

# **The AES Corporation (AES) Q1 2024 Earnings Call Transcript**

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**Body**

The AES Corporation (AES)

Q1 2024 Earnings Conference Call

May 3, 2024 10:00 am ET

Corporate Participants

Susan Harcourt - Vice President of Investor Relations

Andres Gluski - President and Chief Executive Officer

Steve Coughlin - Chief Financial Officer

Conference Call Participants

Nick Campanella - Barclays

Durgesh Chopra - Evercore ISI

Richard Sunderland - JPMorgan

David Arcaro - Morgan Stanley

Angie Storozynski - Seaport

Michael Sullivan - Wolfe Research

Presentation

Operator

Hello and welcome to the AES Corporation Q1 2024 Financial Review Call. My name is Jordan and I'll be coordinating your call today. [Operator Instructions].

I'm now going to hand over to Susan Harcourt, Vice President of Investor Relations. Susan, please go ahead.

Susan Harcourt

Thank you, operator. Good morning and welcome to our First Quarter 2024 Financial Review Call. Our press release, presentation, and related financial information are available on our website at aes.com.

Today we will be making forward-looking statements. There are many factors that may cause future results to differ materially from these statements which are disclosed in our most recent 10-K and 10-Q filed with the SEC. Reconciliations between GAAP and non-GAAP financial measures can be found on our website along with the presentation.

Joining me this morning are Andres Gluski, our President and Chief Executive Officer, Steve Coughlin, our Chief Financial Officer, and other senior members of our management team.

With that, I will turn the call over to Andres.

Andres Gluski

Good morning, everyone, and thank you for joining our first quarter 2024 financial review call. We are very pleased with our progress so far this year, and today I will discuss our first quarter results and provide key business updates. Steve Coughlin, our CFO, will give more detail on our financial performance and outlook.

Beginning on Slide three with our first quarter results. We had a strong first quarter that was in line with our expectations with adjusted EBITDA with tax attributes of $863 million. Adjusted EBITDA of $635 million, and adjusted EPS of $0.50. These results demonstrate, once again, our ability to execute on our plans and guidance and our structural resilience to high interest rates and inflation. I am pleased to reaffirm our 2024 guidance for all metrics and growth rates through 2027.

Today, I will be discussing the success we have achieved with technology companies and data centers, as well as the significant market opportunity that we see for renewable growth for the foreseeable future.

Turning to Slide four, I'm happy to announce that this quarter we signed a 15-year contract with Amazon for the second phase of our Bellefield project, with an additional 500 megawatts of solar and 500 megawatts of storage. The entire project, including Bellefield I, which we contracted last year, will provide 2 gigawatts of combined solar and storage for Amazon, making it the biggest solar plus storage project in the U.S.

We see the 2 gigawatt Bellefield solar plus storage project as a milestone for AES and a demonstration of the important role that renewables play in delivering new energy. The significant energy storage component, which includes AES's proprietary AI weather forecasting, ensures the project is able to supply carbon-free energy throughout the day.

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Turning to Slide five, with this project, we now have nearly 6 gigawatts of long-term contracts directly with technology companies, making AES among the largest energy providers to data centers. This does not include more than 500 megawatts of contracts signed with utilities to serve data center customers. We are fully supporting the commitments that Google, Microsoft, Amazon, and others have made to procure not just carbon-free energy, but specifically additional renewables.

Turning to Slide six, across the U.S., power demand is forecasted to increase significantly over the next decade, driven by factors such as data center growth, onshoring of manufacturing, and electrification of mobility. There is no technology better suited to serve this load growth than wind and solar, particularly when combined with energy storage.

Turning to Slide seven, even using data that is more than a year old, renewables clearly offer the lowest levelized cost of energy, or LCOE, of any new build on an unsubsidized basis. They provide a source of predictable energy that is not impacted by fuel availability or price volatility. Furthermore, renewables are substantially better placed than any other form of power to actually come online over the next decade, when power shortages are likely to be most acute.

Nowhere is this clearer than in the interconnection queue, which is, as you can see on Slide eight, are dominated by renewable projects. Looking at 2024 as an example, 95% of the capacity additions in the U.S. are expected to come from solar energy storage, and wind. A major part of this growth is coming from energy storage, whose installed capacity is expected to double by the end of the year.

Given our role in creating and first commercializing grid-scale lithium-ion-based energy storage, it fills me with great satisfaction to see that the two largest economies in the country, California and Texas, now get more than 10% of their dispatchable capacity from batteries. We are now even seeing periods of the day in California when energy storage is the single largest source of power on the grid.

Turning to Slide nine, among renewable developers, AES is best positioned to address corporate load growth. We have the scale and experience to bring projects to market in the most cost-efficient way. Our flexibility and ability to innovate give us a competitive advantage with our large customers, just as it led to our early partnerships with data center companies. We also have the best track record in the market of supply chain management and bringing projects online, on time, and on budget.

