

MEDIA RELEASE



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ACCC authorises Brookfield and MidOcean's acquisition of Origin

The ACCC has granted authorisation with conditions for the proposed acquisition of Origin Energy (ASX: ORG) by Brookfield and MidOcean.

The proposed acquisition comprises two interdependent transactions. The transactions will result in a consortium led by the Brookfield Global Transition Fund owning Origin's energy markets business, including Origin's electricity generation and electricity and gas retail businesses. MidOcean will own Origin's upstream gas interests.

Under the Competition and Consumer Act, the ACCC must not grant authorisation unless it is satisfied in all the circumstances that the proposed acquisition would not be likely to substantially lessen competition, or that the likely public benefits would outweigh the likely public detriments.

"On the first limb of the test, we are not satisfied that the proposed acquisition would not be likely to substantially lessen competition. However, after a detailed review, we are satisfied that the proposed acquisition is likely to result in public benefits that would outweigh the likely public detriments," ACCC Chair Gina Cass-Gottlieb said.

"We found that the public benefits and public detriments in this matter were finely balanced. Likely detriments, particularly anti-competitive effects from vertical integration, had to be weighed against likely benefits to Australia's renewable energy transition. We considered undertakings offered by Brookfield, AusNet and MidOcean in this weighing process."

"The ACCC considers that the acquisition will likely result in an accelerated roll-out of renewable energy generation, leading to a more rapid reduction in Australia's greenhouse gas emissions," Ms Cass-Gottlieb said.

"The Brookfield Global Transition Fund has been specifically established to focus on the transition to renewable energy. Its decision to buy Origin, Australia's fourth largest emitter of greenhouse gases, is driven by a strong imperative and commercial incentive to lower emissions quickly."

"In this case, we determined that the likely gains for Australia's renewable energy transition amount to a public benefit sufficient to outweigh the likely public detriments," Ms Cass-Gottlieb said.

"We drew extensively on our engagement with industry participants to weigh these public benefits and detriments."

Public benefits

"The ACCC concluded that an accelerated build-out of Origin's renewable energy generation would be a material benefit to the Australian public," Ms Cass-Gottlieb said.

"An accelerated build-out by Origin will assist in lowering Australia's emissions by replacing some fossil fuel generation earlier than would occur without the proposed acquisition. The ACCC considers that a reduction in greenhouse gas emissions is a public benefit of considerable weight."

However, the ACCC recognises that there are several factors that mean the benefits may not be as large as suggested by the \$20 billion to \$30 billion build-out plan proposed by Brookfield.

“These factors include constraints within the electricity transmission network, particularly in the short-term, which may delay Brookfield’s ability to build renewable energy generation at the speed claimed. We also recognise that some of Brookfield’s proposed renewable investments would be likely to be made by others if the acquisition does not eventuate,” Ms Cass-Gottlieb said.

The ACCC considered what investments Origin and Brookfield would make in renewable energy generation without the acquisition to identify benefits that are causally linked to the acquisition and therefore relevant to the ACCC’s assessment.

“Despite these counterpoints we consider that, in this case, the proposed acquisition is likely to increase the speed of the renewable energy generation roll-out. The acquisition includes a large retail customer base to support the investment and is being made by a fund which has a specific mandate to invest in the renewable energy transition and which brings significant global renewable energy investment experience,” Ms Cass-Gottlieb said.

“Brookfield’s reputation and its commitment to progress the proposed roll-out will be subject to public scrutiny via the reporting obligations in the undertaking provided to the ACCC.”

Public detriments

To reach its decision, the ACCC assessed the likely public detriments to weigh against the likely public benefits.

Competition concerns with the proposed acquisition mainly arise from the resulting vertical integration in the electricity supply chain in Victoria.

After the acquisition, Brookfield will control AusNet, which owns significant energy network infrastructure in Victoria, and Origin’s energy retailing and generation business.

“There are long-standing competition concerns with combining monopoly energy network assets with businesses that use those assets, such as electricity generators and energy retailers,” Ms Cass-Gottlieb said.

“When the controller of a monopoly network owns downstream or upstream market interests, it may have the ability and incentive to discriminate against its rivals across the supply chain and favour its own market operations, lessening competition.”

The ACCC’s strongest competition concerns relate to the common control of AusNet’s Victorian high-voltage electricity transmission system and Origin’s current and expected future generation assets in Victoria.

“We are particularly concerned with Brookfield’s ability to influence AusNet to obstruct rival generators from connecting to the transmission grid or operate the transmission network to favour Origin’s generators. The ACCC is not satisfied there would not be a substantial lessening of competition given these concerns,” Ms Cass-Gottlieb said.

When weighing the overall public detriments likely to result from the proposed acquisition, to weigh against the likely public benefits, the ACCC considered there are some mitigating factors that will limit obvious or extreme discrimination.

These include AEMO’s Victorian-specific planning and connection roles in relation to the transmission network, the different ownership of the Brookfield funds making the investments, the ongoing role of regulators, the role of minority investors in the relevant

entities and the enforceable undertakings given by Brookfield and AusNet to meet conditions imposed by the ACCC.

“The ACCC concluded that even if Brookfield is unable to engage in obvious or extreme vertical foreclosure of Origin’s rivals through its control of AusNet, concerns remain regarding the potential for discrimination that is subtle and difficult to detect. This includes discrimination that would favour Origin but not impact AusNet’s profits,” Ms Cass-Gottlieb said.

The ACCC also considered a number of other vertical integration issues, including between AusNet’s distribution assets and Origin’s retail energy operations and vertical integration with Intellihub, a smart meter provider that Brookfield has an interest in. In addition, the ACCC considered risks from information sharing that could arise from the small overlap in interests in the LNG export facilities in Queensland through MidOcean.

“Ultimately the ACCC decided that while some of these other issues raised competitive risks, the impacts are less significant,” Ms Cass-Gottlieb said.

The ACCC today released its determination and an executive summary of its reasons. The full reasons will be released tomorrow following confidentiality checks with relevant parties.

More information including the full determination and undertakings accepted by the ACCC can be found here: [Brookfield LP and MidOcean proposed acquisition of Origin Energy Limited](#)

Background

Brookfield is a Canadian global asset manager with approximately US\$850 billion assets under management.

Brookfield LP has been established for the purposes of the Proposed Acquisition. It will be controlled by Brookfield through Brookfield managed funds, Brookfield Global Transition Fund (BGTF) and Brookfield Renewable Partners L.P. Brookfield states that BGTF is the world’s largest private institutional investment fund dedicated specifically to investing in the global transition to renewable energy.

Brookfield, through its Infrastructure business unit, holds interests in AusNet Pty Ltd (AusNet) and Intellihub:

- Brookfield holds a 45.4 per cent equity stake in AusNet. By virtue of governance arrangements and practice, Brookfield actively manages AusNet. More information regarding the control of AusNet is provided in the reasons for the determination.
- Brookfield holds a 50 per cent equity stake in Intellihub.

MidOcean is an LNG company formed by EIG, a US-headquartered institutional investor in the global energy and infrastructure sectors.

Origin Energy is a major Australian electricity generator and retailer of electricity and natural gas. It currently owns 13 per cent of the National Electricity Market’s electricity generation capacity.

AusNet’s assets include:

- the vast majority of the Victorian high-voltage electricity transmission system
- one of the five electricity distribution networks in Victoria, which provides electricity to approximately 802,000 customers

- one of three monopoly gas distribution systems in Victoria, which distributes gas to approximately 792,000 customers

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