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CONFERENCE CALL PARTICIPANTS

Cherilyn Radbourne, TD Securities

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Frederic Bastien, Raymond James

Robert Catellier, CIBC World Markets

Andrew Kuske, Credit Suisse

Robert Kwan, RBC Capital Markets

PRESENTATION

Operator

Good morning, ladies and gentlemen. My name is Julie and I will be your conference operator today. At this time I would like to welcome everyone to the Brookfield Infrastructure Partners Q1 Earnings Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks there will be a question-and-answer session. If you would like to ask a question during this time, simply press star, then the number one on your telephone keypad. If you would like to withdraw your question, press the pound key.

I would now like to turn the call over to Rene Lubianski, Senior Vice President, Corporate Development. You may begin.

Rene Lubianski, Senior Vice President, Corporate Development

Thank you and good morning. Thank you all for joining us for Brookfield Infrastructure Partners' first quarter earnings conference call for 2018. On the call today is Bahir Manios, Chief Financial Officer, and Sam Pollock, Chief Executive Officer. Following their remarks we look forward to taking your questions and comments.

At this time I'd like to remind you that in responding to questions and in talking about our growth initiatives and our financial and operating performance, we may make forward-looking statements. These statements are subject to known and unknown risks and future results may differ materially. For further information on known risk factors I would encourage you to review our Annual Report on Form 20-F, which is available on our website.

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

Bahir Manios, Chief Financial Officer

Great. Thank you, Rene, and good morning, everyone.

We are pleased to report that the business is off to a good start in 2018. We generated funds from operations, or FFO, of $333 million or $0.85 per unit, representing a 20% increase over the same period last year. During the quarter, distributions were raised by 8% to $0.47 per unit, which translated into a payout ratio of 68%, in-line with our long-term target range of 60% to 70%.

Entering the year, a key focus for us was to build up our corporate liquidity in response to signals suggesting a period of greater volatility. Even though economic conditions are quite favourable in most jurisdictions where we operate, we often source some of our best investment opportunities when markets are volatile. Consequently, heading into 2018, a major priority was completing the sale of our Chilean electricity transmission business. We are pleased to report that the transaction closed on March 15th and Brookfield Infrastructure received net proceeds of $1.1 billion, putting us in excellent financial condition.

Our results in the period reflect contributions of new investments, as well as organic growth of 9% across the company. A stronger U.S. dollar has negatively impacted our results in the quarter by approximately $13 million, predominantly relating to lower hedge rates on our Australian dollar and pound sterling cash flow hedges.

Our FFO hedging program is designed to lock-in currency rates over a period of 12 to 24 months to reduce volatility in our cash flows, provide visibility into our results, and enhance our planning capabilities. Our contracted hedge rates will naturally reflect the prevailing market conditions at the time the hedges were entered into. Consequently, from time to time, changing market conditions may result in a lower locked-in hedge rate relative to the spot rates in place at maturity. However, when this situation occurs, it typically reverses in a year or two. This dynamic is evident in our current pound sterling hedge rate profile with our near-term hedges reflecting post-Brexit rates and longer-dated hedges going into the latter part of 2019 and 2020, reflecting the recent strengthening of the sterling.

I'll now take you through a quick overview of the results for each of our operating segments, then I'll pass it off to Sam to discuss the status of some of the strategic initiatives we're working on and the current outlook for our business.

Our utility segment contributed FFO of $169 million compared to $100 million in the prior year. This step-change increase was primarily attributable to the contribution from our Brazilian regulated gas transmission business acquired in April 2017 and, to a lesser extent, an increase in our rate base and upward inflation adjustments in our utility businesses, which were offset by movements in foreign exchange. At our Brazilian electricity transmission business we're making substantial progress in constructing our lines. At our first project, the first segment received its operating license in early March and the concession is now earning 100% of its regulated revenues. Discussions have commenced to acquire the 50% equity interest in this project held by our joint venture partner, which we expect to occur in the second half of 2018.

Our transport segment reported FFO of $137 million in the period compared to $123 million in the previous year. This increase was driven by higher tariffs and volumes in our Brazilian rail and South American toll roads businesses. Results were partially offset by lower contribution from our ports business and also due to foreign exchange. Our transport operations in South America continued to benefit from improving macroeconomic conditions. Results in our toll road business in local currency terms were up by 10%. This was a result of 4% growth in traffic levels, higher tariffs, and the commissioning of an expansion project at one of our roads that was completed in 2017, which has already experienced a 7% increase in its traffic levels in the first three months of the year.

