEO***) of Brookfield for Asia Pacific (***APAC***), which includes Australia, New Zealand, China, Korea, Japan, Singapore and Hong Kong.

2 I am authorised to make this statement on behalf of Brookfield Asset Management ULC (***BAM***) and Brookfield Corporation.

3 As the CEO of Brookfield in the APAC region, I have been involved in the negotiation and planning of the proposed acquisition of Origin Energy Limited (***Origin***) by Brookfield and MidOcean Energy (the ***Proposed Acquisition***). Under the Proposed Acquisition, subsidiaries (yet to be formed) of a limited partnership, EOS Aggregator (Bermuda) LP (***Brookfield LP***), will acquire Origin's Energy Markets business (including its energy retailing business, electricity generating assets, energy wholesale and trading business, its liquefied petroleum gas business and domestic gas trading business) (***Origin Energy Markets***). The investors in Brookfield LP are Brookfield Global Transition Fund I (***BGTF***), Brookfield Renewable Partners L.P. (***BEP***), other Brookfield-managed co-investors and also two independent co-underwriters, Buckland Investment Pte. Ltd. (managed by GIC Special Investments Private Limited, which is in turn wholly owned by GIC Private Limited) and Davis Investments Pte. Ltd. wholly owned by Temasek

Holdings (Private) Limited (collectively, the ***BGTF Consortium***). Brookfield is also discussing the opportunity with Reliance Industries and other possible foundation co-investors (to be managed by Brookfield). In addition, MidOcean Energy will retain Origin's Integrated Gas division (including its 27.5% shareholding in Australia Pacific LNG and certain upstream gas interests). The matters set out in this statement are based on my understanding of, and involvement in, the Proposed Acquisition on behalf of Brookfield.

4 Brookfield Corporation, BAM, BGTF, BEP and their affiliates are referred to in this statement as ***Brookfield***.

5 As set out in section 1 below, I hold tertiary qualifications in commerce and have significant experience working in the finance and investment industry, as well as in the energy sector. Where I express opinions in this statement, I have based these opinions on the knowledge and experience that I have gained in the roles that I outline in section 1 below, together with my tertiary qualifications.

6 I make this statement from my own knowledge, except where otherwise stated. Where I refer to information I have received from others, I believe it to be true.

7 Annexed to this statement are documents marked Annexures 'SU-1' to 'SU-3'. 'Confidential Annexure SU-3' is confidential to Brookfield. In this statement, I refer to each document by reference to the relevant annexure number.

8 Brookfield claims confidentiality over:

(a) the parts of this statement highlighted in **Confidential to Brookfield**; and

(b) the confidential annexure to this statement, marked 'Confidential Annexure SU-3',

on the basis that they contain commercially sensitive and confidential information concerning the business of Brookfield.

9 In this statement, I provide detail on the Proposed Acquisition, and specifically the acquisition by the BGTF Consortium of Origin's Energy Markets business. The statement:

(a) outlines my professional qualifications and experience (**Section 1**);

(b) provides an overview of the Proposed Acquisition (**Section 2**), examining:

(i) the potential opportunities from investing in the Origin Energy Markets business and how this aligns with the BGTF investment mandate (**Section 2.1**);

(ii) the challenges Origin would face in transitioning to net zero if it were to remain a standalone publicly listed entity (**Section 2.2**);

(iii) the BGTF Consortium's 'green build-out' plan for the Origin Energy Markets business (**Section 2.3.1**) and the reasons why there can be confidence that this plan will be executed (**Section 2.3.3**);

(c) explains the benefits to Australia of materially decarbonising the Origin Energy Markets business as a result of the Proposed Acquisition (**Section 3**); and

(d) outlines Brookfield's and BGTF's plans if the Proposed Acquisition does not proceed (**Section 4**).

1 Professional qualifications and experience

10 I obtained a Bachelor of Commerce with honours from the University of Auckland in 2001. I became been a CFA Charter holder in 2003.

11 From 2001 to 2002, I worked as a Corporate Finance Analyst in the corporate finance division of Deloitte in Auckland, New Zealand.

12 In 2003, I joined Powerco in New Zealand as Corporate Treasurer, which is currently the second largest gas and electricity distributor in New Zealand. As the Treasurer of Powerco, I gained extensive experience in the financial management of electricity assets. In these roles, I was responsible for managing all aspects of the treasury function, including the design and execution of the company's financing strategies, liquidity management and managing interest rate and foreign exchange risks.