As you can see on Slide 10, we have a pipeline of 66 gigawatts, not including prospects, with projects ranging in maturity from early stage to late stage. Let me emphasize that all of the projects in our pipeline include some degree of land control, as well as interconnection filing.

In addition, rather than pursuing just total megawatts, we have taken a strategic approach to building our pipeline, focusing on those markets and sites where we see the most significant demand and where we are best positioned to add value. The breadth and maturity of this pipeline, both in terms of market and interconnection queue positions, provides us with a meaningful competitive advantage and line of sight into future growth.

As I mentioned in February, our historical results, combined with accelerating demand for our renewable projects, led us to increase our U.S. project return expectations by 200 basis points, to 12% to 15%, on a levered, after-tax cash basis, and raise our long-term guidance for both EBITDA and EPS. With 1.2 gigawatts of new contract signings since our Q4 call in February, including Bellefield II, we now have a backlog of signed contracts of 12.7 gigawatts.

We have also added almost 600 megawatts of new projects to our operating portfolio, including the completion of Chevelon Butte, which is the largest wind project in the state of Arizona and Delta, which is the first utility scale win project in the state of Mississippi. With these additions to our operating fleet and the good progress we are making on our projects currently under construction, we remain fully on track to add a total of 3.6 gigawatts of new capacity this year.

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I should note that for the remaining projects coming online in 2024, we have 92% of the major equipment already on site, including virtually all of our solar modules and more than half of our solar modules for 2025. Our diversified and resilient supply chain has been and will continue to be one of our differentiators.

Turning to our utilities on Slide 11, in mid-April, AES Indiana achieved a critical milestone with the approval of its rate case by the Indiana Utility Regulatory Commission. Resolving the rate case provides us a constructive regulatory foundation for our investments focused on reliability, resiliency, and customer experience, and allows us to partially recover accumulated inflation since our last rate case in 2017.

The $71 million rate case increase includes an ROE of 9.9%, demonstrating the Commission's support for investments that strengthen the overall system reliability and drive value for customers.

In late February, we also closed on the acquisition of the 106-megawatt Hoosier wind project, providing long-term savings to our customers while also adding to AES Indiana's portfolio of renewable projects. AES Indiana's latest integrated resource plan, or IRP, includes a commitment for the addition of 1,300 megawatts of wind, solar, and energy storage over the next five years.

At AES Ohio, we continue to execute on our growth plan, stemming from our new rate case structure, ESP-4, put in place in Q3 of last year, as well as our smart grid program and FERC formula investment in transmission. By the end of the program, AES Ohio will still maintain the lowest rates in the state across all customer classes. As a reminder, approximately 80% of AES Ohio's planned investments through 2027 are already approved or under FERC formula rate programs.

Across our two utilities, our Q1 investment was up nearly 100% from last year, as a result of the new rate structures and investing to improve system resilience and customer experience.

Looking ahead, we now have a clear line of sight to $4 billion of our total utility capital program of $5.3 billion through 2027. We are also seeing the potential for further upside from the growing interest from data center providers who see our service territory as a desirable location for growth. With double-digit rate-based growth throughout our planned horizon, we believe they represent one of the fastest-growing utility investment opportunities in the country.

With that, I now would like to turn the call over to our CFO, Steve Coughlin.

Steve Coughlin

Thank you, Andres, and good morning, everyone.

Today, I will discuss our first quarter results and our 2024 guidance and parent capital allocation. Following that, I will provide a deeper dive into our low-risk, highly-efficient capital structure, which is important for everyone to understand.

Turning to Slide 13, adjusted EBITDA with tax attributes was $863 million in the first quarter versus $641 million a year ago. This was driven primarily by contributions from the roughly 600 megawatts of new renewables we brought online.

Turning to Slide 14, adjusted EPS for the quarter was $0.50 versus $0.22 last year and in line with our expectations. Drivers were similar to those of adjusted EBITDA with tax attributes but also included higher parent interest expense and a lower adjusted tax rate. These results include approximately $0.08 of tax benefits consistent with our expectations, which were associated with steps we took this quarter to transition to a more U.S.-oriented holding company structure that is better aligned with our significant U.S. growth. In the future, we may recognize further benefits from our revised simpler structure, although likely of a smaller magnitude.

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We continue to expect an adjusted tax rate of 23% to 25% for the full year, excluding the impact of tax credit transfers, which we are showing at the SBU level for simplicity. I'll cover the performance of our SBUs or strategic business units on the next four slides.

Beginning with our renewables SBU on Slide 15, higher EBITDA with tax attributes was driven primarily by contributions from new businesses but was partially offset by lower renewable resource in Panama and Brazil.