Our integrated logistics business activity levels are ramping up after brief delays related to the soy harvest. We have now received all licenses that are required to be fully operational at our newly expanded Tiplam port and, despite the delay in the soy harvest this year, we anticipate a record harvest, which should positively impact results for the business for the balance of the year.

While we are benefiting from strong GDP-linked growth in our transport assets in South America, we may experience headwinds at our Australian rail business in the second half of the year due to potential closures or production

curtailments at two of our iron ore customers. We do not, as of yet, have a clear picture of the timing or scale of these curtailments, as consolidation among industry players is being explored, which may result in certain existing operations remaining in production for several more years. The business will respond to any volume reductions with operating and capital cost reduction programs. If all announced curtailments do take place, the impact on our FFO in the second half of the year would be in the range of $20 million to $25 million, with lower impact if consolidation occurs. On a more positive note, several of our large customers are evaluating expansions at their operations to take place over the next several years that would largely replace drop-offs that may occur in near-term revenues.

Our energy segment generated FFO of $66 million compared to $62 million in the same period last year. This improvement captures the incremental contribution from new contracts, higher gas transport volumes, and further equity invested into our North American natural gas transmission operations. Results were partially offset by a lower contribution from our gas storage business that is being impacted by a weaker spread environment.

At our district energy operations, the City of Toronto approved the strategic partnership with our business to develop several large-scale, low-carbon thermal systems in key communities throughout the city. As part of a competitive process that began in 2016, our business was selected to help the city achieve its long-term energy and climate goals using district energy. To date, eight communities have been identified for potential development. This is a very exciting initiative for our business with the potential to drive significant growth in the future. Additionally, the business finalized planning for a second combined heating and power facility in London, Ontario that is underpinned by a 20-year fixed capacity contract with Ontario’s independent electricity system operator. The project involves $35 million of total capital investment and is expected to come on line in the third quarter 2019, generating attractive risk-adjusted returns.

Our communication infrastructure segment, currently comprised of operations in France, contributed FFO of $19 million for the period, which was consistent with the prior year. The business delivered results in line with expectations due to its stable and predictable cash flow profile. The business has been working closely with the mobile network operators to help achieve their license coverage obligations by building new telecom towers. In the last 18 months, the business has delivered over 150 new sites and has a good backlog of sites to be built over the next 12 months. The momentum in this segment should continue as the French government recently announced an agreement with the MNOs to accelerate and improve 4G coverage across France, which will require more points of presence.

I now wanted to touch on our balance sheet and overall funding plans for the organization. Our strategy with respect to funding is very diversified. It is designed to ensure that our business is protected against potential periods of weakness in capital markets and has the flexibility to capture attractive investment opportunities. Core elements of our funding strategy include maintaining a strong level of corporate liquidity, recycling capital from mature assets when market conditions are strong, and funding our recurring organic growth pipeline with retained cash flows and asset-level non-recourse investment-grade financings.

We completed the period with over $4 billion of total liquidity, of which $3 billion is at the corporate level. This liquidity is expected to be further bolstered in the coming weeks with proceeds of to us of about $500 million on an up-financing at our Brazilian regulated gas transmission business. The company’s finalizing discussions with lenders to issue five-year bonds in the local market at an approximate rate of 7%. This financing evidences the dramatic rebound being experienced in Brazil, which has led to a significant decline in interest rates and improvement in capital market conditions. We are very pleased with this outcome.

Also during the period, we launched sale processes for other mature businesses. We expect to see significant demand for these assets given their high-quality cash flows, growth potential, and the attractive jurisdictions they reside in. We’re hopeful that these processes will close before the end of the year, generating further meaningful proceeds for Brookfield Infrastructure.

And finally, with respect to our committed capital backlog of growth projects, which currently stands at $2.5 billion, approximately $0.5 billion of which has already been invested but not yet commissioned. The remaining $2 billion to be invested can be broken down into the following two categories, for which we have different funding approaches.

The first category, which will require approximately $800 million of new capital spend over the next two to three years, consists of small, recurring mandates within our operating groups. Projects in this category include the home connections we complete in our U.K.-regulated distribution business and debottlenecking expansions of our various port, rail, and energy networks. These mandates are typically financed through a combination of project-level non-recourse debt sized to investment-grade metrics, on average with 50% debt to capitalization, and equity with the latter component being funded by operating cash flows generated and retained within our business. To illustrate, we currently have close to $1.2 billion of annual FFO and generally retain 15% to 20% of this amount in our business or approximately $200 million per year to satisfy such funding requirements.