13 From 2005 to 2006 and from December 2008 to March 2010, I worked for Prime Infrastructure, an Australian listed company, which owned and operated a diverse global portfolio of infrastructure businesses in the energy and transport sectors. During this period, I held numerous roles, including Group Treasurer and General Manager Business Development. In the role of Treasurer, I was responsible for managing all aspects of the treasury function, including the design and execution of the company's financing strategies, maintaining a diverse and well-laddered debt portfolio, liquidity management and oversight of treasury related risks such as interest rate and foreign exchange risks. In my role as General Manager Business Development, I was responsible for overseeing business development, including acquisitions, disposals, and other strategic projects.

14 During 2007 and 2008 I worked for Babcock & Brown as a marketer in the infrastructure group. In this role I was involved in the due diligence and investment process for the acquisition of numerous infrastructure assets around the world.

15 Prime Infrastructure was acquired by Brookfield Infrastructure in two phases in 2009 and 2010. In 2009, following the first phase, I was appointed a Senior Vice President of Brookfield in the Infrastructure group. In 2015, I moved to Shanghai and became CEO of Brookfield China where I had responsibility for establishing and growing the Brookfield business in China. In 2018, I was promoted to the role of CEO for Brookfield APAC. In this role, I oversee all of Brookfield's businesses and large-scale transactions in the APAC region across all four main business groups – Infrastructure, Property, Private Equity and Renewable Power and Transition. Among others, I work closely with senior executives within the Brookfield Renewables and Transition businesses, including Connor Teskey and Mark Carney (co-heads of BGTF) Daniel Cheng (Managing Director and Head of Brookfield’s Renewable Power and Transition business in APAC) and Luke Edwards (Managing Director and Head of Brookfield's Renewable Power and Transition business in Australia).

16 Since 2021, I have overseen the establishment of the Brookfield Renewable Power and Transition team in Australia. This team is responsible for deploying renewable and transition investments in Australia on behalf of Brookfield, including any investments made through BGTF.

2 The Proposed Acquisition

17 I have been directly involved in overseeing and approving Brookfield's plans in relation to its proposed acquisition of the Origin Energy Markets business under the Proposed Acquisition. I have been more involved in this transaction than some others given its scale, the complexity of negotiations, and its high-profile and public nature. I have also had direct involvement in discussions with the senior leadership team of Origin regarding the Proposed Acquisition.

2.1 The potential opportunities from investing in the Origin Energy Markets business and alignment with the BGTF investment mandate

18 BGTF's investment mandate and strategy is to invest in assets that meet the '4A' criteria, being **alignment** with the Paris Agreement over the life of BGTF's investment, the ability of BGTF to create **additionality** through a meaningful contribution to the transition of an asset or company over and above the status quo, **avoidance** of environmental, social and governance (***ESG***) risks and **accountability** in terms of emissions reporting and carbon disclosure.

19 I understand that the Proposed Acquisition was identified as a suitable investment opportunity for BGTF because of the potential to de-risk and secure the transformation of Origin Energy Markets, as a carbon intensive business, to a net zero carbon emission business. This aligns with BGTF's investment mandate.

20 I am aware of, and had oversight in relation to, the development of the BGTF Consortium's plans for the Origin Energy Markets business. The BGTF Consortium's key goal for the Origin Energy Markets business is to transform it into a major renewable electricity retailer. To do so, the BGTF Consortium will need to develop a large amount of internal renewable generation and storage capacity within the Origin Energy Markets business.

21 I am aware that Origin has a long term ambition to achieve net zero emissions across its full value chain by 2050 but that it faces significant challenges in achieving this goal.

22 The BGTF Consortium will draw on the capital and expertise of consortium members to overcome many of the challenges that Origin would face in delivering on its transition as a standalone publicly listed entity.

23 I consider that one of Origin's main challenges is the significant amount of capital required for Origin to transition to net zero and, as such, one of the key benefits associated with the Proposed Acquisition is that Origin Energy Markets will have access to a large amount of capital from the BGTF Consortium to invest in, and build out, new renewable energy resources. Such capital would not be available to Origin as a standalone publicly listed entity. I explain this further below by reference to my understanding of Origin's net zero ambitions, my experience working in the investment industry (including for publicly listed companies in Australia), and the BGTF Consortium's plans for Origin Energy Markets.