Higher adjusted TTC at our utilities SBU was mostly driven by favorable weather in the U.S., as well as higher revenues from investments in our rate base. This was partially offset by interest expense on new borrowings to fund future growth. Relatively flat EBITDA at our energy infrastructure SBU primarily reflects prior year higher LNG transaction margins and the sell down of our gas and LNG businesses in Panama and the Dominican Republic. This was partially offset by higher revenues recognized from the accelerated monetization of the PPA at our Warrior Run plant. Finally, higher EBITDA at our new energy technologies SBU reflects continued margin improvement at Fluence.

Now turning to our guidance on Slide 19. We are reaffirming our 2024 adjusted EBITDA with tax attributes guidance of $3.6 billion to $4 billion and 2024 adjusted EBITDA guidance of $2.6 billion to $2.9 billion. We expect to continue to see strong growth in our renewables and utilities businesses partially offset by short-term dilution from continued execution on our $3.5 billion asset sale target through 2027.

We are also reaffirming our 2024 adjusted EPS guidance of $1.87 to $1.97. Our earnings will have similar drivers to adjusted EBITDA with tax attributes but will also be impacted by a lower adjusted tax rate and higher parent interest. We anticipate a more even distribution of cash and earnings throughout the year with nearly half of earnings expected to come in the first half versus only 25% in 2023.

Now to our 2024 parent capital allocation plan on Slide 20. Sources reflect approximately $3 billion of total discretionary cash including $1.1 billion of parent-free cash flow, $900 million to $1.1 billion of proceeds from asset sales, and $900 million to $1 billion of planned parent debt issuance.

As a reminder, we limit any parent debt issuance to a level consistent with our investment grade credit metrics. We continue to be very pleased with the great progress toward our $3.5 billion asset sale program, which will limit and may eliminate any need for future parent equity issuance throughout our long-term guidance period.

On the right-hand side, you can see our planned use of capital. We will return approximately $500 million to shareholders this year, reflecting the previously announced 4% dividend increase. We also plan to invest approximately $2.6 billion toward new growth, of which 85% will go to renewables and utilities. One of our strengths is the flexibility we maintain in our capital plan across both sources and uses. As we have for many years, we will continue to execute on opportunities to rotate capital across the portfolio in a manner that creates shareholder value.

Next, I want to take a moment to discuss how we manage our balance sheet on Slide 21. First, we utilize non-recourse debt to fund our growth. Approximately 82% of the debt on our balance sheet is non-recourse to AES Corp., meaning it is only secured at the relevant subsidiary level. This important structural component limits our risk at the parent company to the equity we invest in our subsidiaries.

We further insulate our financials from interest rate movements, with nearly 90% of our long-term debt being fixed rate or hedged. In addition, nearly $4 billion of the debt on our balance sheet is under designated construction facilities, which are also non-recourse to the parent company, but are backed by projects that don't yet generate earnings or cash. When a project reaches commercial operations, approximately half of this construction debt will be repaid with cash generated from the monetization of tax attributes, leading to a significantly lower long-term leverage profile on projects in operation.

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As a result, recourse debt to the AES parent is only 18% of total leverage. Using an example of a typical U.S. solar plus battery project on Slide 22, we've centered our strategy around a capital-efficient model which quickly recycles cash, enabling the rapid growth we've achieved in recent years. First, when we place a project in service, we pay down at least 40% of a project's capital cost with tax equity partnerships and tax credit transfers.

Our projects typically benefit from the investment tax credit, which provides an attractive upfront cash return on our investment and significantly reduces net parent cash requirements. We fund an additional approximately 40% using fixed-rate, amortizing, non-recourse debt, which is investment-grade rated. In order to insulate project returns from changes in interest rates, we pre-hedge this expected debt issuance when we sign a PPA. We currently have nearly $9 billion of outstanding interest rate hedges on our balance sheet, most of which relate to our U.S. renewables business.

With respect to equity requirements for U.S. renewables, our development partner, Alberta Investment Management, or AIMCO, contributes 25% of equity capital needs. Once a project is completed, we typically bundle it into an operating portfolio and sell down a large minority stake at an attractive premium and recover most, if not all, of the upfront parent equity investment in the project.

The end result is a material ownership in a high-quality, long-term renewables project with little net cash invested and de minimis risk to our balance sheet. This model allows us to grow rapidly while maintaining an investment-grade credit rating and ensures our financial results are not sensitive to changes in interest rates.

Now, turning back to our first quarter results, we've had a tremendous start to the year, making significant progress toward all of our financial targets. We expect to continue the momentum in the year to go as we complete our remaining 3 gigawatts of new projects and continue growing the rate base at our U.S. utilities while maintaining a low-risk, highly efficient capital structure and funding plan.

With that, I'll turn the call back over to Andres.

