



## **CHAIR'S ADDRESS: 2023 Manawa Energy Shareholder Meeting**

### **Deion Campbell**

### **27 July 2023**

#### **[Introduction]**

I am very pleased to be sharing a few thoughts after an important and challenging year for Manawa Energy.

I joined Manawa Energy as a director roughly a year ago and for those who don't know me, I am a professional electrical engineer. My career has spanned 30 years in technical, commercial and leadership roles in the renewables industry, including transmission, solar, storage, wind and hydro power. As the newly appointed Chair I look forward to bringing my experience to help deliver value to you as shareholders.

As I said to the team recently, I feel like I am back home now, working for the shareholders of Manawa Energy as a director, having spent about half of my career in the Trustpower generation business. This included leading the early extensive and successful wind and hydro development efforts, which saw Trustpower become a leader in generation operations and new development growth in Australia and New Zealand. I only left the company to join the renewables development spin-off Tilt Renewables when it was formed in 2016. I was CEO when that business was sold for \$3B in 2021, creating more than \$2B in value for shareholders.

With the completion of the sale of the Trustpower brand and retail customer business to Mercury Energy in April 2022, your company launched the Manawa Energy brand in May and operated as a stand-alone generation business for 11 of the 12 months of the FY23 financial year.

Manawa Energy is, in my opinion, the most exciting part of the former Trustpower business, now set free from the distraction of a highly competitive retail market, right when NZ needs a credible independent generation scheme operator and developer.

We are the largest independent generator in New Zealand and 99% of the electricity we generate is renewable. As I am sure you will know, this generation is delivered from a diverse portfolio of 25 hydroelectric power schemes located all around the country. We own more hydropower dams than anyone else in New Zealand, and we also play an integral role in the supply of irrigation water in the South Island.

#### **[Strategy]**

I would like to touch on our strategic focus as an independent generator.

We are committed to creating value for you, our shareholders, by playing our part in Aotearoa New Zealand's sustainable energy future.

Deploying our core competencies of operating and developing renewable generation assets, we will support the national ambitions for a thriving, low-emissions and climate-resilient future with a strategy focussed on investment in 3 key areas:

- protecting and enhancing the value of our existing generation assets;
- developing attractive new generation investment options, in line with market needs; and
- serving our varied and growing wholesale customer base.

### **[Existing assets]**

We already supply more than 1,900 GWh of renewable electricity from our 510 MW of operational generation assets.

These existing assets are the heart of our current business. We understand the value of these assets and our focus is to protect this value through efficient day-to-day operations, investing in enhancement opportunities and controlling costs.

Our asset refurbishment and enhancement programme, combined with required investments in dam safety improvements, has been under way since FY22 and comprises capital investment of around \$200m through until 2028. We are continually reviewing this plan to ensure the investment will result in the best long-term outcome for shareholders.

This investment will increase the efficiency and reliability of our assets for decades to come, increase our annual production, and ensure we meet our regulatory and compliance obligations.

### **[New developments]**

In terms of new generation developments, wind and solar continue to present the most likely investment opportunities. They offer the lowest-cost, zero-emissions technology options available to support continued decarbonisation of the economy and complement our existing portfolio of hydro generation assets.

We have a successful 20-year-plus history of developing, constructing and operating renewable generation assets in both Aotearoa New Zealand and Australia. We were pioneers in wind development and we were the first company to consent and construct a new hydro scheme after the Resource Management Act was enacted in 1991.

We have now secured a healthy pipeline of around 900MW of renewable development options, and we are well-positioned to help meet the anticipated 50%-70% increase (4800-6700 MW) in renewable generation required over the next 25 years or so, to meet the country's climate change targets.

David will speak to some of the progress on this front, but it is important to note that from this pipeline we are confident investors will be presented with attractive growth options. We will be ready to respond when the market requires and are in talks with several prospective customers for the renewable electricity from these potential new assets.

We believe Manawa Energy has several advantages over smaller independent renewable generation developers including:

- having a stable operating business allowing us to be patient, avoiding lower quality investment decisions
- our diverse collection of existing assets allows us to 'firm' output from intermittent renewable supply, providing the market with a more valuable product offering
- we have existing industry and local community relationships and an understanding of the NZ energy market and regulatory processes (including consenting)
- we have access to capital: as a listed company we can raise equity to support high-quality growth investments when we need to, and our largest shareholder Infratil supports our growth focus
- without a retail customer base to serve, we can be more flexible with larger customers across long-term power purchase agreements, firming, and physical supply.