2.2 The challenges associated with Origin achieving net zero as a listed company

24 I have reviewed the 'Climate Transition Action Plan' (***CTAP***) released by Origin in August 2022 (included at **Annexure SU-1**). Origin articulated, in its CTAP, a long term ambition to achieve net zero emissions across its full value chain by 2050, which is consistent with the goals of the Paris Agreement and the Australian Government's decarbonisation targets. To achieve this ambition, I understand that Origin has set a number of short and medium term targets in its CTAP, including:

(a) a 40% reduction in Scope 1, 2 and 3 equity emissions intensity by 2030 (from a FY2019 baseline); and

(b) a 20 million tonne reduction in absolute Scope 1, 2, and 3 equity emissions by 2030 (from a FY2019 baseline).

25 To achieve its net zero ambitions, Origin will need to significantly grow its renewables and storage capacity. The cost of developing, operating and maintaining renewables and storage assets while simultaneously retiring carbon intensive assets will be enormous.

26 Based on my experience working in the investment industry and for publicly listed companies, as well as feedback received from investors in Brookfield's funds, I consider that if Origin were to remain a publicly listed company, it would likely face significant challenges in raising the substantial capital required to build large-scale renewable energy projects from its shareholders.

27 Institutional investors, such as large superannuation funds, are the most likely to contribute significant capital in any capital raising. As outlined above, significant capital is required to fund Origin's investments into renewable energy to achieve its transition ambitions. Over the past 10 years, I consider that for carbon intensive publicly listed companies, there has been a trend of institutional investors withdrawing their investments in such companies due to ESG concerns. I expect this is because institutional investors often have mandates to decrease their investments in carbon-intensive businesses which are considered to represent risk from an ESG perspective. I also expect that as ESG concerns and related commitments continue to grow (both in Australia and globally), it will become increasingly difficult for carbon intensive companies to raise equity, debt and even coverage for insurance. I base this understanding on my personal experience being involved in Brookfield's global fundraising activities, related discussions with investors, and on a presentation that Citi prepared - on instruction from Brookfield - in preparation for the ACCC approval process for the Proposed Acquisition, which analyses market sentiment toward high-emissions companies. Citi's analysis showed that there is negative market sentiment toward high emissions publicly listed companies, as well as increasing pressure on banks to reduce their exposure to carbon intense assets and companies through lending activities. A copy of this presentation is included at **Annexure SU-2**. Accordingly, if ongoing and further institutional investor support for Origin and its activities becomes uncertain in accordance with these same trends toward high-emissions companies, I consider that it will be challenging for Origin to raise the significant capital required to fund its transition.

28 A further, but connected, challenge is the nature and expectations of the remaining (that is, non-institutional) shareholders in Origin. In Australia, investors in publicly listed companies generally expect short to medium term investment returns in the form of regular and predictable dividends and / or share buybacks. In my view, this is particularly the case in respect of the types of investors who invest in Origin. That is, investors attracted to its hitherto stable business model and consistent revenue arising from its energy generation and retail businesses. I consider that if Origin were to remain a publicly listed company, the need to return capital to shareholders through dividends or other means would constrain its ability to invest in transitioning its business. In other words, I perceive there to be a mismatch between the investment horizon of Origin's shareholders (which is the short to medium term) and the investment horizon required to fund and realise a return from the development of renewable projects required to decarbonise Origin (which is in the longer term).

29 By contrast, BGTF Consortium ownership of Origin Energy Markets will provide Origin Energy Markets with a substantial amount of already raised and committed capital from investors whose investment horizon is aligned with the time that it will likely take to substantially decarbonise Origin Energy Markets. The Origin Energy Markets business will also have access to additional capital to be raised by the BGTF Consortium (ie, debt and equity). This total pool of capital will be used to both privatise the Origin Energy Markets business and fund the 'green build-out' plan, as discussed further below in section 2.3.2. I consider that under the Proposed Acquisition, Origin Energy Markets will be aligned, both on the supply side (that is, in relation to its generation assets) and on the demand side (that is, being able to draw on sufficient non-carbon energy to supply to Origin Energy Markets' retail customer base).