Andres Gluski

Thank you, Steve.

Before we open up the call for questions, I would like to sum up the highlights of the quarter. We had a strong first quarter, in line with our expectations. Our earnings and cash flow are now more evenly balanced throughout the year as our U.S. renewable business matures. Our performance demonstrates, yet again, our ability to execute and that our financial results are not sensitive to higher interest rates. Our financial model is proving very resilient as we see ample supply of non-recourse project finance debt, as well as strong demand for tax attributes and project equity from minority partners.

In addition, our asset sales program is on track, representing an important component of our capital-efficient growth model, which may even eliminate our need for issuing corporate equity through our long-term guidance period. Our stock would have to reach much higher valuation before new parent equity would even be considered several years in the future. We see strong and accelerating demand for renewables in our core markets and are pleased to be in a leading position with the largest segment of growth data centers.

We're also executing well on our construction program and have virtually all of the major equipment we need for 2024 on site and the majority of what we need for 2025 as well. Our supply chain management continues to support our best-in-class track record of delivering new renewable projects on time and on budget.

In closing, we are once again delivering on our strategic objectives and financial guidance and are uniquely well-placed to be one of the winners of the energy transition.

Operator, please open up the line for questions.

Question-and-Answer Session

Operator

Thank you. [Operator Instructions] Our first question comes from Nick Campanella of Barclays. Nick, the line is yours.

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Nick Campanella

Yes. Hey, so thanks for the comments on the asset sale programs, and I was just hoping you could maybe expand a little on your commentary about eliminating future planned equity issuance. Is that something that we should have kind of a view on through this year because you do have asset sales penciled into 2024, or is that statement more kind of a multiyear effort? I'm just trying to get a sense of size and magnitude of what you guys have visibility to into this year. Thank you.

Andres Gluski

Yes. Well, thanks for the question. Look, historically, I believe we've always overachieved our asset sale targets. So last year, we overachieved by about $600 million, so we're coming into this year with some tailwinds. So we don't comment on any specific asset sale until they're closed, but we feel good what has been disclosed is, for example, we have already sold the Vietnam asset and are just waiting government approval. So that's quite a large sale that it's already, let's say, it's not closed, but the sale is done. We just have the final government approval. So we feel good about it.

So the general statement is that if you look over our tenure of the last decade, we've been very frugal about issuing new equity. We've actually, in the net, bought back shares. We've also paid $3 billion worth of debt. So we've been able to do this transformation, being very, very stringent about issuing any new equity. So depending on how the asset sales goes and our growth programs and our partnerships, we feel that we may be able to do this without any additional equity issuance.

We've always talked about it being in the later years of our guidance period. And we've also mentioned that we would never do it at current valuations. So I hope that provides as much color as we can, but I think it gives you a clear notion of what our intent is.

Nick Campanella

All right. That's helpful. And then, I guess just with the data center opportunity, you've established yourself pretty early as doing some of these deals with hyperscalers. And I'm just wondering with some of your peers kind of announcing a wider framework with Microsoft earlier this week, is that something that is an opportunity to do on the AES side as well with a large customer? And how would that fit into your overall strategy, or is that just not the focus at this point? I'm just wondering if you can kind of comment about that framework and what you think.

Andres Gluski

Look, I think that we identified several things some years ago. So first, just looking out, as I've said many times in our meetings or calls, that we saw a shortage, eventually a shortage of renewable projects, giving the increase in demand. So we had somewhat of a lag in 2020 due to tariff issues, but that there was basically going to catch up. So what we were seeing is that there was going to be more demand, quite frankly, than supply for renewables, number one. Number two, we very early on identified data centers and technology companies as really our sweet spot in terms of future deals. And we've been working with them.

So we have innovated coming up with things like hourly matched carbon-free energy with the data centers. So we've already done six gigawatts. So we're out ahead. These are actual projects that have been done. So we have very close relationships with them. And I would say that, coming up with the various ways of us helping them meet their needs, certainly things that we have been discussing for some time.

So our real focus is on meeting their needs. And what we see is that things like pipeline, and we started building up this pipeline again several years ago, really thinking about what they would need. So finding the sites. And, I'd say the most strict about when we talk about backlog, it's a signed contract. It's not something we expect to sign. When we talk about pipeline, it's actual having some degree of land control, and it's being in the interconnection queue. It's not we're prospecting in this area. We've had some discussions. So, you know, we feel very good about our ability to meet these clients' needs, and I think understanding very well what those needs are.

So, I don't see this really just as a zero-sum game. What we see is that, the deal that was announced in the last week, an international deal is good. It's good because there's a lot of demand out there, and we're not going to be able to satisfy it all by ourselves.

