Introduction

Welcome to the final newsletter of 2025. As we sign off for the year, we would like to thank all our readers for your continued support. From the team at Infradebt, we wish you and your families a safe and enjoyable Christmas and New Year, and we look forward to engaging with you again in 2026.

In this edition of the newsletter, we examine the resilience of airports as an infrastructure asset class and explore how the next generation of more efficient aircraft, capable of flying much longer distances without the need for central hub stopovers, may shape the future of the sector. The other two articles focus on policy settings supporting the energy transition. We assess the effectiveness of the Capacity Investment Scheme (CIS) in enabling new renewable projects to reach Final Investment Decision (FID), and we consider the value proposition of the Commonwealth's proposed "Solar Sharer" tariffs, which would allow electricity consumers to receive three hours of free electricity each day during peak solar hours. These two last articles follow-on from a much larger volume of work we undertook this quarter in preparing our recently issued white paper on Investing in Renewables through the Energy Transition.

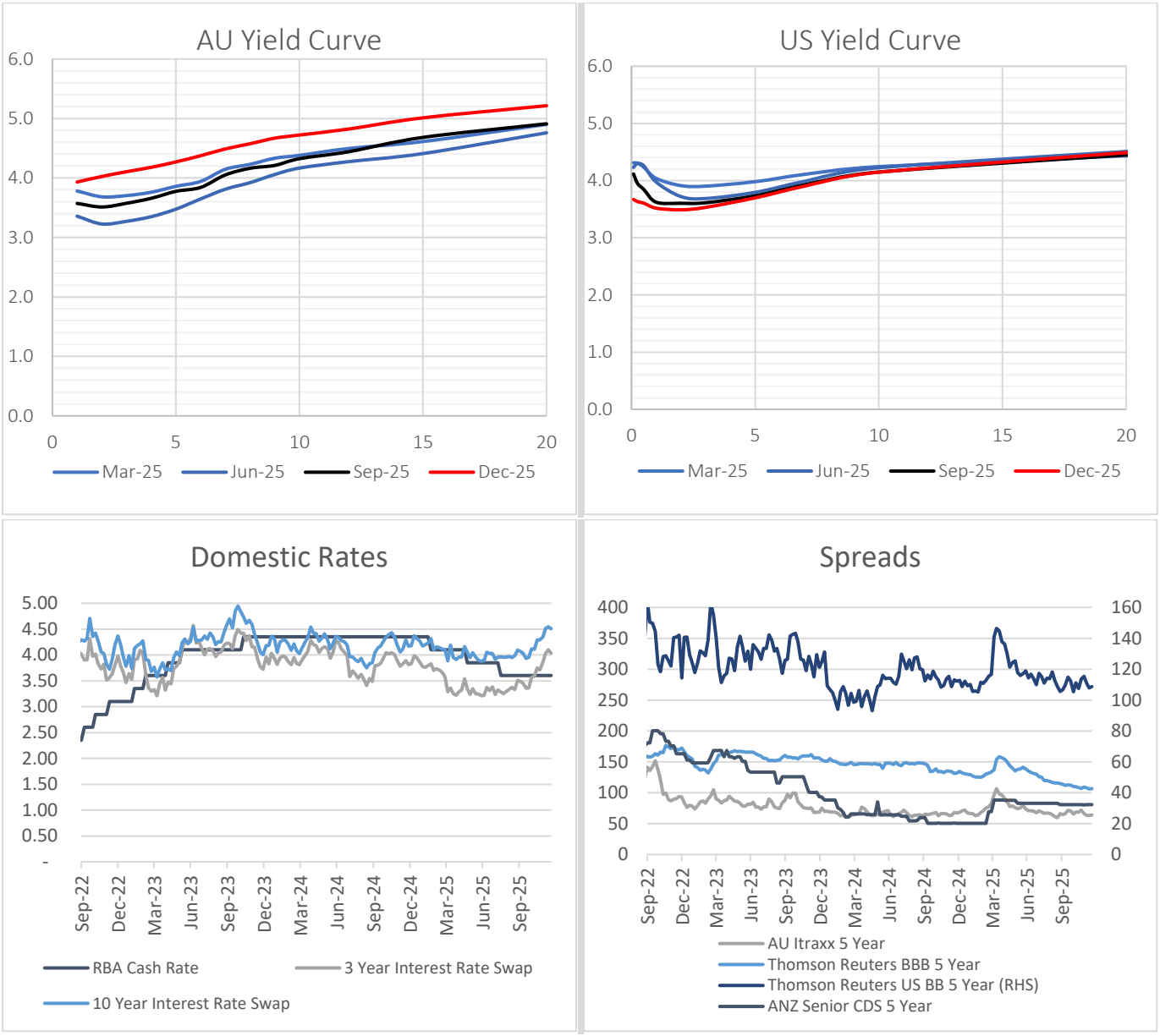
Markets Update

The Federal Open Market Committee (FOMC) delivered another rate-cut this quarter, lowering the target range by 25 basis points to 3.50%-3.75%. Without the visibility of up to date economic and labour data due to the prolonged government shutdown, the FOMC's decision to cut rates in the December meeting was reliant on the September labour market report, which showed that unemployment in the US had edged up to 4.4% and job gains had slowed significantly. While unemployment has risen, the Fed continues to remain cautious about the future path of inflation as the core inflation still remains above the Fed's two percent target.