2.3 The BGTF Consortium's 'green build-out' plan for the Origin Energy Markets business

2.3.1 Overview of the 'green build-out' plan for the Origin Energy Markets business

30 As with the entirety of the Proposed Acquisition, I have been involved in overseeing and approving the 'green build-out' plan for the Origin Energy Markets business, which is a key aspect of the BGTF Consortium's plans for the future of the business.

31 The BGTF Consortium's 'green build-out' plan involves developing new internal renewable electricity generation to address the significant majority of electricity demand for Origin's customer load. Specifically, this will involve developing up to 14 GW of renewable generation and storage capacity for Origin Energy Markets by 2033.

32 Based on my role in overseeing the development of the 'green build-out' plan, I understand that Origin currently sources most of its wholesale electricity from third parties and National Energy Market (***NEM***) wholesale purchases and has relatively modest plans to develop new generation.

33 I understand that Origin's CTAP sets out its plans to have up to 4 GW of renewable generation and storage by 2030 (including both owned and contracted generation and storage).

34 Under the Proposed Acquisition, the BGTF Consortium intends to develop up to 14 GW of renewable generation and storage. This is significantly more than what Origin can achieve absent the absent the Proposed Acquisition.

2.3.2 The BGTF Consortium has the capital to execute the 'green build-out' strategy

35 The BGTF Consortium and the BGTF fund structure will provide the Origin Energy Markets business with sufficient access to private capital to fund the renewable projects required for it to transition to a net zero emission business.

36 The capital investment that will be made in the Origin Energy Markets business comprises an initial capital investment in the purchase and privatisation of Origin, which will be funded by capital from Brookfield, MidOcean Energy and their respective co-underwriters.

37 In addition, the BGTF Consortium currently plans to invest approximately $20 to 30 billion in the Origin Energy Markets business over a 10-year period (which does not include the initial cost of the acquisition of the Origin Energy Markets business).

38 The BGTF Consortium intends to fund the $20 to 30 billion through a mix of retained earnings, debt funding and capital recycling. The BGTF Consortium intends to re-invest the cashflow from its electricity generation and retail businesses into renewable projects, as there is no requirement to distribute profits as dividends in the short to medium term. This is because BGTF is a closed-end fund, which is not required to return dividends to its investors until an investment is exited at the end of the fund's life, around 12 years after the commencement of the fund (with the possibility of a further extension of two years). The BGTF Consortium expects that the Origin Energy Markets business will generate substantial cash each year in the region of approximately **Confidential to Brookfield**. Absent an expectation for dividends to be paid out to shareholders, as is currently the case for Origin as a publicly listed company, Origin Energy Markets under BGTF Consortium ownership will be a well-capitalised business with a steady stream of capital able to be deployed in new renewable investments. Retaining cash to invest in renewables is a key difference in the strategy proposed by the BGTF Consortium compared to Origin's current plans to achieve decarbonisation.

39 **Confidential to Brookfield** Once the project has advanced to a point where the assets are in place and operating, including with certainty of offtaker (ie, Origin Energy Markets' customer base), the BGTF Consortium intends to sell down an interest in the project to a third party, **Confidential to Brookfield**. Importantly, the interest should be able to be sold to the third party at a premium as the project will be de-risked because: i) it will already be operational (with the BGTF consortium completing (and underwriting) the development of the project); and ii) the project will have a committed high-quality offtaker. The capital from the sale of that third party interest will then be recycled to re-invest in further renewable projects.

40 If Origin were to remain a publicly listed company, I do not consider that it would be realistic for Origin to pursue a similar strategy to fund its decarbonisation goals. This is because, while it may be theoretically possible for Origin to make a decision to reduce its dividends and retain a

significant portion of those dividends as capital to use for renewable projects, I do not consider that this is a strategy that Origin would be likely to pursue, as I expect that if Origin were to reduce or withhold dividends this would result in a dramatic reduction in Origin's share price. In particular, given the nature of Origin's businesses, I expect that its shareholders have invested in Origin (at least in part) due to its history of providing regular dividends to its investors, making it a traditional 'yield' stock. If Origin were to withhold dividends, and the share price thereby significantly reduced, Origin would likely become the target of a take-over at a far reduced price. This is another reason I consider that the Board of Origin would be unlikely to adopt this strategy to fund its decarbonisation program.

