

Press release

2022-2030 Strategic Plan

Enagás to invest 2,775 million euros in security of supply and decarbonisation by 2030

If the interconnection projects included in REPowerEU are added, this figure rises to 4,755 million euros.

- Enagás presents a new 2022-2030 Strategic Plan, which aims to adapt to and anticipate the challenges arising from the new global setting and the new European energy paradigm.
- Against this backdrop, the company's strategic focus will be to contribute to ensuring the security of energy supply and to drive the process of decarbonisation in Spain and Europe.
- The company is returning to a growth path focused on Europe, with an investment plan that will result in an average annual increase in adjusted EBITDA of 2% for the entire period, and 4% between 2026 and 2030
- The four growth pillars of the Strategic Plan are gas and hydrogen infrastructures and related businesses; innovation, technology and digitalisation; international development; and Enagás Renewable activities and projects
- The company will step up its efficiency plan to minimise the impact of inflation on manageable costs while maintaining its commitment to employment.
- Enagás has confirmed its dividend policy: it will increase it by 1% in 2022 and 2023 and maintain it at 1.74 euros per share until 2026
- The net profit forecast for 2022 is between 380 and 390 million euros
- The company's new Sustainability and Transformation Roadmap, linked to the Strategic Plan, reinforces Enagás' solid profile in the three ESG areas
- Enagás has revamped its website with a new design and improved accessibility and usability, underlining its commitment to transparency towards stakeholders

Madrid, 12 July 2022. Enagás today presented its 2022-2030 Strategic Plan, through which the company aims to adapt and anticipate the challenges that the new global context and the new European energy paradigm present for Spain and Europe.

The company plans to invest 2,775 million euros by 2030. If we add the interconnection projects included in the European REPowerEU document, this figure increases to 4,755 million euros.

Applying these investments, Enagás expects profitable dividend-adjusted EBITDA growth of 2% compound annual growth rate (CAGR) for the 2022-2030 period and 4% per year between 2026 and 2030.

During his presentation, Enagás CEO Arturo Gonzalo emphasised that "Enagás is returning to a growth path based on projects in our core business" and "mainly in Europe" is the strategic focus of the investment plan.

Arturo Gonzalo explained that "this 2022-2030 Strategic Plan repositions the company around the two main axes of the new European energy paradigm and Enagás' purpose: security of supply and decarbonisation". He stressed that "in the current complex energy policy and strategic context, Spain and also Enagás can contribute decisively to these European objectives".

TSO of reference and future HNO

In this context, he pointed out that “the integration of the European energy system through infrastructures is key” and stressed that an important lever will be those that are hydrogen-ready. “Enagás is a leading European transmission system operator (TSO) and with this Plan we will also be in a position to be a leading hydrogen network operator (HNO) by 2030”, in line with the current proposal for EU regulation. In this sense, he clarified that “by 2030, the entire hydrogen infrastructure will be transferred to these HNOs and it is expected that TSOs will be able to carry out this function”.

According to the European Hydrogen Backbone initiative, which is supported by 31 European transmission system operators — including Enagás — between 60 and 75% of the natural gas infrastructure can be reused for hydrogen, allowing the future network of European corridors to unleash the full potential of renewable hydrogen production. Enagás is a key player in the Iberian hydrogen corridor planned under REPowerEU, as well as in future infrastructures in this area.

REPowerEU plans to accelerate hydrogen consumption in the EU, estimated at 20 million tonnes by 2030, of which 10 million tonnes will be produced in Europe and another 10 million tonnes imported.

By 2030, Spain could supply 21 billion cubic metres — equivalent to 2 million tonnes of hydrogen per year — to Europe, representing 20% of Europe’s expected hydrogen production.

The Enagás CEO explained that “besides the crucial importance of gas infrastructures”, the new Strategic Plan is “based on the conviction that Europe will turn its commitment to creating a real market for renewable gas into action” because the EU has the industrial capacity, learning curves and economies of scale that will make hydrogen competitive sooner than expected and, above all, the political will and determination to promote it through the necessary regulation.