And second of all, I think it shows the value of having an international presence and the value of being in diversified markets to be able to satisfy their needs. So, I think there's been a lot of focus on the specific technology, not enough focus on how do you satisfy the needs of those clients. So, that's what we've been focused on. But quite frankly, this is nothing new to us. We've been doing this, almost five years.

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Operator

Our next question comes from Durgesh Chopra of Evercore ISI.

Durgesh Chopra

Just maybe, can I get your thoughts on potential tariffs? There's been talks of some anti-dumping tariffs and just how you position there, if something were to take place.

Andres Gluski

Yes, look, great question. Quite frankly, I'm not concerned at all about the AD-CBT, which is the anti-dumping, compensating tariffs. I would say for the following reasons.

First, we already have pretty much everything we need on site for the remainder of this year and the majority of what we need for next year. And before any tariffs could come in place, I would expect to have everything on site for 2025. So that's the first thing.

And then when we think about 2026, we expect to have domestic content, domestically made solar modules. So quite frankly, I'm not concerned about this. And I think that, most important thing is look at our track record. When there was the uncertainty about tariffs in coming out in 2020, we didn't abandon or significant delay any single U.S. solar project. So whether these countervailing duties come into place, we'll monitor it. I think the effects on the sector as a whole will be much less than the prior tariff circumvention case, because the level of the duties should be significantly smaller. But I think the important thing is to have clarity so that people can sign PPAs.

But specifically about AES, I am not concerned because, we've always been concerned about any possibility like this and moving ahead. So we, of course, like others, have strategic relationships with suppliers. But, the proof of the pudding is in the eating. So, we have everything on site for this year. And before these tariffs come in place, we'll have all our solar modules for next.

Durgesh Chopra

And that is very clear, Andrew. Thank you. And then maybe can I just follow up on Nick's question regarding asset sales? Just as we think about the cadence of announcements here for the rest of the year and into 2025, do you see potential for a large deal, a large asset sale, or maybe a large one buyer or a large buyer in place of like, multiple small buyers or multiple small deals that you've done in the past? Maybe just can you discuss that?

Andres Gluski

Yes. Again, we don't typically comment on this, but something like, for example, the Vietnam sale or others, these would be large sales, hundreds of millions of dollars. So what I would say, we will do these over time. We'll also continue to do the smaller ones, selling down of specific assets, when we think that, we've maximized the value that we could add. And we continue to sell down, of course, our renewable projects, as Steve explained. So these will be multiple sources of us getting additional financing. So again, we don't comment until the deal is closed. But, I think it's very clear, we have a very good track record of doing this. And we're not just starting, we have some wind in our sails. So I feel very good about it.

Steve Coughlin

Yes. And I would just add, Durgesh, as Andre said, we have a long track record. So it's not just about the goal. It's also about securing the best value and exiting properly. So we have a lot of pathways to do that. We have 3.5 billion is a conservative number and it's a combination of our coal exit, our simplification of our international portfolio, monetizing some of our technology businesses, and the renewables recycling.

So there's a number of ways. And so it allows us the luxury of ensuring that we get the appropriate value. And we're looking out in the market on all of these and transacting when we see that appropriate valuation. And, we were ahead, as Andre said, by over $600 million last year. So we feel great.

Durgesh Chopra

Indeed, guys. Thank you. And I apologize, but just I want to ask a quick question on just the pace of deployment, given your leadership in the renewable industry. Andre, just as you think about all the data center demand projections, are you concerned with the pace at which the deployment might happen? I mean, you mentioned the demand exceeding the supply, but are we going too fast? And could you see yourself in the position to be able to provide all the renewable power given the demand?

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Andres Gluski

Let's see. I think that what we're seeing is they're very concerned about getting power. They're talking about time to power. How fast your renewable projects can come online. I think that the market's beginning to realize that this growth in data center demand will be mostly powered by renewables. They are the cheapest energy, and they're going to be the fastest time to power.

There was a lot of talk about, say, something like nuclear. So while existing nuclear plants can be recontracted and provide power, they aren't additional. They aren't decreasing the total carbon footprint of the system, number one. And it takes years to bring new nuclear online. So, while I'm a believer in nuclear in the long run, it's like, okay, time to power, I'm bringing data centers on in the next three years. How am I going to power them? And that's really where renewables will play a key role. Now, what do I think?

I think those people who have advanced pipelines are going to be in the best position, who have the supply chain and have the projects. And the other thing that I find very interesting is that I think pipelines are extremely valuable, and I don't think people are valuing them enough. And I would say, just think about if you were coming in from zero to create a pipeline of, say, 50 gigawatts in the U.S. How much would that cost you? And those pipelines aren't just for projects in the next two to three years. Those pipelines are going to be serving projects, certainly within the next five and beyond that.