The second category, which currently stands at $1.2 billion, consists of larger-scale tuck-in projects, multi-year network expansions, or new business lines that we established. These initiatives arise on a less frequent basis and take place over a finite period of time. Projects that fall into this category include the establishment of our electricity transmission business in Brazil, our smart meter portfolios to be adopted in the U.K., the fibre-to-the-home business line we established within our French communications business, and several toll road expansions we're working on. We typically finance these mandates with an amount of debt sized to investment-grade levels and the balance through equity. The equity component is generally funded by new capital injections from Brookfield Infrastructure through proceeds from asset sales and capital market issuances. For the next year, we anticipate that approximately $0.5 billion will be required to fund the equity component of these projects. This equity capital has already been raised and set aside.

So, in summary, the year is off to a great start, as demonstrated by our strong results. And our balance sheet is in the best shape it's ever been in.

With that, thanks for your time this morning and I'll now turn the call off to Sam.

Sam Pollock, Chief Executive Officer

Thank you, Bahir, and good morning, everyone. Today I'm going to provide an update on a few of the strategic initiatives we have underway, walk you through the history of our investment in Transelec as an example of our full-cycle investment strategy, as well as provide a bit of an outlook for the business in the current economic environment.

Let me begin with our strategic initiatives. Our previously-announced acquisition of a controlling interest in Gas Natural Colombia, the second largest gas distribution network in that country, is advancing well. This business services almost three million customers, including the City of Bogotá. It generates predictable cash flows within a favorable regulatory environment that we have significant experience with given our initial investment in an electricity distribution company in 2012 in that country. We initially acquired 11% of the company late last year and are currently progressing the second phase of the acquisition, which we expect to complete during the second quarter. Upon completion, this will result in Brookfield Infrastructure and its institutional partners owning a controlling interest in the company. In early April, we received antitrust approval and once approvals have been received from the local securities regulator, we will launch a tender offer.

Closer to the home, we've been observing market dislocation in the North American energy sector. In particular, there's been a stock market selloff in listed energy infrastructure companies and the sentiment is relatively negative. We have monitored this space for many years and experienced competition to deploy capital by both financial and strategic investors has driven active returns to levels we viewed unattractive. Moreover, the amount of leverage underlying many of the historic acquisitions seem to leave little margin for error should market conditions change.

As the U.S. transitions to become a net exporter of energy, there is also significant need for capital to invest in infrastructure to extract, transport, and process energy resources. This has led to an opportunity set that includes potential asset carve-outs, take-privates, and partnership arrangements with owners of energy infrastructure assets. We are in various stages of discussions with large midstream energy companies and are encouraged by a number of the interesting opportunities in front of us. The recent market volatility has presented us with a greater set of opportunities and we are hopeful we can work with some of the industry players to partner with them or acquire their

assets. We believe that we are well-positioned given our solid balance sheet, proven operational track record, and ability to act as a single counterparty for large transactions.

Now I'd like to talk about our full-cycle investment strategy. A key part of our funding strategy for organic growth and new investment opportunities includes capital recycling. The cycle begins with acquiring high-quality core infrastructure assets for value. We do this by focusing on situations where we can leverage our competitive advantages of scale, local presence, and operating expertise to source and execute on proprietary transactions. Next we implement an operations-oriented approach to de-risk the business and enhance cash flows. Finally, once the business reaches maturity, we seek to opportunistically exit at strong valuations in order to redeploy the proceeds into higher returning investments. We believe that the recent sale of Transelec, our Chilean electricity transmission business, provides a good example of this full-cycle investment strategy.

Now just going through the history a bit, in 2006 we led a consortium to acquire Transelec, which was the largest electricity transmission company in Chile, for an enterprise value of about $2.7 billion, or $1.3 billion of equity. At that time, Chile was generally viewed as an emerging market economy and capital from foreign investors was relatively scarce. Assets in the country were not valued the same by investors relative to those in North America or Europe, which were valued at premiums given the abundance of capital in those regions seeking similar utility assets. In that environment, we were disciplined and contrarian and acquired Transelec with a view that Chile would emerge over time as an excellent country to invest, the fundamental need for the country to grow its electricity infrastructure would drive attractive organic growth opportunities over time, and employing our operating capabilities, we could improve asset performance and margins and reduce the cost of the capital during our holding period.

During our ownership of Transelec, Chile achieved both sovereign debt rating upgrades and admission as an OECD member country. As demand for electricity and improved reliability increased, we worked closely with management to ensure that we were well-positioned to bid on and execute highly attractive growth projects. In that regard, we were able to grow the business from about 8,000 to over 10,000 kilometers of electricity lines and increase the number of substations by approximately 20%, growing our rate base from about 1.6 billion in 2006 to approximately 3.5 billion last year. In addition, we added value by implementing a risk-based maintenance program that resulted in lower line losses. With respect to cost of capital, we implemented non-recourse project financing on a selective basis and extended debt maturities opportunistically to reduce our cost of debt. At the time of our sale, the nearest debt maturity in the business was 2023.