In Australia, the Reserve Bank of Australia (RBA) Board unanimously agreed to keep the cash rate at 3.60% at all three Board meetings during the quarter. Whilst inflation appeared to ease in the June quarter, the trend reversed in the September quarter, and this has continued in the most recently available October print. Trimmed mean inflation was 3.3% in October, up from 2.7% in the June quarter. Additionally, headline inflation rose sharply to 3.7 per cent over the year in the most recent October print.

Bond markets have moved considerably, with the yield curve shifting upward for all maturities. Traders have shifted from betting on interest rate cuts to betting on hikes. A notable development over the quarter has been the clear divergence between the yields on Australian 10-year and US 10-year. In the last couple of years, yields on the 10-year for both economies have traded closely but during the quarter we observed yields on Australian 10-year trading at 4.8% while the US yields are much lower at 4.1%.

Credit spreads across Australia and the US have remained stable over the past three months, reflecting global economic conditions are consistent with investor expectations of a worst-case scenario not eventuating. It also potentially denotes a view that Australia's inflation uptick does not present a material risk to the Australian economy.



Source: Refinitiv Eikon, ICE BofA US High Yield Index Option-Adjusted Spread

New issuance and refinancing

Detailed below is publicly available infrastructure debt issuance for the quarter:

Date	Borrower	Instrument	Size ($m)	Term (Yrs)	Pricing (bp above BBSY)
25-Sep-2025	Apt Residential	Loan	168		
30-Sep-2025	CIMIC Finance Ltd	Loan	1307.74	5	150
03-Oct-2025	Sunshine Coast Airport Pty Ltd	Loan	306.07	3.5	
21-Oct-2025	Acciona Energia Financiacion Filiales Australia Pty Ltd	Loan			
23-Oct-2025	Tilt Renewables (Pisa Acquisition Finance Co Pty Ltd)	Loan	850	6/7	135/145
31-Oct-2025	Atmos Renewables Pty Ltd	Loan	1760		

06-Nov-2025	Energy Bay Group Pty Ltd	Loan	215	4	
06-Nov-2025	Akaysha Energy	Loan	460	3	
07-Nov-2025	Blind Creek Solar Farm Finco Pty Ltd	Loan	848.93	5	
10-Nov-2025	Kinetic Holding Co Pty Ltd	Loan			
10-Nov-2025	Kennedy Energy Park Pty Ltd	Loan	121.22	5	
11-Nov-2025	VNI West	Loan	750		
27-Nov-2025	Clarke Creek Energy Pty Ltd	Loan	1074.63	3	
27-Nov-2025	Juris Partnership consortium	Loan	135		
03-Dec-2025	Potentia Energy Markets Pty Ltd	Loan	828	5/2.5	
04-Dec-2025	IFM Global Infrastructure Fund	Loan	1500		
10-Dec-2025	TagEnergy	Loan			
15-Dec-2025	Symal Group Ltd	Loan	300	3	
16-Dec-2025	IFM Global Infrastructure Fund	Loan	212.5	5	