So I think that, to answer your question, there is a lot of pipeline in the States. There's a lot of interconnection. The question will be those developers who will be able to bring them on in time for the data centers. And I think it will require flexibility. So I hope that answers your question. And this view has not changed. What we have seen, I would say, is that, data center growth, certainly in the last year has accelerated. But we saw a huge corporate demand coming and data centers being part of that.

Operator

Our next question comes from Richard Sunderland of JPMorgan.

Richard Sunderland

Maybe picking up on that last question from Durgesh, I'm curious if you could speak a little bit more to transmission constraints and how that's being impacted by this accelerating pace. You obviously have interesting perspective, both on the commercial side and on the utility side. I'm curious, again, how you position from an interconnection perspective the pipeline for value there, and if there are ways to maybe realize even more of that value through unlocking transmission.

Andres Gluski

Sure. Look, again, that's something we've also been working on for some time. So I think here in the States, the most specific project I could talk about is our use of dynamic line rating. And this allowed us to place a 400-megawatt hour battery project in Indianapolis that otherwise would not have been possible. So dynamic line rating very simply is, it actually takes into account, monitors the actual state of transmission lines, because transmission lines are rated at a capacity for usually like the worst possible conditions, which thankfully don't always exist.

Next is, we have the grid booster, which Fluence has been doing, for example, in Germany, where you actually, again, use existing transmission lines with banks of batteries to transmit energy on those times when they're underutilized. And look, the typical transmission line is utilized 50% of capacity. So you have a lot of excess capacity there. So definitely batteries is a way of using them on those off-peak hours.

Now, look, there is no one silver bullet, but this can avoid billions in costs and decades of permitting. And so they have a massive project in Germany to get this done. And that's not unique to Germany. There are places where we could do that in the States. So the question is, why isn't this being more discussed? And really, it's not a technical issue. We're on very solid ground on what I'm saying here. The issue is, who gets to own the batteries? Who determines the dispatch? And how do you remunerate that dispatch?

And look, some of the business models actually, you can make more money if you invest more. So avoiding costs is not necessarily everybody's -- what everybody wants. But that is one way. Again, we're looking at a big project in Chile. So again, I think that could be more applicable in the States. It's really a regulatory issue. Other things is, quite frankly, getting sites where you have interconnections that also would be easy for people to put data centers in that same region. It's something, again, that from day one that we have been working on. So those are all the ways. There will be others. But the ones I'm mentioning are those that are technically known today.

But then, look, there's also, we have Uplight, our investment in Uplight, which just merged with Autogrid for virtual power plants and really the orchestration of grid-scale energy resources. So those are other ways. It's also a question of more advanced software and better understanding. Things like what we talked about, our proprietary AI systems for predicting next-day wind, bidding engines. All those things help make better use out of existing transmission. So I think you correctly identified that transmission will be one of the bottlenecks. We'll have to be creative about it, not only the suppliers of the energy, but also the consumers.

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Richard Sunderland

Now, that's very helpful color, and appreciate all the context to that. Maybe switching gears, hydrogen overall been an active focus area for you, featured heavily in some of your updates last year. Just curious to get a temp check on that front, what you're focused on now, what we should be watching in terms of updates on the hydrogen front over the balance of the year. Thank you.

Andres Gluski

Yes. Look, we have the big project in Texas, a joint venture with Air Products, which is the largest seller of hydrogen in the world. That continues to progress, but we're still waiting for the final treasury regulations in terms of what qualifies as green hydrogen, what is the carbon intensity, and what is the degree of tax credits you get on the different factors.

So, once that comes out, we continue to make progress and we feel good about it. And also, that is, quite frankly, the most advanced green hydrogen project in the U.S. with a real offtaker.

Operator

Our next question comes from David Arcaro of Morgan Stanley.

David Arcaro

Let's see. It looks like a bit of a smaller addition in terms of renewables origination this quarter than you had in the last few. I was wondering if you could speak to that and maybe describe the trends you're seeing near term in terms of renewables origination.

Steve Coughlin

Yes. I'm not sure the data you're looking at, but we had actually quite a very good quarter. I think it was 1.2 gigawatts signed in the quarter, David. So we're very, very pleased and also very pleased that we were able to announce Amazon as our Bellefield customer, which is really a total of two gigawatts with Amazon, including the first phase from last year and then the second phase. And so that's an example of the things we've been doing with data centers on a very large scale. So we've done a lot in the first quarter.

We've been active not only in signing but also in executing and spreading our execution throughout the year, as I mentioned. So we had many more megawatts installed in this quarter. And as such, our earnings for the year will be much more balanced.

But no, we feel really good about our signings target. The demand is stronger than ever. And I think the deal announced earlier this week with Microsoft, as Andre said, is just one example of what we've been saying is that the renewables is where these folks come first. And that was a 10-gigawatt agreement. And so it dwarfs anything that's been signed with like a nuke or things like that. But as Andre also said, this is not a zero-sum game. And there is much more demand here and continuing to come.