### **[Sales]**

We currently supply 2000 GWh of electricity to Mercury Energy under an offtake agreement made as part of the sale of the Trustpower mass market retail business in May last year. This 10-year arrangement sees the volume of electricity we supply to Mercury start to reduce from October 2024 onwards.

There are many options for the sale of this increasing uncontracted electricity volume, and we are exploring them all to find the optimal path to market to retain and grow secure shareholder value.

The Board and management team will be reviewing the strategic plan this year, in the context of our progress over our first 14-18 months as an independent generator and the emerging market challenges and opportunities.

### **[Financials]**

In May we reported financial performance for FY23 with net profit after tax of \$444m, up from \$120m the previous year. This substantial year-on-year increase was obviously underpinned by the sale of the Trustpower mass market retail business early on in the financial year.

The Board approved a final dividend of 8.5 cents per share, fully imputed for qualifying shareholders and paid in June 2023. The FY23 full year dividend paid to investors was therefore 16 cents per share.

Most of you probably recall that the company has a dividend policy based on paying 70–90 % of free cash flows on average over time, balancing medium term dividends, with delivering on growth aspirations.

### **[Industry observations]**

There is a lot of activity in the industry at the moment, much of it associated with reshaping the energy sector in the pursuit of emissions goals. We are supportive of the country's climate change targets and believe we are well-positioned to continue delivering to customers and for investors as the need for more renewables grows.

Demand for renewable electricity is set to increase by 50-70 per cent over the next 25 years and the electricity sector's recent *Future is Electric* report (authored by the Boston Consulting Group) said the country needs to invest \$42 billion in new large-scale generation, network transmission and local electricity distribution to reach 98 percent renewable electricity by 2030.

I observe that this is a huge ask and that there are several barriers to achieving this level of investment.

One barrier is the new resource management legislation working its way through Parliament. We have expressed concern that the proposed legislation – the Natural and Built Environment Bill – has a strange water permit regime that threatened to exclude some hydroelectric generation schemes, forcing these into a shorter consenting cycle for zero benefit to anyone.

We are pleased to say that the Minister changed this at the later stages of the Bill passing into law, and Parliament has this week amended the Bill so that all existing hydroelectric generation schemes will be treated equally, and able to access long-term consent durations.

We do note that there are other elements of the Bill that present barriers to consenting renewable electricity generation projects which apply to all developers. We will continue to engage with government to seek changes that will be beneficial for Manawa Energy and all renewable electricity generators.

Another obvious barrier is the Project Onslow pumped hydro scheme, being investigated by the Government's NZ Battery Project as it seeks to understand the options around navigating the 'dry year' electricity supply issue. The latest cost estimates have seen an escalation from \$4b to almost \$16b and we remain firmly of the view that this idea is too expensive, too slow, too ineffective from an emissions point of view, and frankly too high risk to be pursued.

This would be concentrating our energy security in one asset, and the proposal is already slowing investment due to uncertainty. We can already see technologies which will be able to economically achieve the same outcome, with more diversity and lower cost, meaning this asset will be obsolete probably before it is completed and after significant environmental and fiscal damage has been done.

We note that the Government's goal of 100 percent renewable electricity by 2030 has now softened to be 'aspirational' rather than 'pursue at all costs' and will be reviewed again in 2025. We believe the pursuit of this goal will be excessively costly and counter-productive to reducing overall emissions and we hope some sanity prevails on this front.

## **[Conclusion]**

As I conclude I would like to acknowledge our now-former Chair Paul Ridley-Smith and outgoing director Kevin Baker. Paul and Kevin have provided outstanding insight, guidance and strategic focus in their respective governance roles.

Paul worked tirelessly on the design and implementation of the major transformation of the company which began with the highly successful demerger of Tilt Renewables in 2016.

And both Paul and Kevin were instrumental in the recent sale of the Trustpower retail business resulting in the unique position your company now holds in the electricity market. We thank them and wish them all the best.

I would also like to welcome our new directors Phillipa Harford and Joe Windmeyer, and I know we will be hearing from both of them soon. I am very much looking forward to your contributions around the Board table.

Finally I also thank the Board of directors for your efforts over the year, and say thank you to the Executive team and everyone else in the Manawa Energy team – you have covered a lot of ground. I also thank you, the shareholders, for your ongoing support.

My commitment to you is that we will be very focused on executing and delivering on our clear strategy as an independent generator and renewables developer. We will deliver value in an efficient and prudent way.

Thank you.