Source: LoanConnector

Equity and other news

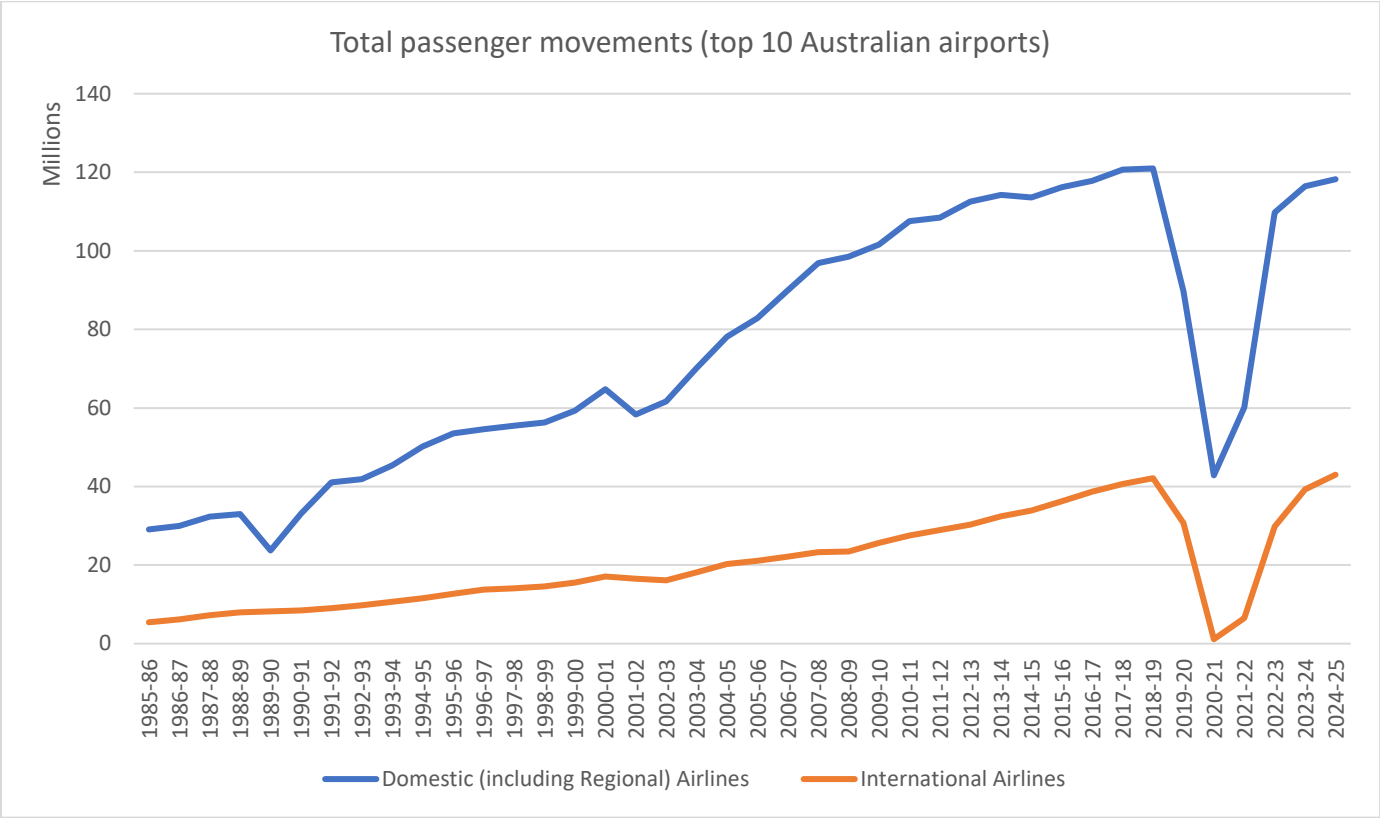
- French oil and gas giant TotalEnergies has confirmed its plans to quit its renewable energy assets in Australia and all countries except for the US, Brazil and Europe.
- Swedish renewable energy developer OX2 has acquired the Dinner Hill project in Western Australia, a 1.2GW wind farm and 100MW/400MWh BESS hybrid project.
- AGL Energy has agreed to sell almost all of its 20% stake in Tilt Renewables to its existing majority shareholders, the Queensland Investment Corporation and the Future Fund for $750 million. Paradoxicly, shortly after this it has been mooted that it is investigating establishing a similar vehicle for future renewable energy projects. Origin Energy is mooted to be considering a similar strategy in respect of its Yanco Delta wind farm project.
- Iberdrola is planning on acquiring the 270MW/1,080MWhy Tungkillo BESS from RES Australia for $495 million.
- Australian renewable energy developer Greenleaf Renewables is planning on acquiring the 166MW Stony Creek wind farm in Queensland from Enerfin.
- Queensland Investment Corporation is considering partnering with EDP Renewables on the Punchs Creek project, a 400MW solar and 400MW/1.6GWh battery in Queensland's Toowoomba region. The project was awarded a CIS in October.
- ACEN Renewables has mandated Morgan Stanley and Macquarie Capital to bring on a partner for its A$4bn 800MW Phoenix pumped hydro project at Lake Burrendong in the New South Wales Central-West Orana renewable energy zone.
- Macquarie-backed Aula Energy has secured a 15-year offtake with Snowy Hydro. The offtake covers nearly half of the output of Aula's 256MW Carmody's Hill wind project in South Australia.
- University of Technology Sydney has signed a ten-year offtake agreement with renewable energy retailer Flow Power for a blend of solar and wind from projects in New South Wales.
- Global tech giant Apple has signed a deal to take most of the output of the new 80MWac Lancaster solar project in Victoria owned by the Danish-based European Energy.
- AGL Energy has entered a 15-year power purchase agreement for nearly half the output of Tilt Renewables' proposed 288MW Palmer wind project located 70km to the east of Adelaide.
- The South Australian government and AGL Energy have reached a funding agreement for the extension of the ageing Torrens Island B generator near Adelaide after the Australian Energy Market Operator identified a potential reliability gap for a short period in early 2027.

- APA Group and state-owned CS Energy signed a joint development agreement this week to build the 400MW Brigalow gas peaking plant in Queensland, the state's first gas peaking generator to be built in a decade.
- Alinta Energy, owned by Hong Kong-based Chow Tai Fook Enterprises, has been acquired by Singapore government controlled energy company Sembcorp in a deal with $6.5 billion. Alinta Energy owns the Loy Yang B coal generator in Victoria's Latrobe Valley and a portfolio of gas generators.
- Spain's ACS Group has agreed to sell its 50% stake in Australian subsidiary UGL to Sojitz Corporation for more than US$650m. ACS's parent subsidiary for the Australian market, CIMIC, will retain its remaining 50% stake in UGL.
- TPG Capital has agreed to acquire a major equity stake in Kinetic, Australia's largest bus operator, in a transaction valuing the public transport group at more than $4 billion.
- Utilities Trust of Australia (UTA) has acquired an additional 60% stake from Ontario Teachers' Pension Plan (Ontario Teachers') to take full ownership of the Sydney Desalination Plant.
- IFM and UniSuper have acquired Igneo Infrastructure Partners' 15.4% stake in Adelaide airport, increasing their ownership stakes to 20% and more than 60% respectively.
- Blackstone has greenlit a sale process for part of its AirTrunk data centre platform, following a prior Australian valuation of $24 billion, alongside a $1.5 billion hyperscale data centre sale in Malaysia.
- CDC Data Centres is preparing a $5 billion debt package, with an associated equity raising to fund expansion of its digital infrastructure portfolio.