41 Given this, if the Proposed Acquisition does not proceed, I understand that Origin plans to transition its business to net zero using a 'capital-light' strategy. I understand this to mean that Origin will seek to enter into contractual relationships with investors in relation to individual renewable projects, whereby the investors provide the upfront capital for the project (in exchange for a significant investment return), and Origin will purchase the 'offtake' electricity generated by the project in the future.

42 In my view, the key risk of using a capital-light strategy for Origin's decarbonisation is that it is a very complex way of transitioning Origin's business. Origin will need to negotiate a bespoke agreement with each investment partner for each project and manage any friction arising from the need for both Origin and its partner to profit from the arrangement. These types of arrangements are also subject to market volatility risk. Origin is required to fix its prices under each contract, exposing it to increased liability when the market shifts. This is likely to become an increasing issue as the transition progresses. This is because changing the generation mix naturally creates fluctuation in the cost of power due to renewable energy not being firmed and being based on wind and sun.

43 By contrast, under BGTF Consortium ownership, the Origin Energy Markets business will be a well-capitalised business, able to more quickly progress each renewable project it undertakes. This is because the interests of the Origin Energy Markets business and the BGTF Consortium will be aligned under the same umbrella. In addition, there will be a ready offtaker in the Origin Energy Markets customer base for each project, and capital available to fund each project. This means there will be no need to negotiate individual offtake agreements or find a customer for each renewable development project. This can otherwise complicate the development of a renewable energy project, particularly by increasing time and costs.

2.3.3 Reasons why there can be a high level of confidence that the BGTF Consortium will execute the 'green build-out' plan

44 As noted at paragraph 18, BGTF's investment mandate and strategy is to invest in assets that meet the '4A' criteria of alignment, additionality, avoidance and accountability. The BGTF Consortium's aim for the Origin Energy Markets business is to make it a materially decarbonised business by the end of the BGTF Consortium's ownership or the lifetime of the fund (which is 12 years with a maximum of two one-year extensions), whichever comes first. This goal is consistent

with BGTF's investment mandate. If BGTF were to materially depart from the 'green build-out' plan, the result would be a failure of Origin Energy Markets to transition, which would mean BGTF does not meet its investment mandate. Therefore to ensure BGTF's investment remains consistent with this mandate, it is a key requirement that the BGTF Consortium executes the 'green build-out' for the Origin Energy Markets business by the time it exits the investment.

45 I consider that there are also commercial reasons for Brookfield, including BGTF, to execute Origin's net zero transition in accordance with the 'green build-out' plan. In particular, the business plan is such that in order for the BGTF Consortium to earn the forecasted return on the Origin Energy Markets business, it must invest capital in the business. In my view, there are two key requirements that will drive the forecasted returns for the BGTF Consortium.

(a) First, the BGTF Consortium will be able to realise its expected returns by taking on measured development risk and engaging in asset or capital recycling, as described above in paragraphs 38 to 39. The more the BGTF Consortium is able to execute this funding strategy by developing renewables and taking on this risk, then selling down a portion of the project once it is fully operational and de-risked, the higher the potential return.

(b) Second, Origin is currently a carbon-intensive business and as such, is not an attractive investment opportunity to most investors who themselves are committed to the Paris Agreement, which aims for net zero emissions by 2050. As a result, Origin trades at a materially lower earnings multiple than equivalent 'green' utilities (as also shown at page 6 of Annexure SU-2). A key aspect of BGTF's investment mandate, however, is to invest in businesses with a high carbon emissions footprint where its investment will make the most impact to that business's transition to renewables. If the BGTF Consortium is able to successfully execute the 'green build-out' plan for the Origin energy Markets business (that is, making it a materially decarbonised business), it will be able to generate attractive returns to the BGTF Consortium once it exits the investment at a higher multiple for a materially decarbonised utility – the greater the build-out, the greater the return. Conversely, failure to materially decarbonise the Origin Energy Markets business by the end of BGTF Consortium ownership would detract substantially from the potential investment return.