So, I know that the question we get often from people is what prompted us to sell the asset? First, as an OECD country with an investment-grade credit rating, foreign investment has grown dramatically and the market has continued to mature since our acquisition. Today, Chile is viewed extremely favourably by foreign investors and return expectations are very comparable to those in the United States and Western Europe, given the country's solid institutions and respect for private capital. Second, Transelec is a high-quality asset in the mature phase of its lifecycle. It has revenues based on a regulated rate of return on its asset base and a stable capital expenditure program that supports consistent and predictable growth. Consequently, we were very confident that we could achieve a strong valuation for this mature, de-risked asset with regulated revenues.

We closed on the sale of our 20% interest of the company for $1.3 billion, or $1.1 billion net of tax, achieving the compound internal rate of return of approximately 18% over 11 years and a multiple capital of over 3 times. The sale was opportunistic in that we were able to realize an attractive valuation which took into account future growth expectations. Now, while Transelec provides with strong and predictable cash flows, we felt that we saw opportunity to reinvest the net proceeds from the sale into investments that generate significantly higher returns.

Now to wrap up, I'll just shift gears a bit and talk about our outlook for the rest of the year. Global economic conditions are generally good and upward trending, driven by the U.S. and Chinese economies that appear to be steadily expanding. We believe that global economic growth will be strong for the balance of the year, which should allow our business to continue to perform well. The U.S. Federal Reserve has increased interest rates twice in the past six months and has telegraphed that a few more hikes are likely to occur in 2018. As a result, notwithstanding the favorable economic conditions I just mentioned, a number of indicators are suggesting that there is potential for market volatility.

We are fortunate to have a strong balance sheet and substantial liquidity, positioning us to react quickly to value opportunities should they arise. Our significant liquidity, however, may act as a partial drag on our near-term FFO until we deploy that capital. However, the flexibility to respond to uncertainty in a period of market volatility is far more valuable to us in the long run. We have a solid, high-quality pipeline of new investments currently being progressed by our teams, particularly in Europe and North America but also in other parts of the world. In addition, our strong internally-generated capital backlog is expected to result in attractive returns and should provide for strong organic growth in the foreseeable future.

With that, I'll now pass it back to the operator and open the line for questions.

QUESTION AND ANSWER SESSION

Operator

As a reminder, if you would like to ask a question press star one on your telephone keypad. Your first question comes from Cherilyn Radbourne of TD Securities. Cherilyn, your line is open.

Cherilyn Radbourne, TD Securities

Thanks very much and good morning. So, you're certainly amassing an impressive amount of liquidity, particularly given that you've launched several other sales processes. Sam, maybe you can just kind of elaborate on what, in addition to stock market volatility, suggests to you that, on the one hand, it's the right time to be a seller of some of these mature assets but also that we could be on the cusp of opportunity here.

Sam Pollock, Chief Executive Officer

Okay. Good morning, Cherilyn, and thanks for the question. Let me begin by saying, you know, in relation to the timing of our asset sales, we have a philosophy that we like to sell assets when it makes sense to sell the assets and not do it when we need the capital. Usually, if you try to sell assets when you're short of cash, you end up being more of a distressed seller and you don't get optimal prices and so our focus and what we're trying to demonstrate with our full-cycle investment strategy is that there is a time and a place when you should undertake these processes and that's our philosophy and that's what we've been doing throughout our existence. So that's how we approach that sort of part of our liquidity strategy.

In relation to your second part of your question, which is why we think there could be some interesting opportunities coming along, look, and I'll caveat by saying that we don't have a crystal ball and so we can't predict when the market may shift on us, but we have noticed over the last little while that the market has started to move sideways, the volatility indexes have changed and that often suggests that there could be periods of illiquidity in the market, and we do think that there is a bit of buyer fatigue in relation to asset valuations, and so all those things to us suggest that at some point in time, in the near term, there could be some opportunities. And in the short run, where we are seeing the most buyer fatigue is in relation to opportunities in the energy infrastructure sector in the U.S. Now I realize that in the last two to three weeks we've seen a bit of a recovery in the stock market for those types of assets, but for the most part, for the last 18 months, we've seen a general decline and we do think that there could be some interesting opportunities in that part of the market segment.