Source: AFR, RenewEconomy, Infrastructure 360

Airports

Airports are an attractive sector for infrastructure debt investors with their monopoly characteristics and because their customers, the airlines, act as a buffer sheltering airport revenues from the impact of economic shocks. Air travel is a fundamentally cyclical industry. Shocks can vary from the usual fluctuations in demand as a result of the economic cycle to more substantial events such as September 11 and COVID. History has proven that, over time, passenger numbers eventually recover to the long run trend with Australian airports now back to pre-COVID level passenger movements.



Source: Department of Infrastructure, Transport, Regional Development, Communication, Sport and the Arts

One key trend we are watching is the rise of more efficient and often smaller aircraft that make longer thinner routes economically feasible. The newest range of passenger aircraft are more fuel efficient than their predecessors. This is making previously unprofitable routes, that were not dense enough, profitable. Airlines are expanding their network maps on longer thinner routes and carriers are reducing dependence on hubs.

New narrowbody aircraft like the A220, A321XLR and B737 Max are opening up new direct routes that were previously unprofitable. For example, Qantas is starting new international flights to smaller New Zealand cities such as Brisbane to Wellington and expanding routes such as Sydney to Christchurch on the A220.

New wide body aircraft like the A350 and A777-9 are also opening up ultra long-haul routes without the need for a stopover. Qantas has ordered 12 A350-1000 as part of Project Sunrise and will start to offer direct non-stop flights between Sydney and London – a distance of 17,000 km and 22 hours of flight time. The current longest route is Singapore to New York on an A350 – 15,000 km and 19 hours flight time.

22 hours on a plane seems like torture in economy class, and you probably would want a stopover rather than sit in an economy class seat for that long. With this in mind, Qantas has configured the A350 with 140 economy seats, 40 premium economy, 52 business and 6 first class suites. From a physical space perspective only a third of the plane will be economy class seats!

In general, passengers prefer non-stop flights. As Canberrans having to transit through Sydney, Melbourne or Brisbane, this will reduce 3-5 hours from our international trips. The long-haul international flight back home is always a struggle arriving into an east coast city in the morning and having to transit to a domestic flight that you miss half the time.

These new aircraft appear to threaten the hub and spoke model of airports. Ultra long-haul flights will remove the need to stop in Singapore or Dubai on the way to Europe. The latest data shows international passengers at Adelaide, Brisbane, Carins, Darwin and Perth growing at significantly higher rates than Sydney and Melbourne.

Growth in revenue passenger movements for YE August 2025 compared to YE August 2024.

	DOMESTIC	INTERNATIONAL	TOTAL
ADELAIDE	1.3%	11.2%	2.4%
BRISBANE	3.6%	15.9%	6.7%
CAIRNS	-0.1%	13.2%	1.7%
DARWIN	3.6%	30.9%	6.5%
PERTH	6.2%	16.7%	9.8%
TOTAL	**3.4%**	**15.9%**	**6.4%**
MELBOURNE	1.0%	8.3%	3.3%
SYDNEY	1.4%	5.9%	3.2%
TOTAL	**1.2%**	**6.9%**	**3.2%**
All Australia	**1.6%**	**9.5%**	**3.6%**

Source: Department of Infrastructure, Transport, Regional Development, Communication, Sport and the Arts

From an aircraft maintenance perspective, there are significant efficiency benefits to having a central hub to service all your aircraft and so we are unlikely to see dramatic movements away from airlines having a central hub. We are likely to see relatively higher growth at origin and destination airports compared to hub airports.

Why the CIS's Design is Stranding Australia's Renewable Pipeline

Australia is pushing hard toward an 82% renewable energy target by 2030, recently expanding the Capacity Investment Scheme (CIS) from 32 GW to 40 GW. The new target includes 26 GW of renewable generation and 14 GW of clean dispatchable storage. On paper, the scale of government support appears positive.

However, there is a widening gap emerging between ambition and delivery. Of the roughly 20 GW of CIS Agreements (CISAs) awarded, progression is severely limited. On our count, only 0.5 GW of the 13 GW of awarded generation capacity has reached Final Investment Decision (FID), a conversion rate of just 4%, and no new wind projects in the National Electricity Market (NEM) reached FID in 2025.

At the same time, renewables supplied 42.7% of NEM energy in Q3 2025 an increase of 3.4% compared to the same quarter in 2024. This is well below the circa 8% annual growth in renewables penetration required to meet the 82% target.