And so we feel really good about our pipeline and the maturity of it and where it's located and its positions in the queues. So no, I think our signing progress has been excellent and still feel really good about where we're headed for the rest of the year.

David Arcaro

Okay, great. Yes. Thanks for that extra color. And yes, I was going to go back to that multi-year kind of framework agreement that we saw earlier this week. I was wondering, are you seeing that same level of demand where data center companies are getting potentially more aggressive, willing to contract out further into the decade, where should we start to see potentially deals, bigger deals getting signed and looking farther out in your pipeline?

Andres Gluski

Well, I think that's sort of a framework agreement. And I think what we've been doing is negotiating big deals and I would say with several of the hyperscalers. So we're not just solely focused on one. And so we're looking at how to solve their demands. And quite frankly, they have slightly different preferences where they're going. We have data center deals with Microsoft in Chile, for example.

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What they're looking for is people who can provide, of course, U.S., the biggest, the fastest growth. But I think they're very interesting international opportunities. And it depends where you have your footprint.

So I believe the deal that we're talking about in Brookfield, they have more Asia and European capabilities. And quite frankly, we have decided not to be in those markets.

Operator

Our next question comes from Angie Storozynski of Seaport. Angie, please go ahead.

Angie Storozynski

So I know we talked about it in the past, but I just wanted to go back to this. How much it really costs to develop these renewables and how seemingly little of an EBITDA and cash recreation you guys are going to get from it. And even using your math, right, with this, the financing of CapEx and the amount of money that you were planning to spend on renewables from the analyst day, and you would end up with like about $2.7 billion of your equity contribution and say $350 million of free cash flow on the back of it. Just again, using the target return. Isn't that, I'm just wondering if that's enough. I mean, is it time to maybe add these return expectations, or is it just simply, that's how competitive the market is and you just have to accept the terms. All I'm trying to say is that it doesn't seem like it generates enough EBITDA or free cash flow from the amount of investment that those renewables require.

Andres Gluski

Yes. I would disagree. I mean, we can maybe go into more detail offline. But I think the way to, first of all, realize that we do renewables not only in the U.S. We do it, for example, a lot of renewables in Chile where you don't have any of the upfront tax attributes. But it's a different, let's say, model. But actually our returns are better there. I would say given the tax attributes in the States, what you have is, thinking of it sort of a flow and a stock, right? So you get a lot of the tax attributes as cash, right? So you use that cash to pay down the construction debt. And then you're left with a project with a lower amount of debt going forward. And then you also get cash immediately by selling down to minority partners who want, in the example we gave, like a solar bond. So they're willing to take lower returns.

So on the project itself, you do have a very good cash returns for the total cost of the project because, again, you're getting, well, almost 50% back right after you commission it. Now, when you're looking at the EBITDA numbers, realize that we're growing very fast. So, last year our commissioning of projects grew 100%. So, those projects are now coming online over time. So, no, I don't think, I mean, I think returns will increase. We did increase our targeted returns for the U.S. because of what we're seeing in the market and our increased, let's say, maturity and efficiency.

And I would remind you that, again, without tax attributes, we're getting even better returns internationally. And another comment on it, when people talk about the competitiveness of renewables, realize that solar panels in the states are costing two to three times what they cost internationally. So, the cost of the megawatt hours from renewables with energy storage on that is much, much cheaper. And certainly the cheapest energy in most places that we operate. So, again, we can go into more discussions about it. But, no, we feel very good about the cash profile of renewables and what they're generating.

Steve Coughlin

Yes. I would just add, Angie, also on the EBITDA profile, the EBITDA in the U.S. is growing significantly. I think you're not seeing it in part because of some of the things happening in LATAM around the El Niño, where we've had lower hydro generation, for example, in Panama, as I had in my comments. Brazil's had very low wind in the first quarter.

And then, frankly, Q1, and even in the U.S., is a very low solar irradiation quarter. So you won't see the EBITDA growth to the same degree. But within that number, there's substantial U.S. growth throughout this year. But it is somewhat offset by a couple of those other factors outside the U.S. So the EBITDA is strong. And the other thing I'd mention in terms of developing renewables, we've been perfecting this machine for many, many years. So the development has gotten quite efficient.

We are able to drive high success rates through our development process. And so that cost continues to come down relative to bringing projects successfully online. So we can go into more detail, perhaps, separately. But it is a very attractive profile for this business.

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Angie Storozynski

And then just separately, so you mentioned all of these projects that you develop, the hyperscalers. I mean, those are virtual PPAs, right? So they're not directly feeding into these data centers. And I'm just wondering, I mean, is it like in a close geographic proximity, given that I think that there's more and more discussion about the reliability of the grid and transmission congestion? Again, I understand that hyperscalers have the net zero goals. But at the end of the day, they have to have access to reliable power in the sort of proximity of these facilities. So again, I'm honestly trying to understand how renewables just built somewhere far will help keeping the lights on in these 24-7 demand machines.