Cherilyn Radbourne, TD Securities

Great. And the second one really is for Bahir. Certainly the quarterly materials hint at a few short-term headwinds with liquidity the most obvious of those. Maybe you can just give us some help as to how to think about that for the balance of the year.

Bahir Manios, Chief Financial Officer

Good morning, Cherilyn. Thanks for the question. So, look, I'd start off and say, notwithstanding some of the volatility comments that Sam made, business conditions are good. Global economic growth is strong. It's also trending upwards. And, as a result of that, our operations have a pretty strong outlook because we do tend to outperform under these kind of market conditions. And you can see it in our connection activity in the U.K., that continues to be very robust. Our GDP-sensitive businesses are performing well. And we continue to add great projects to our capital backlog.

But we do note in the letter that in the very short term we do have a number of specific, I'd call them, dynamics that we allude to that may impact our short-term results. The first one would be the drag on results that you note and so that will obviously have a short-term impact on our results, but we now have this great opportunity to deploy that capital into great opportunities that our teams are advancing and also capital projects in our business as well. In addition to that, on the foreign exchange side of things, our hedge contracts in 2018, and specifically for the pound and Australian dollar, have lower rates compared to the prior year and so that will create some year-over-year variances. Good news on that is looking to the latter part of 2019 and 2020, we do have those currencies hedged at significantly higher rates than the ones which you'll be observing in the latter part of 2018. And then just finally, we made some comments with respect to some customer-related issues at our Australian rail business, which will get sorted out over the next little while. So, a couple of short-term things that are happening but the longer-term outlook for the business is very, very strong.

Cherilyn Radbourne, TD Securities

Thank you. That's all for me.

Bahir Manios, Chief Financial Officer

Thanks, Cherilyn.

Operator

Your next question comes from Devin Dodge of BMO Capital Markets. Devin, your line is open.

Devin Dodge, BMO Capital Markets

Good morning, guys.

Sam Pollock, Chief Executive Officer

Good morning, Devin.

Devin Dodge, BMO Capital Markets

I just wanted to come back to the Australian rail operation. You mentioned there could be a $20 million or $25 million hit from the closure or potential closure of a couple of sites there. Were they not take-or-pay agreements for these sites or do they just roll off in the second half?

Sam Pollock, Chief Executive Officer

I'll answer that. In relation to these two customers, one had a relatively short notice period that it can provide us, and that was because the mine life was near end. And, in fact, the issues that we had with that particular customer was that they had planned on getting new mines up and running that were adjacent to their existing facilities and they didn't get the environmental permits, and I think we mentioned that in some previous calls.

In relation to the other customer, there are some minor amounts that they would owe us under the contract, but I think our expectation with that customer is in fact that, and this is the one that we are alluding to, with the consolidation that's underway, our hope is in fact that they won't shut and that a number of other players in the market will take on that operation and extend it for another couple of years. That mine itself as well has a finite life to it. I think the current resource probably runs out, at the run rate today, in about two or three years.

Devin Dodge, BMO Capital Markets

Okay. That makes sense. And then switching to TDF, the backlog continues to build there. Can you provide some colour on the opportunities you see beyond the contracts that you've already secured? I think the letter mentioned an announcement by the French government to accelerate the rollout of 4G. Just trying to get a sense for how the backlog could evolve over the next couple of years for that business.

Sam Pollock, Chief Executive Officer

Okay. Unfortunately, I don't have a lot in the way of specifics. I think the opportunities for that business really relate to the potential selloff of customer-owned towers. We see that today with Altice and it's possible that opportunities could come out of that as well as some other customers may divest of some of their towers. It's a little unclear exactly how the rollout related to the government will pan out as far as future capital deployment for us, but we are well-positioned. We're the dominant, or largest, tower operator in the country. And I'd say lastly, the other area that we are focused on in the country is the fibre-to-the-home business and we continue to build out the four concessions that we've won and that should provide growth in the near term for us.

Devin Dodge, BMO Capital Markets

Okay. And then maybe one last one for me. We saw in a recent interview, Bruce Flatt was talking about how China could develop into a pretty sizable market for Brookfield over the next several years, but do you feel these comments are relevant for BIP and I guess what sectors do you think would be interesting?

Sam Pollock, Chief Executive Officer

From a BAM perspective, we do think that, you know, obviously given the scale of the Chinese market that there's huge opportunities and it's obviously a big focus for us and we have a number of people on the ground trying to source those for us. In relation to infrastructure, and I've been there myself in the not-too-distant past and met with various owners of infrastructure to see what the opportunities would be for us, I think in relation to the other parts of Brookfield it may be a little bit outward in sort of the years before we have a meaningful investment in the country. The reasons for that are primarily due to regulation. It's a country that is just transitioning into a market economy. The regulatory framework is relatively new and many of the market participants, particularly in the regulated sectors, are state-owned companies and so the number of businesses for sale as well as just understanding how the regulator operates in relation to the state-owned companies is still a bit uncertain. To maybe state it in a bit of a shorter answer, I think it

won't be a market for us in the near term, but it's one that in the next three to five years, hopefully, something will surface.