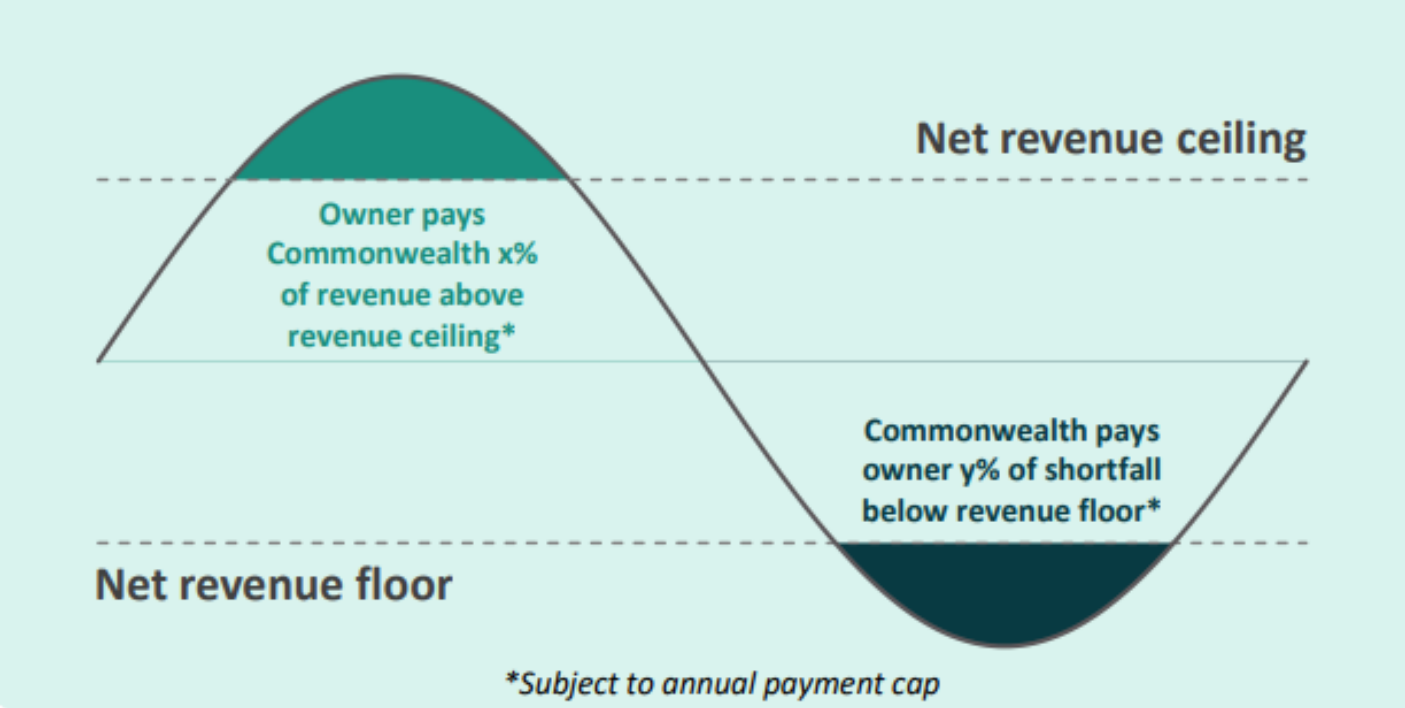
This raises the key question for 2026: will the CIS deliver?

Quick recap: What is the CIS?

The CIS is a government-funded initiative designed to accelerate Australia's energy transition. It allocates Revenue Support Agreements (CISAs) through a series of competitive auctions, running between 2024 and 2026. Eligible projects secure a winning CISA by bidding the lowest revenue floors.

Once a project is operational the CISA functions by:

- Downside protection (floor): If revenue falls below the bid floor, the government tops it up.
- Upside sharing (ceiling): If revenue exceeds the ceiling, the project pays the surplus back.



Source: DCCEEW

In principle, this structure should de-risk merchant revenue and facilitate the project attracting debt and equity finance. In practice, two design flaws undermine these aims:

1. **The Low-Bid Trap:** Given the competitive nature of the bidding process, which we will explain later, projects are structurally incentivised to bid an absolute minimum floor price to secure a CISA. There is a high risk that the winning revenue floor is actually set too low to make the project attractive to both debt and equity investors (eg a

form of winner's curse from auction theory). In Infradebt's view, the biggest gap for the CIS is for equity investors. That is, the CIS isn't delivering a material improvement in risk/return outcomes for equity investors. Hence, project proponents are struggling to raise the equity required to fund projects. In a macro environment where construction costs are surprising to the upside, there is a real risk that many existing CIS winners have CIS revenue floors that just don't make economic sense for equity investors.

2. **Lack of Price Discovery:** The winning floor prices are confidential meaning competing bidders and the public have zero visibility into winning (market clearing) prices. This opaqueness prevents price discovery, further making it difficult for projects to optimise bid strategy. While the CIS likely adopted non-disclosure to protect commercial confidentiality and avoid signalling effects among bidders, the unintended consequence is the risk that there may be a large stock of undisclosed "zombie" CIS projects. That is, projects where the CIS floor is too low relative to today's construction costs and the project is unlikely to ever proceed to FID. However, from the perspective of potential equity investors in other projects, they don't know whether these zombie projects will proceed and, hence, what the overall level of supply will be. Public disclosure of CIS outcomes would let proponents form their own view of whether existing CIS winners are zombie projects or not and, hence, have a much more sensible framework for assessing the overall buildout resulting from the CIS.