Steve Coughlin

Yes, Angie, it's all good points. And so you're absolutely right that the proximity is important within the region. Now, the co-location, I think, is overblown in terms of you're adding a new load to the interconnection and approval, regardless of where this data center is. But what are they really looking for? As Andre said, they're looking for renewables, and they're looking for additionality, meaning new renewables. And so you do want to do that in a smart way by minimizing your transmission charges. So you want them to be within a region of the data center. And then you want to be able to add batteries in many cases.

And we see tremendous upside. We've been developing battery storage, both technology and Fluence, as well as battery storage projects in our portfolio for a very long time, a decade plus. So that's a huge advantage for us in being able to meet their carbon-free needs throughout the entire day. And so being able to have those battery sites in the region with the solar, with the wind sites is key. And having that flexibility. So it's not a market you can tap into just by jumping into this. You have to have had foresight for five years plus to be advanced in developing all these technologies within these regions to do that.

And then, the other thing I would say is that because and we've talked about this, the data center locations are expanding more towards the middle of the country. And so it's opening up many more locations, which have much more land availability for solar, for wind, into regions like MISO, into ERCOT, less congested in the coast. And so that's an advantage in terms of ensuring you're locating your data centers close to your generation sites as well.

Andres Gluski

Yes. Angie, these are really good points. Because the other thing is that the new AI requires less latency, immediacy than traditional data centers. So it opens up the geographic possibilities. But, we've always felt, for example, on green hydrogen as an example, that, first it has to be regional to minimize transmission. Second, that it should be additional. And the fact that it already matches something we can do.

So in the particular case of our green hydrogen project, that one's actually pretty much co-located. It's like across the street. So that's a particular case where that works. But, I think that, it very much depends on the transmission conditions. But this opening up of more geographies is very favorable.

Operator

Our final question comes from Michael Sullivan of Wolfe Research. Michael, please go ahead.

Michael Sullivan

Hey, I wanted to just circle back on the utility side and the data center angle there. I think you alluded to it a little bit. But can you give a little more color on what you're seeing, I guess, particularly in Indiana? And do you think the IRP you have out there is enough to cover any, particularly large announcements that have been made? How should we be thinking about that?

Andres Gluski

Let's see. What I had mentioned in my speech is that certainly that as we're involved in these negotiations with hyperscalers due to transmission and other attributes that, there is interest in our two utilities for possible locations. Now, this would be outside of the IRP, per se, because this would be an additional demand that would be put onto our systems.

Michael Sullivan

Okay. But nothing specific in the works?

Andres Gluski

We have nothing specific to announce at this time. We just thought it was important because when we talk about it, we've talked about what we've done purely. We haven't talked about, well, this is the first time we mentioned, for example, the megawatts that we're doing and actually providing that energy for other utilities to four data centers, and we might be able to do some for ourselves.

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Steve Coughlin

So I would look at it as the plan has upside, really, is what it is about, Mike. So we have assumed sort of line of sight to what we know in industrial development, in Ohio, but they are becoming very attractive places, not only for data centers, also chips manufacturing, battery manufacturing, we've talked about. So there will be some discrete additions that I think will be upside to our plan down the road.

Andres Gluski

In closing, Steve brought up a very good point that, what we're seeing is growth in corporate demand. It's not just data centers. So what you're seeing in our service areas is, for example, a reindustrialization of the U.S. So you have on-shoring, whether it be EVs, battery manufacturing, panel manufacturing, other things, which is growing very substantially. And then, you have to add in the load for electrification, because people have been talking about, EVs as if they're not selling. But the fact is they're growing very fast, charging stations are growing. They're just growing less than some of the forecasts that people had put out there. But if you look at, for example, China, 50% vehicles sold are EVs. So what we see is an increased demand from corporations, from all of these sources. We have particularly focused on tech companies and data centers as really our sweet spot. But, internationally, it's the same. What we want is long-term, dollar-denominated contracts with investment-grade offtakers. And, again, we're doing well on both. So very optimistic about the sector.

Michael Sullivan

Okay. Thank you. If I could just squeeze one last one in. Just latest thoughts on using Fluence as a funding source.

Andres Gluski

We don't comment on that, quite frankly. And, Fluence has its call later in the week, or next week. So we can't give any further color on that.

Operator

With that, I'll hand back to Susan Harcourt.

Susan Harcourt

All right. We thank everybody for joining us on today's call. As always, the IR team will be available to answer any follow-up questions you may have. Thank you and have a nice day.

Operator

Ladies and gentlemen, this concludes today's call. Thank you for joining. You may now disconnect your lines.

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