Devin Dodge, BMO Capital Markets

Okay. That makes sense. Thank you very much.

Operator

Your next question comes from Frederic Bastien of Raymond James. Frederic, your line is open.

Frederic Bastien, Raymond James

Good morning, guys. I was wondering if you could provide a bit more granularity on the opportunities that are in front of you in the midstream sector.

Sam Pollock, Chief Executive Officer

Okay, Frederic. Obviously, I can't name specific situations. I guess what I can tell you is that they fall into three categories. There's JVs, there's carve-outs, and there's the take-privates, which are, I'd say, those are the three areas we're focused on. JVs really, I would describe them as various midstream companies, whether Canadian or U.S., who, because of their unit price today, can't access the capital markets in the traditional way. Typically, they would've just issued equity, but they find that it's un-accretive to do that. There's a number of examples in the market where you've seen companies basically establish joint ventures where others invest in its fund, they grow capital, and earn a preferred return on that capital.

Operator, can you deal with that noise?

Operator

Your next question comes from Robert Catellier of CIBC World Markets.

Robert Catellier, CIBC World Markets

Hi. I just wanted to follow-up on Frederic's question there. You mentioned the categories of types of investments you might be interested in making but I wondered if there's a specific asset class where you see the best opportunity or you find has strategic value.

Sam Pollock, Chief Executive Officer

Okay. And maybe just dealing with Frederic, so I apologize about what happened with Frederic. I think there must've been noise on his end and so the operator must have shut down his line. So I didn't quite finish my answer there. But then, I'll answer yours, Robert, as well.

So I was just going through the three examples. On the JVs, it was just bringing in or investing alongside an existing player and funding their growth capital. Carve-outs is a situation where there's just a number of midstream companies that are selling distinct businesses and we can buy platforms that would be great businesses for us to continue to

grow. And then lastly, with the drop in the number of prices, and we've seen some of the MLPs in particular in the U.S. drop 50% to 75% over some of their highs, and so we think that there's some good value in those particular situations.

Now coming to your question, which is the various asset classes that we like, I guess we're focused across the whole midstream sector, so I think each situation is specific to its own dynamics. We probably have a bias to the gas sector because it's one that we understand well given our investment in NGPL and we think the long-term sustainability of that business is quite robust. We also probably have a preference for more, in relation to liquids, more downstream assets that are closer to the demand center and may be less reliant on some of the supply basin issues that exist. But, having said that, we are looking at, I'd say, a whole host of opportunities. So I realize that's quite general but I hesitate to point you in any one direction.

Robert Catellier, CIBC World Markets

Well, that was actually the characterization I was looking for, so you have an open mind, but I get the idea of where you stand now. And just on the liquidity, $4 billion is a lot and there's a little bit more on the way, so I'm wondering how much of that is targeted for investment versus maybe just buffering up the liquidity in anticipation of the market volatility that you alluded to.

Sam Pollock, Chief Executive Officer

I'll start there and Bahir might jump in. I think our general approach would be that, you know, as we see interesting opportunities, we'll deploy our capital in a consistent manner. So our strategy is to invest in businesses that provide us an internal rate of return of 12% to 15%. To the extent that we find an incredible opportunity like we did last year with NTS where we felt we could invest at much higher risk-adjusted returns, then we will invest a significant amount of our liquidity. So I think it depends on the type of opportunity in front of us. If it's one that just meets our general return requirements, then we'll invest but maybe not back up the bus. But if there is just an incredible opportunity because of the market dislocation that I referred to earlier, then we may be far more aggressive.

Bahir Manios, Chief Financial Officer

And, Robert, I'll just add to that. At the corporate level, which would be sort of the dry powder to do those deals that Sam was alluding to, that today sits at $3 billion. We'll probably be using about $500 million of that to fund some of the larger projects we have in the business. So that will happen in a staggered fashion for the remainder of the year. And there's probably another $200 million to $250 million that will go towards funding transactions that have already been secured. So, some of that are some of the Indian toll roads that we secured last year and the Gas Natural opportunity that Sam alluded to that earlier.

