

Dexus

Media release



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Dexus paves the way to net zero emissions with new renewable Energy Supply Agreement

Dexus has agreed terms for one of Australia's first supply-linked renewable Energy Supply Agreements ("ESA"), which will purchase renewable energy off-site to power the base building services of more than 40 buildings in its New South Wales property portfolio. This will be achieved through the procurement of renewable energy generation and presents a new lever for Dexus and the property industry to achieve net zero emissions.

Dexus, Australia's largest office landlord, and Red Energy, which is 100% owned by Snowy Hydro, have signed a Memorandum of Understanding for a seven-year renewable ESA, to commence from January 2020.

The ESA is a key pillar in Dexus's *New Energy, New Opportunities* strategy which aims to eliminate emissions from its portfolio and create value for Dexus's customers and investors.

"This is a first for an Australian real estate investment trust and supports our ambition to achieve net zero emissions by 2030," said David Yates, Executive General Manager for Sustainability at Dexus.

"We have worked collaboratively with Red Energy to establish a new energy supply model which will deliver renewable energy sourced off-site. Importantly it provides long-term price certainty to insulate our customers from electricity market volatility, while driving down energy costs and supporting our collective carbon reduction goals," Mr Yates said.

He added: "The ESA satisfies the demand from customers and investors for more reliable, environmentally responsible energy.

"Over seven years, we expect to source more than 300 gigawatt hours (GWh) of renewable energy via this ESA, which is equivalent to the energy consumed by 38,000 households for a year."

Paul Wall, Head of Group Sustainability and Energy at Dexus, said: "This agreement allows us to hedge a portion of our power price, providing a buffer against energy market uncertainty. The deal has been struck at below current market rates and leverages the large-scale generation certificates subsidies, resulting in a fixed price for 50% of our energy load over the next seven years.

"This means we can pass the savings directly to our customers, while operating our buildings using a responsible, emission-free source of energy.

"This new deal is expected to reduce the retail energy rate which we pass onto our customers through outgoings by more than 10% compared to existing contracted rates."

Mr Wall added, "We are looking to create more value for our customers through new energy opportunities. This ESA will help Dexus achieve net zero by 2030 – 20 years ahead of the targets established under the Paris Agreement, built into our electricity procurement in preference to purchasing carbon offsets."

The ESA will cover 50% of the energy load with the option to extend that to 100%, enabling Dexus to accelerate its pathway to zero emissions and respond to price volatility in the electricity market with a larger hedge should the price of black energy continue to rise, creating further cost savings.

The deal will also support new renewable energy projects in Australia.

Paul Broad, Chief Executive Officer of Snowy Hydro, said: "Red Energy's 'firmed' renewable energy is backed by Snowy Hydro's integrated renewables portfolio, which includes the recent addition of 888MW from offtake agreements with eight new wind and solar projects.

"This landmark ESA with Dexus represents one of the first direct off-takes for 'firmed' renewable electricity of this type. On-demand hydro from the mighty Snowy Scheme will underpin our contracted wind and solar generation, meaning Red Energy can supply Dexus with reliable renewable energy." Mr Broad said.

Mr Yates concluded: "We see that the next decade will present many commercial opportunities to achieve net zero emissions and this ESA presents a new pathway to get there – one which we think is replicable and can move Australia's entire property market."

More information on the ESA is available in the following fact sheet.

Dexus renewable Energy Supply Agreement fact sheet



What is a renewable Energy Supply Agreement?

A renewable Energy Supply Agreement, or ESA, is a long-term contract under which electricity supplied to a business is sourced from a portfolio of renewable energy developments. This model supports the development of new renewable energy projects, such as solar panels or wind turbines. An ESA helps offtakers secure long-term electricity generation at an attractive wholesale price and helps an organisation to reduce its net carbon footprint, providing certainty for both the offtaker and the generator.

How is the Dexus ESA structured?

This is one of the first supply-linked ESAs in Australia. Dexus will purchase 50% of its energy needs to power the base building services of more than 40 buildings across its NSW managed property portfolio from renewable energy.

The seven-year agreement will commence in January 2020 and be in place until December 2026. Most ESAs lock in a price for electricity over a 15-year period. This seven-year ESA, with an option to extend, allows Dexus to secure renewable energy a fixed price, while also responding to changes within the market and within its portfolio of assets.

What projects will the ESA support?

The ESA supports efforts to reduce carbon emissions in Australia through local renewable energy generation projects.

The ESA will draw on energy from Snowy Hydro's portfolio of contracted wind and solar projects, which will be built across regional New South Wales and Victoria, firmed by its fleet of hydro-electric generation assets.

How does the ESA align with Dexus's broader sustainability strategy?

Dexus's *New Energy, New Opportunities* approach outlines a plan to achieve net zero emissions through a prioritised approach: enhancing energy efficiency, electrifying buildings, investing in on-site and off-site renewables, and reducing emissions associated with operational waste.

An ongoing building refurbishment program, will see the installation of onsite renewables on some assets, particularly larger-scale office properties and retail shopping centres. Dexus also proposes to steadily phase out onsite natural gas and diesel and replacing gas appliances with electric equivalents.

How will this ESA reduce emissions?

Large-scale renewable energy projects, such as wind and solar farms, and hydro-electric schemes, operate without emitting carbon. They are therefore entitled to create large-scale generation certificates ("LGCs" or "certificates"). The Clean Energy Regulator issues LGCs for every megawatt hour of eligible renewable electricity generated. Registered LGCs can then be sold, transferred or retained.

Dexus plans to on-sell the certificates it receives over the first three years of the ESA. By the end of the seventh year of the ESA, Dexus will retain 100% of the certificates. This strategy will enable Dexus to reduce the price of energy to its customers, and to leverage funding opportunities that are only available in the market until 2021, while supporting the growth of the renewable sector. This approach will also allow Dexus to extract the full economic and environmental benefit throughout the term of the contract.

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About Dexus

Dexus is one of Australia's leading real estate groups, proudly managing a high quality Australian property portfolio valued at \$27.2 billion. We believe that the strength and quality of our relationships are central to our success and are deeply committed to working with our customers to provide spaces that engage and inspire. We invest only in Australia, and directly own \$12.9 billion of office and industrial properties. We manage a further \$14.3 billion of office, retail, industrial and healthcare properties for third party clients. The group's \$4.2 billion development pipeline provides the opportunity to grow both portfolios and enhance future returns. With 1.7 million square metres of office workspace across 53 properties, we are Australia's preferred office partner. Dexus is a Top 50 entity by market capitalisation listed on the Australian Securities Exchange (trading code: DXS) and is supported by 27,000 investors from 20 countries. With more than 30 years of expertise in property investment, development and asset management, we have a proven track record in capital and risk management, providing service excellence to tenants and delivering superior risk-adjusted returns for investors. www.dexus.com

About Red Energy

Established in 2004, Red Energy is 100 per cent owned by Snowy Hydro. The Snowy Mountains Hydro-electric Scheme, one of the most complex integrated water and hydro-electric power schemes in the world. Headquartered in Melbourne, Red Energy supplies electricity to households and businesses in Victoria, South Australia, New South Wales and Queensland. Red Energy is the only energy retailer to have won a Canstar Blue Award for Most Satisfied Customers for nine years in a row. www.redenergy.com.au