46 In order to illustrate the scale of the potential financial returns which the BGTF Consortium will generate by transitioning the Origin Energy Markets business to a net zero emissions business, I consider it is useful to note, based on BGTF's internal analysis, that gentailers that have thermal energy exposure tend to trade at lower EBITDA multiples while 100% renewable gentailers tend to trade at a much higher EBITDA multiple – **Confidential to Brookfield**. This illustrates that if the BGTF Consortium is able to transition the Origin Energy Markets business to a net zero emissions business, there will be significant potential to increase the profitability of the business, and the scale of the financial return from the potential divestment of the business at the end of the investment term.

47 There are therefore various commercial reasons for the BGTF Consortium to achieve the transition of the Origin Energy Markets business to net zero. These reasons will materially de-risk and secure Origin Energy Markets' transition, particularly when coupled with increased access to capital under BGTF Consortium ownership (as I outlined above).

3 Benefits of decarbonising the Origin Energy Markets business to Australia

48 I consider there are a number of key benefits for Australia by decarbonising the Origin Energy Markets business, as described below.

3.1 Decarbonising the grid

49 The transition of the Origin Energy Markets business to net zero emissions will have significant positive flow on effects that will accelerate Australia's transition to net-zero. The Origin Energy Markets business is not only a significant generator of electricity in the Australian market, but it also purchases a significant volume of electricity from other generators. I am aware that the Origin Energy Markets business has what is described as a 'short' electricity position – it sells more electricity to its customers than it generates by buying from the market. To achieve the decarbonisation of the Origin Energy Markets business, it will be necessary not only for Origin to decommission and replace its carbon-intensive electricity generation assets (such as the Eraring coal-fired power station), but also to obtain replacement capacity for the electricity which Origin currently buys from carbon-intensive sources in the market.

50 Decarbonising the Origin Energy Markets business will therefore have a knock-on effect for a significant part of the NEM through which Origin currently obtains energy to supply to its retail customer base. Given this, I consider that the decarbonisation of the Origin Energy Markets business will have a significant positive impact on Australia’s transition to net zero emissions which extends beyond Origin.

3.2 Ownership by the BGTF Consortium and the closure of Eraring

51 Based on announcements made by Origin to date (for example in its CTAP, a copy of which is included at Annexure SU-1), I understand that Origin has the option to close the Eraring Power Station as early as August 2025, although this timeline can be extended if Origin chooses to do so.

52 A key challenge in relation to achieving the closure of Eraring will be the completion and delivery of new renewable energy projects in the short timeframe required to replace the Eraring generation capacity by 2025. Brookfield has extensive experience in both the investment in, and delivery of, new renewable projects on a large scale and under an expedited timeframe to increase the likelihood and certainty of this occurring by as close to August 2025 as possible.

3.3 Brookfield's significant procurement capabilities

53 In my opinion, Brookfield has one of the best, if not the best, global procurement and development capabilities in wind and solar power generation project development. BGTF will draw on Brookfield's global centralised procurement capabilities and strong, strategic

relationships with Tier-1 wind, solar, hydro and storage suppliers to deliver on the development and operation of renewable development in a timely and cost-efficient manner.

54 This means that the BGTF Consortium will be able to source equipment faster and at a much lower cost (and certainly faster and cheaper than Origin could). This means a more efficient transition for the Origin Energy Markets business.

55 Another benefit of Brookfield's global procurement capabilities is that Brookfield is in a better position than most developers to obtain critical technologies during times when there is increased demand on supply chains. The 'green build-out' planned by the BGTF Consortium for the Origin Energy Markets business will coincide with a period when there is increasing development of renewable energy projects around the world, which will put pressure on supply chains for critical technologies, such as wind turbines and battery equipment. The BGTF Consortium will be able to draw upon Brookfield's procurement relationships, which will be particularly important during periods of increased demand for renewable technologies.

56 In addition, I am currently involved in discussions with some renewable technology providers to explore the possibility of creating onshore manufacturing of such renewable technologies in Australia. This would not only allow the BGTF Consortium to get more comfortable with security of supply of critical inputs to develop renewables for the Origin Energy Markets business but, in my view, it would have added economic benefits for Australia. This includes assisting with the jobs transition which is a crucial part of achieving a 'just transition' to renewables. By 'just transition' I mean a transition away from coal which takes into account the people and communities that will be most affected by the transition in order to minimise the social impacts of the transition.