Robert Catellier, CIBC World Markets

Okay, that's helpful. And then I wanted to sort of get an understanding of the strategic partnership with the city of Toronto. You said eight sites were identified, but what type of scale are we talking about in terms of capital and timelines? And is there any, what's the level of commitment by each party? Is there an idea of a minimum capital spend or is it on a case-by-case basis?

Sam Pollock, Chief Executive Officer

Look, it's basically a framework agreement and it requires that developers in each of those eight nodes need to come to us on an exclusive basis to install district energy for those districts. So basically, it provides us with the first opportunity to build the systems. The actual amount is really market dependent though. So long as Toronto continues

to grow at the pace it has and the number of areas where we have the exclusivity, like Liberty Village or the Port Lands area or up by Scarborough Center, those are all areas that we think will see good development over the foreseeable future. We think that the scale could be quite large. As far as aspirational dollars over a medium- to long-term basis, I think it could be $1 billion. But it's not happening tomorrow. This is obviously something that happens as the city develops.

Robert Catellier, CIBC World Markets

Okay. That's very interesting. And then finally, I'm not sure how to take the comments on the Australian business. You gave a second half 2018 possible impact. Are we to take this as a 2018 phenomenon only or is there an expectation that that will effectively be the run rate in terms of headwinds unless there's a mitigating circumstance?

Sam Pollock, Chief Executive Officer

So, what Bahir provided was basically a worst-case scenario to the extent that both operations shut down and, you know, factored in the cost reductions that we've identified in the business related to those activities. Our hope is that one of the operations will continue to run. Our expectation is that it may run at a lower rate than what it operates at today and, hence, rather than trying to predict what that would be and get into probabilities, we thought we'd just give you the worst-case scenario. And so, hopefully it will be somewhere in between where we run at today and the case that Bahir gave you.

The other thing though that I did want to make sure no one forgets is that these businesses are dynamic and while there is, you know, these two operations that are coming to the end of their lives, we are seeing expansion proposals in other parts of the network. And, in particular, the alumina bauxite producers are looking to expand their operations to meet the growing need and they're one of the lowest cost, biggest suppliers around the world, so those are very vibrant and successful businesses. In addition to that, our Chinese customer, who has, for many years, talked about growing the scale of its operation, now has its business running quite well. They earn a premium for their product because they upgrade magnetite. And so our expectation is that over the next couple of years they'll look to potentially double the size of their business. And so we see these as more near-term issues as opposed to long-term issues for the business.

Robert Catellier, CIBC World Markets

Okay. Thanks for taking my questions.

Sam Pollock, Chief Executive Officer

No, thank you.

Operator

Your next question comes from Andrew Kuske of Credit Suisse. Andrew, your line is open.

Andrew Kuske, Credit Suisse

Thank you. Good morning. Sam, I appreciate the context on Transelec and maybe just going back to that a little bit that Transelec was done at the Brookfield Asset Management level back in 2006, so prior to your existence, and has been a great monetization for you. I just wonder if you could compare your thought process on Transelec and how you

look at the fund model you have now where you have effectively 10-year long funds or 10-year life funds that do come to a point where you have to make monetization decisions that you don't necessarily control the same way you did Transelec.

Sam Pollock, Chief Executive Officer

Sure. You're right; most of the investments that we have today are through the funds. The funds have a 12-year life with several opportunities for extensions. I think the interesting thing to note, which may be what you're alluding to, is the fact that in the case of Transelec, this was an asset we held on balance sheet, it was prior to when we established the fund business, and so irrespective of the fact that we did not have a fund expiry, we still chose to exit. In fact, all the initial five businesses that we spun out with Brookfield Infrastructure we have now exited, even though none of them had really expired. And I think it just goes to the fact that it really isn't a matter of having a certain life associated with an asset, it has to do with the fact that we have a business plan that each business was bought with, you know, how we think we can create value with it, and then ultimately realize on it. And typically that business plan is usually over a seven- to ten-year period. So I think that would be our expectation for most of our businesses. Now sometimes we just get an incredible business that just continues to give, give, give. I would put our, at this stage, BUUK business in the U.K. obviously in that category where it continues to exceed our initial expectations for it. But otherwise I'd say, whether or not we have the business in the fund or whether or not everything was on balance sheet, we would still take the same approach.

Andrew Kuske, Credit Suisse

Okay, that's helpful. And maybe just on BUUK, because you mentioned, obviously the growth there continues to be at a very high rate and has been a great acquisition from when you got it through Babcock. When we look at some of the U.K. distribution assets, they tend to trade at pretty hefty premium to RAB, so how should one really think about the valuation of your connections business given the growth that it has and given the similarities to regulated construct?