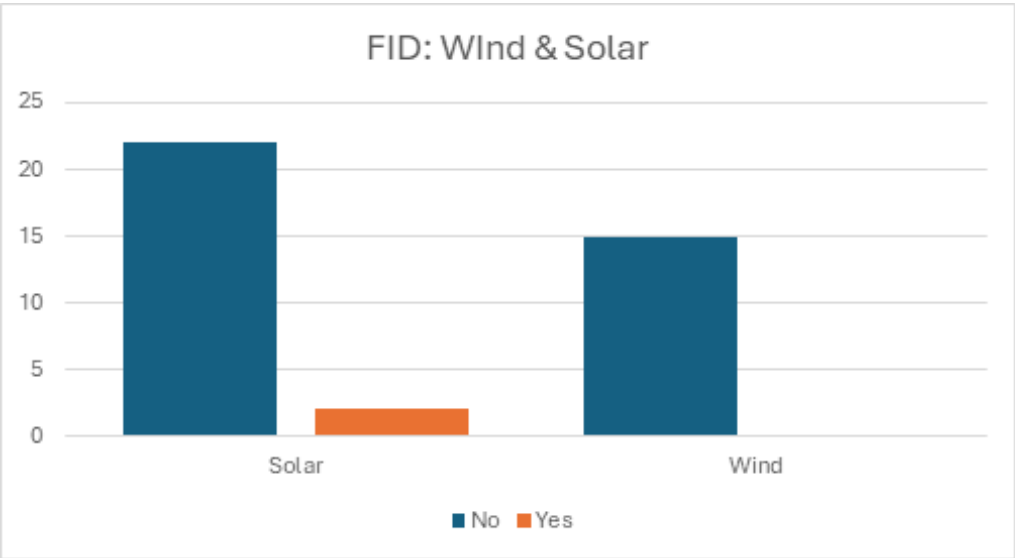
Consequence

Outside of BESS – that is for wind/solar projects that actually generate electricity – there is a severe FID drought. Given that it takes two to three years to build projects, this means that the NEM is locked into relatively slow generation growth in 2027 and 2028 and, hence, achieving the 82% target by 2030 will be extremely difficult.

For example, AEMO data at end November shows that of the 39 CIS-awarded wind and solar projects in the NEM, only two solar projects had reached FID as of October 2025. Put differently, 0.5 GW out of 13 GW awarded generation has reached FID. That's 4%! Or even if you exclude the most recent tender round – where there has been limited time for projects to get to financial close, for Tender 1 which was awarded approximately a year ago, only 8% of projects have got to FID.

While no CIS backed wind projects have announced FID in the first 11 months of this year, two South Australian wind projects are now progressing meaningfully toward financial close. Carmody's Hill (247 MW) recently secured its critical 5.3.4 grid connection approval, while the Willogoleche 2 extension (108 MW) is also advancing with the benefit of existing site infrastructure.

Despite the likely FID of these additional projects, the persistent lack of momentum across the broader wind pipeline is deeply concerning because wind is critical for delivering night time power (the sun never shines at night 😉) and, hence, wind is critical to displace coal from night generation. While solar and 2-4 hour BESS will make a big difference to the evening peak, the system requires wind, and lots of it, to provide renewable electricity through the whole night.
Source: NEM Generation Information Oct 2025



What to Watch in 2026

The coming year will be defined by one key metric: FID. It's good to keep watch of the following:

- **The Risk**: Given that large-scale wind projects take between two to three years from the start of construction to operations, any further delays in 2026 will make the 82% by 2030 target difficult to achieve.
- **The Metric:** Ignore CIS award announcements. The true measure of the CIS's effectiveness will be the number of CIS-awarded projects that proceed to FID and construction.
- **The Policy Pivot:** If the FID drought persists past H2 2026, the government will face pressure for a structural review. This could result in revision of the CIS, possibly pivoting toward a fixed-price CfD reverse auction model, similar to the one successfully employed by the ACT Government. The program needs to also prioritise awarding CIS to projects that are actually able to move into construction.

Ultimately, Australia's progress toward 82% RET will depend not on commitments awarded, but on the projects that reach financial close in 2026.

Solar Sharer – *Nihil communicatum, nil magnum* - Nothing shared is valued

An interesting policy development for the Australian electricity industry this quarter was a press release announcing the federal government's Solar Sharer concept. Solar Sharer is a proposal, which has been referred to the Australian Energy Regulator (AER), that would require the Default Market Offer (DMO) include a tariff arrangement where households were able to receive three hours of free electricity – during peak solar hours – each day. The beauty of this proposal, from a retail politics perspective, was the hook of offering "free power" during solar hours regardless of whether the household had rooftop solar.

The question is whether this is a political gimmick or actually a potential watershed?

