FINANCIAL REVIEW

Big Super shouldn't block Brookfield's bid for Origin Energy

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What kind of game is AustralianSuper, the country's biggest super fund, playing with Origin Energy?

The pension behemoth, with $300 billion in assets under management and more than 3.26 million members, is shaping up to scuttle a bid by Canadian fund manager Brookfield, plus Singapore's Temasek and GIC, to acquire Australia's largest power company, gentailer Origin Energy.

Origin is owner of near-death coal clunker Eraring, Australia's biggest coal-fired power station, slated for mothballing in 2025.

Origin Energy chairman Scott Perkins has urged shareholders to support the scheme of arrangement.

AustralianSuper has been buying up shares in Origin and holds a 16.5 per cent stake, ahead of a vote on the takeover on Thursday. A 75 per cent shareholder vote in favour is required to seal the deal.

AustralianSuper's spoiler act trashes a key consideration that, along with members' interests, the broader national interest should be paramount. Is it in the public interest for the acquisition to be blocked when doing so cruels the $20 billion to $30 billion investment in 14 gigawatts of accelerated firmed renewable energy to which Brookfield has committed?

This mammoth capital influx, backed by the might of the asset manager's balance sheet, is decarbonisation investment on an epic – and necessary – scale. 14GW outstrips the Federal Renewable Energy Target of 33,000 gigawatt hours (GWh), and NSW's 2020 Electricity Infrastructure Investment Act commitment of 12GW of clean energy.

It is also highly consequential in that it has the potential to provide a foundation to drive NSW's and Australia's net zero emissions ambitions. It is material to our ability to meet our emission reduction and renewables targets, and our Paris commitments.

The acquisition would be one of the keys to the on-time phased closure of Eraring, obviating the payment of some $200 million to $400 million per annum of public subsidies to Origin by the NSW government to keep the carbon belcher chugging on.

Brookfield's Australian head of renewables and transition has said the main thing investors have wanted to talk about was the transition investing aspect. He emphasises Brookfield's dual mandate: financial returns for investors, but also a measurable decarbonisation impact.

Brookfield chairman Mark Carney spoke to its plans for Origin at Bloomberg's New Economy Forum this month. He said the deal and transition plan is of "an order of magnitude that will take 6 percentage points of Australian emissions out. So, a big impact on the climate, and a good financial return."

Notably, he also explicitly drew out the nexus between the bid and Brookfield's intention to bring domestic cleantech manufacturing to Australia.

"We intend to take over a large utility in Australia called Origin with a big transition, shutting down coal, getting rid of gas, building up 14 gigawatts of wind and storage. But, importantly, it's big enough that we're looking at building domestic manufacturing as well.

"So, we have a memorandum of understanding with Envision (a Chinese renewables giant) looking on the storage side. When … key investors are thinking about [transition ventures], if you incentivise at scale, then it opens up other opportunities domestically for security of supply to drive them."

Climate Energy Finance has consistently advocated for urgent and substantial public and private capital strategic investment in Australia's generational opportunity to position itself as a zero-emissions economy leader, leveraging our abundant solar and wind resources and bringing cleantech supply chain manufacturing onshore.

Brookfield's vision for Origin is a case in point. The global decarbonisation race is on, and it is accelerating, driven by China's leadership and dominance in all things renewable, and by the game-changing impact of the US Inflation Reduction Act.

Again, Australia's chronic inaction, strategic myopia and underinvestment now risks leaving the clever country in the dust.

Are we really so lacking in foresight as to let a transformative opportunity of this scale go begging? To spike this deal would send exactly the wrong signal. Investors will find better places for their money if Australia positions itself a backwater hostile to innovation capital.

AustralianSuper has the important opportunity to play a constructive role in one of the most promising developments in Australia's energy transition pathway, with the potential to accelerate our decarbonisation at a critical juncture.

We face confluent climate and energy price crises. Projects of this size address both, delivering permanently lower power prices for all Australians by ramping up the supply of cheap, clean, deflationary, reliable firmed renewables, and slashing climate-wrecking carbon pollution.

AustralianSuper should also pay attention to its obligations set out by the super system regulator, the Australian Prudential Regulation Authority, to mitigate systemic risks such as climate change in its portfolios, with Treasury's climate disclosure framework set to escalate reporting requirements next year.

What is AustralianSuper offering as its alternative plan? Higher electricity prices, slower decarbonisation and more climate destruction?

If it kills the deal, will it step up and guarantee a $30 billion commitment to decarbonising Origin?

If not, why not? If it has no legitimate answer to these questions, it should get out of the way.

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