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From: Keating, Paul s 47F

Sent: Wednesday, November 29, 2023 3:20 PM

To: Chalmers, Jim (MP) <Jim.Chalmers.MP@aph.gov.au>

Cc: Bowen, Chris s 47F

Subject: PJ Keating - the national energy transition - Brookfield's attempted gutting of Origin energy

Jim

I'm attaching here a statement I gave the Financial Review this afternoon re Brookfield's tawdry and opportunist attempted takeover of Origin Energy – the country's largest energy retailer/generator.

The Brookfield proposition is nothing but a scam to syphon out of Australia billions of renewable energy profits to a Canadian private equity fund.

Fortunately, we have bucketloads of social capital in the superannuation system to take ownership of these sorts of assets – like the funds have done recently with owning Sydney Airport.

But the fact is, Origin is central to the energy transition in Australia and therefore, there are national interest considerations in Brookfield's scandalously opportunist proposal.

In the statement you will see my reference to Marius Kloppers's and BHP's attempts to take over the Potash Corporation of Saskatchewan in 2010, only to be immediately thwarted by the Canadian government.

The government should give strong consideration of having FIRB reject the proposal on absolutely clear national interest grounds.

No doubt, you will see the reportage tomorrow.

Regards

Paul

PJ KEATING

s 47F

TEL: 61 2 9358 5466
PO BOX 1265
POTTS POINT NSW 1335
AUSTRALIA

Remarks by Paul Keating
for the AFR re Brookfield/EIG takeover of Origin Energy

Origin is the largest energy retailer/generator in Australia.

It is an effective public utility - privately owned.

Its operations across the Australian landscape – with over four million customers – gift it a social licence.

Origin, given its scale and investments in the energy transition, is a key player in that transition – the country’s largest domestic growth sector.

Origin is an absolute standout, a sitter for social capital – social capital that Australia has plenty of. Like \$3.5trillion in superannuation savings.

Indeed, given the long tenor of investments required to meet the needs of those entering retirement, a match is needed on the long-run asset side to anneal the superannuation circle.

Premium energy market assets, public licence assets should be owned across the nation, broadly, by social capital alongside local investors.

Assets of Origin’s premium quality should not be sold to private equity investors and worse, sold cheaply, only to be bought back five years later -with the sole aim of delivering unconscionable profits to equity fund investors.

Brookfield, which amplifies its proposal, has told all and sundry that any investment it has in Origin will be held in a closed-end fund; that is, to be IPO’d within five years.

So, the proposition is, Brookfield buys a massive and key asset cheaply only to offer it back to investors at a much higher price five years later.

What Brookfield is proposing is simply a pure private equity play. A profiteering private equity fund, looking to buy assets cheaply, using all sorts of corporate finance trickery, other people's money, every lurk in tax minimisation then punting assets the country needs back to investors but at a higher price.

Roughly \$25billion has been spent on Australian renewables, M&A and development over the past three years with a further \$50billion in identified future development related to these transactions.

Over that same period, all Brookfield has spent on Australian renewables is fees paid to its local advisers to scoop Origin assets cheaply.

Brookfield and its agents hold out the prospect of investing \$20-30billion in renewables investment. But Brookfield told the ACCC that the \$20-30billion would be funded by 'applying the profits of Origin's energy markets to these investments'. That is, Brookfield's proposed \$20-30billion of renewable investment would be fully funded by Origin's cash flow, with Brookfield not presenting as an equity contributor.

The fact is, and obviously, Origin can do this alone, without any need of being owned by Brookfield. In fact, it would be better placed to do this as it would still own APLNG and receive the large dividends APLNG pays every year.

Under Brookfield's proposed takeover APLNG would be owned by EIG – ownership which would deny Origin the cashflows it would otherwise require for the transition renewables investment.

So, despite all of Brookfield's talk of using Origin to accelerate the energy transition, if you dig, and not even deeply, you find nothing more than just another opportunist private equity fund trying to take suckers for a ride.

But for the rest of us, we have to know we are in the company of the masters of the universe and click our heels whenever we are given the cue from their obedient investment banks.

The truth is we owe the Canadians nothing. People should remember when Marius Kloppers, then chief executive of BHP Billiton, the world's largest miner, sought to take over the Potash Corporation of Saskatchewan, the bid was dismissed in confected national interest terms by a dutiful Canadian government.

The Foreign Investment Review Board should well consider applying the same national interest consideration to Brookfield's opportunist proposition as the Canadian government in 2010 did with alacrity to BHP. Origin is, after all, a key national asset.

Australia, the thirteenth largest economy in the world, remarkably possesses the third largest pool of savings in the world. We have capital coming out of our ears. And patient social capital to boot.

We need strings-attached Canadian private equity capital front-running a premium Australian asset like we need a hole in the head.

The markets in Australia should tell Brookfield to find some other bunnies for its get-rich-quick schemes.

29 November 2023