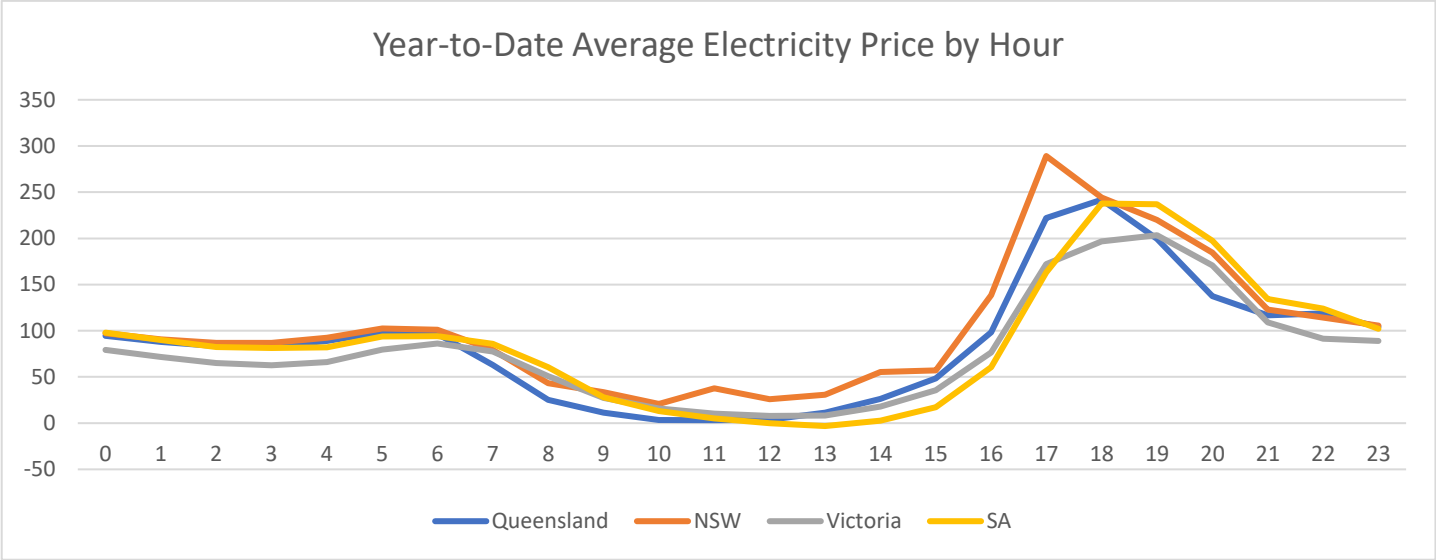
This is an interesting proposal and has a few different elements that need to be unpacked:

- Wholesale vs retail electricity prices
- The role of the DMO
- What is uptake likely to be
- Broader implications

Wholesale vs Retail Electricity Prices

Wholesale electricity prices are what retailers and very large industrial users pay for electricity. The wholesale price is set every five minutes and fluctuates with supply and demand. There are a range of derivative products (and offtakes) that let retailers and larger electricity users lock in or hedge their wholesale price exposure.

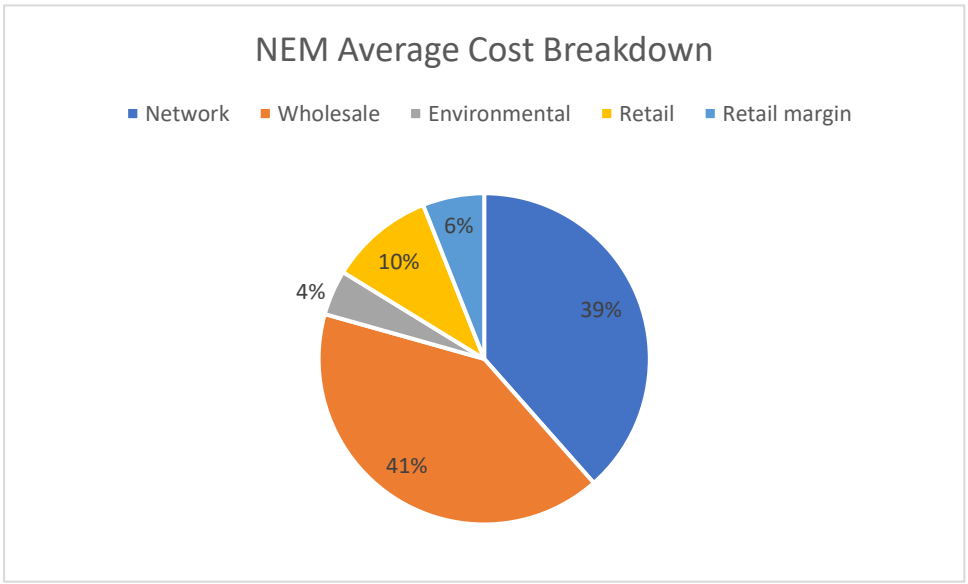
The wholesale electricity price is often negative (or at least very low) in the middle of the day.



Source: NEM-Review as of 16 December 2025

This low price reflects the abundance of rooftop and utility solar as well as the constraints on coal plants that require them to continue generating at minimum technical levels (irrespective of price) if they want to be available for the evening peak (and take advantage of high night-time prices). LGCs the green certificates issued to renewable generators (currently valued at circa $7.00) also incentivise renewable generators to continue to generate even if prices are slightly negative (to collect the LGC).

However, just because wholesale electricity prices are negative or near zero, doesn't mean retail prices (or costs to retailers) should be. Retail electricity prices need to cover wholesale electricity costs (including hedging), network charges (that is transmission and distribution costs), green scheme costs (that is the cost of LGCs, STCs and the other state based schemes that are recovered from retail customers) as well as a retail margin (eg cost of billing, administration, bad debts, etc as well as providing a return to the retailer). Wholesale electricity costs only make up a bit over a third of retail costs. An almost equally important component of retail costs is network costs (see pie chart below).



Source: AER Annual retail markets report 2024–25

Thus, even if wholesale costs were zero, a retail tariff arrangement which forced retailers to provide free electricity at lunchtime would require them to run at a loss on these sales. In particular, network charges are not zero at lunchtime. For example, for Ausgrid (Sydney) the offpeak period volumetric charge is 5.7 cents/KWh (the equivalent of $57/MWh).