3.4 Minimising price fluctuations overtime

57 I consider that in assisting the Origin Energy Markets business to transition to net zero, the BGTF Consortium will directly minimise fluctuations in price attributable to a changing energy generation mix. By way of background, in the process of transitioning to renewable energy, there is a risk that in the time before new renewable energy sources are built to replace retiring coal-fired power, there will temporarily be periods of energy price volatility and potentially higher energy costs as lower cost coal-generated electricity exits. But the more firmed renewable generation is built; the sooner more stable prices will be available to customers. This is one of the benefits of building substantial amounts of renewable energy for the Origin Energy Markets business and transitioning it to net zero emissions. Accordingly, given Origin's role as a major electricity generator in Australia, it is my view that by transitioning to net zero, the Origin Energy Markets business will reduce the period of time during which Australia is vulnerable to energy price fluctuations.

4 BGTF's and Brookfield's plans if the Proposed Acquisition does not proceed

58 If the Proposed Acquisition does not proceed, any investment by BGTF will be considered in accordance with the broader investment mandate of the fund. The Private Placement

Memorandum for BGTF states that: 'The Fund will aim to assemble a diversified portfolio across geographies where Brookfield has local operating presence and extensive market experience, namely North America, South America, Europe, and Asia Pacific'. A copy of the Private Placement Memorandum which includes this statement at pages 1 to 2 is included as **Confidential Annexure SU-3**. Accordingly, there is no guarantee than any investments will be made in Australia, and each investment will be considered on a project-by-project basis and will be compared to other potential projects globally in the areas in which Brookfield operates.

59 Brookfield entered the Australian market in 2007. Since around 2010, I have been involved in the consideration of potential renewable projects in Australia that Brookfield could invest in. Over that time, Brookfield has looked at many renewable projects. Brookfield considered many of them to be unattractive due to a lack of customer for the renewable electricity generated, thereby creating exposure to the merchant price market. In addition, the fact that government climate policy at the time was not as certain as it is today created a further challenge.

60 Absent the Proposed Acquisition, although government climate policy has now been legislated, Brookfield would likely face similar challenges when developing renewables as a result of not having a dedicated, internal offtaker. While Brookfield would consider investing in renewables on an individual project basis in Australia, it has no set targets in relation to this approach. Any development would be at a much slower pace and at a smaller scale than what could be achieved with the Proposed Acquisition. In particular, the nature of the market in Australia is such that, in the East Coast, renewable developers like Brookfield have the options of: (i) entering into an offtake with a large stable customer base; (ii) contracting directly with commercial and industrial (***C&I***) customers that have significant electricity needs; or (iii) selling into the merchant market.

61 In relation to the first option, selling to an energy retailer with a large customer base can be challenging as from Brookfield's perspective, the retailer would be incentivised to price down, which would cut into the developer's margin. This is a natural tension that arises in this context. While the second option is also possible, it would take time to build up a C&I customer book and development would be limited to the C&I customers that Brookfield is able to access. This would inevitably involve a much slower development process, due to the need to identify a C&I customer for each project before it is developed (as compared to the rapid build out of renewable projects planned under the 'green build-out' plan for the Proposed Acquisition). For each project, it would be necessary to consider: (i) is there an available customer for the electricity generated? (ii) what is the value of the offtake agreement that could be obtained? and (iii) how do the risk-adjusted returns compare with other potential projects globally? Finally, the third option would leave developers exposed to fluctuations in the spot price.

62 Accordingly, there is no certainty that Brookfield would make any investments in renewable energy projects in Australia absent the Proposed Acquisition. This is due to the challenges of developing renewables absent the certainty of an offtaker, as well as the flexibility of BGTF to

invest in other projects globally which are directly competing with Australian investments for BGTF's scarce capital.

63 By contrast, the Proposed Acquisition will provide a viable economic option for the BGTF Consortium to pursue and accelerate renewable development, due to the existing customer base in the Origin Energy Markets business. Through ownership of the Origin Energy Markets business, the BGTF Consortium would effectively be able to capture the whole value of renewable development on both the generation and retail sides of the business. This is principally because the business will be able set the terms of the offtake and contract with itself, allowing for the mature, de-risked renewable assets to be sold at a premium to third parties who are happy to own a developed project but who do not want to take development risk.

Signed by Stewart John Upson	**Confidential to Brookfield**
on 2 June 2023	Signature of Stewart John Upson