Sam Pollock, Chief Executive Officer

Well, that's a good question. On the back of the envelope, it is tough to value, because it's a unique regulatory business in a sense that it has extremely high growth, and that owes itself to the fact that it is, in some respects, a market-driven regulated company. So we have regulated contracted cash flows but we compete on a competitive basis to acquire those regulated cash flows. And so it's a business that, given its high growth rate, would trade at multiples, on an EBITDA basis, far higher than traditional distribution businesses. So I would expect and what we've seen in the past is these generally trade in the high teens multiples.

If you want to do it on a DCF basis, I think, given what we've seen, you would probably discount this business in a 5% to 7% range and so that's why when we think about it, and I know we don't give sort of valuation guidance on individual assets, but for a company that we now have an invested cost basis of probably $0 to $100 million, it's probably worth, to us, well over $3 billion, maybe more.

Andrew Kuske, Credit Suisse

Okay. That's extremely helpful. Thank you.

Operator

Your next question comes from Robert Kwan of RBC Capital Markets. Robert, your line is open.

Robert Kwan, RBC Capital Markets

Good morning. If I can come back to just your thoughts on midstream, do you have a preference for rate regulated versus unregulated?

Sam Pollock, Chief Executive Officer

I would say it all depends on what price we're paying for it. So, I like rate regulated and the consistent, stable cash flows if I can buy them for value. If I'd have to pay a 5% to 6% return for them, or at least that's what I would achieve, then it doesn't fit our business philosophy. So, in that case then, if I can earn, in a very well contracted business with great barriers-to-entry and it's unregulated, then that would be a more interesting proposition for me. I realize I'm being a little being weaselly there in that response but I think it really depends on how much we pay for it and some of the specific attributes of the company.

Robert Kwan, RBC Capital Markets

Understood. And obviously it does come down to price and value. I guess just continuing with that, just in general, do you have any thoughts or concerns to just some of the decisions that have come out of the FERC as it would relate to rate regulated? Does that cause you some pause? And as well, do you think about rate regulated, while it may not be strictly kind of traditional North American cost of service, how do you think about that with your business with respect to not really having a real or a strict real return component and what a declining rate base over time might do? Or are you looking for assets like you've seen here with NGPL where it may be rate regulated but lots of opportunities to put capital into the system?

Sam Pollock, Chief Executive Officer

So, I don't know if I have time to answer that in full detail, Robert. That's a lot of stuff there that's interesting. Let me start by saying that I think too many people, when they hear rate regulated or regulated, they think that there's no risk, and we have never felt that way. We understand that regulated businesses actually have lots of risk, because you have someone who's always looking at the tariff and has control over what you can charge and can change their mind on how it works. And we've seen that in many jurisdictions over the years. And so, you know, there are so many other factors that you have to take into account when looking at it. And primarily you need to look at what you're earning and do those earnings makes sense in relation to the amount of capital that's been invested historically or the amount of capital you invested. So we take that view. We look at the fairness between what we're earning and how the customers may look at that and take that into account in buying any business in relation to the risk to those tariffs. Hopefully that answers the first part of your question.

And on the second part as to what businesses we would favour, look, I don't know if we have a preference per se, because I think even in the case of, say, an NGPL where we have a regulator which determines max rates and it's more of a competitive environment and we can transact with customers based off of market conditions and deploy capital where it makes sense, even there, over time, we recognize that what we can earn is dependent on the rate base. And so I think ultimately it comes back to that. I would just say, look, without going on too much longer, just that all the businesses make sense, we just need to look at the underlying attributes.

Robert Kwan, RBC Capital Markets

Understood. If I could just finish with the NTS financing and, Bahir, I think you'd mentioned looking at a five-year term, roughly 7%, and I apologize if you talked about the size. What is the expected size of the financing and do you expect that to be dividended back up or are there capital needs to retain that in the business?

Bahir Manios, Chief Financial Officer

Hey, Robert. Yeah, so the total financing, it's a little over 5 billion reais on a 100% basis and so net to BIP in U.S. dollar terms it would be around $500 million. And the expectation is hopefully that this will close sometime in May and that this cash would be dividended up to BIP.

Robert Kwan, RBC Capital Markets

That's great. Thank you very much.

Sam Pollock, Chief Executive Officer

Thanks, Robert.

Operator

We have reached the end of our question-and-answer session. I will now turn the call back over to Sam Pollock for closing remarks.

Sam Pollock, Chief Executive Officer

Okay, thank you, operator. And I know that was a long call today, so thank you, everyone, for listening in. And we look forward to providing further updates in the next quarter. Go Raptors!

Operator

This concludes today's conference call. You may now disconnect.