This leads to the first conclusion re the Solar Sharer tariff arrangement – if it were introduced, retailers would be incentivised to increase charges at other points of the day (or via the fixed daily supply charge) to recover losses on selling electricity below cost during the three free hours.

The Role of the Default Market Offer

The Default Market Offer (DMO) is a retail electricity tariff that is set on a distribution network by distribution network basis by the Australian Energy Regulator. The DMO serves three main purposes:

- It is the reference point for retailers to quote the "savings" of their standing offers to new customers. All savings need to be quoted against the DMO – to provide a standard reference point. This is to prevent the situation, which existed prior to the introduction of the DMO, where retailers quoted savings relative to their own default offers which led to misleading (and inconsistent) savings claims.
- It is the retail electricity plan that customers are defaulted onto if they join a retailer without making a specific choice (or following a retailer insolvency) or if their previous tariff expires. It is worth noting that relatively few customers are on the DMO (AER reported 8.1% of residential customers are on the DMO in its 2025-26 DMO determination report).
- The DMO acts as a defacto price ceiling for customers in embedded networks.

The press release for the Solar Sharer concept doesn't make clear if all AER DMOs will be required to have three hours of free power or whether it is just an additional option that needs to be offered within the DMO.

What is the likely Uptake

The first point on uptake would be to note that the Solar Sharer tariff will only be available to residential customers with a smart meter. Smart meter uptake is quite uneven – with 100% of Victorian residential customers on smart meters following a statewide rollout. Other states lag, with uptake around 40-50% in most other states.

Even though smart meters are relatively common, Time of Use (TOU) tariffs are not very popular with consumers. There isn't comprehensive data available, but as of 2023-24 only around 20% of customers were on TOU tariffs (source: ACCC report on National Electricity Market 2025). From an industry/policy perspective there is a concerted effort to push customers onto TOU tariffs, which reflects that the underlying cost to serve a customer is very dependent on when they use their electricity. Despite this, anecdotally, there is strong customer resistance to the complexity of TOU arrangements (eg, the ABC regularly runs a negative story of some variant regarding TOU electricity tariffs).

Infradebt's expectation is that Solar Sharer is likely to have relatively low uptake. Thus, its direct effect on electricity retail arrangements or patterns of use are likely to be pretty low. That said, it could presage, broader implications.

Broader Implications

In our view there are two broader implications that are worth considering:

- Implication for network charges
- Signalling impact

The first potential implication from this might be a request from retailers that network charges are changed to provide for zero network charges for three hours a day. That is, if the underlying argument is that we are trying to shift usage to the middle of the day, and reduce demand during peak hours, then this should be reflected in network charges. It should be noted that Transmission and Distribution networks are built based on capacity requirements (ie when

demand is highest at specific points of the year), not the volume of electricity sent through the network – the regulated revenue framework reflects this, however the majority of household network charges are levied on a volumetric basis.

From our perspective, there is quite a compelling argument to reduce network charges to zero during the free electricity period. Certainly, if the government wanted retailers to offer three free hours – and not jack up costs somewhere else – the only way this could really work would be if network charges were changed to match.

On the surface, this doesn't sound like a big deal (again because demand is low in the middle of the day so demand in this period is not driving the overall network cost), but it would have a few further follow-on implications.

First, it would have a large implication for the economics of household solar. Residential solar receives two "subsidies". One is small technology certificates (STC), which are granted in a single upfront issuance when a system is built based on projected generation between installation and 2030. By definition, this subsidy will go to zero by 2030. The second "subsidy" is that the self-consumption of solar avoids the volumetric component of network charges on the electricity consumed. This means that solar households bear a much lower share of network charges than non-solar households (even if they put similar peak period burdens on the grid). Given that wholesale prices are often low/negative (see above), it is this avoidance of volumetric network charges that is a key driver of the benefits of rooftop solar. In a world where network charges are cut to zero for three hours a day, this cross subsidy goes away and there is a significant reduction in the benefits of behind the meter solar. In particular, the economics of utility scale and behind the meter would be levelised.

Second, the Solar Sharer tariff opens up the possibility of using the free power to charge a home BESS (which would be eligible for the home battery rebate scheme) and thus deliver power that could be used at other times of day. Given that the home battery rebate has reduced the net cost of a household BESS to approximately $300/kWh, this implies a levelised cost of storage of around $0.12/kWh per day. Given peak retail electricity prices are circa $0.30-$0.40/kWh, this makes a home BESS a pretty compelling option. While current BESS offerings in Australia are focused on houses, it is interesting to see offshore the emergence of plug and play BESS products for apartments. Clearly these would require Australian specific approvals from both a safety and electricity code compliance perspective. However, if the Solar Sharer tariff became a reality there would be significant market opportunity for home BESS to make full use of the three hours of free power.

Finally, in our view, there is a significant signalling implication of the Solar Sharer Tariff. It is basically a signal from the government that electricity in the middle of the solar day is worthless. This has important long-term implications. For example, why would someone invest in a solar system on their house if the government is saying they should be able to get that power for free. Likewise, why build a utility scale solar farm if much of the time that it is generating electricity, the government is forcing retailers to give electricity away.

Ultimately it might be this signal that has a bigger impact than the small percentage of customers who ever sign up to such as offer.