Investments around four pillars of growth

The 2022-2030 Strategic Plan envisages four growth pillars: gas and hydrogen infrastructures and adjacent businesses, innovation, technology and digitalisation, international development with the main focus on Europe, and the green hydrogen and biomethane generation activity and projects of the subsidiary Enagás Renewable.

In its first pillar, gas and hydrogen infrastructures and related businesses, the plan foresees investments totalling 1.78 billion euros until 2030, of which 890 million euros are for the 2022-2026 period.

These investments include, among others, the adaptation of the infrastructures to the regulatory forecast of 3% hydrogen as a limit for injection into the gas grid, the commissioning and adaptation of the El Musel Plant as a logistics centre, and the Green Link project for biomethane connections to the grid. The company plans to invest 850 million euros in these natural gas and transitional infrastructure projects, including 470 million euros by 2026.

This first growth pillar also includes dedicated renewable hydrogen infrastructures, for which investments of 690 million euros are planned, of which 235 million euros will be invested up to 2026. This includes the main transmission projects such as HyDeal — in Asturias and Castilla y León — and Catalina — in Aragón and Valencia —, the connections to the transmission grid and the research and development of new hydrogen storage facilities.

The businesses adjacent to Enagás’ core business, which are also included in the first growth pillar, are related to the use of LNG in sectors that are difficult to decarbonise, such as maritime transport and small-scale and bunkering infrastructure, and the use of renewable gases in sectors such as mobility. Investments of 240 million euros are planned for the nine years covered by the Strategic Plan, of which 185 million euros are for the 2022-2026 period.

Press release

The company is also taking into account in this first axis the interconnection infrastructures envisioned in the European Commission's plan to reduce the EU's dependence on Russian energy resources, *REPowerEU*, projects that the company has submitted for the Ten-Year Network Development Plan (TYNDP), which would mean an additional investment of up to 1,980 million euros for Enagás. These infrastructures are currently in the proposal and analysis phase for approval by European regulators. Therefore, until all information is available, the company has not included them in its financial projections. Specifically, these projects are a third Pyrenees connection, an undersea gas pipeline to connect Spain and Italy and a third interconnection with Portugal. All these projects would be prepared for the transmission of hydrogen.

For the second pillar of growth, innovation, technology and digitalisation, the plan provides for an investment of 105 million euros. Of this amount, 90 million is for the period between 2022 and 2026. Among other initiatives and projects, it includes Enagás' participation in the Hy24 and Klima funds.

In the area of international development — the third growth area — Enagás plans to allocate 600 million euros (150 million between 2022 and 2026) to projects within the Mediterranean corridor, such as the doubling of the capacity of the Trans Adriatic Pipeline (TAP) to 20 billion cubic metres and the development of infrastructure in Greece, through its affiliate Desfa and in Albania based on the agreement recently signed with the TSO AlbGaz.

Arturo Gonzalo pointed out that of the three major linear natural gas infrastructures included in *REPowerEU*, "Enagás is positioned in two of them: the expansion of TAP and the undersea pipeline between Spain and Italy".

The fourth area of growth includes the activities and projects of Enagás Renewable. This subsidiary plans to invest 205 million euros in this period in 30 projects for the production of renewable hydrogen and the decarbonisation of all sectors, and 85 million euros in 20 projects for the production of biomethane and the promotion of waste management to contribute to the development of a circular economy. A total of 290 million euros, of which 170 million euros are for the 2022-2026 period.

Arturo Gonzalo said that "in July, the Clean H2 Infra Fund is expected to complete its entry into Enagás Renewable with 30% of the capital". This new investor is an impact fund managed by Hy24, the world's largest clean hydrogen infrastructure investment platform, which is a joint venture between Ardian and FiveT Hydrogen.

The CEO of Enagás explained that "all the investments included in this Strategic Plan have a business model that is currently regulated or will be regulated in the near future, or will have contracts that guarantee a security of returns comparable to that of regulated activity".

Regulation

The new energy paradigm requires regulatory measures to accelerate the energy transition and facilitate the optimal contribution of infrastructures to energy security in Spain and Europe.

The first part of the Strategic Plan, between 2022 and 2026, has a stable regulatory framework and in the second part, from 2027, the regulatory basis for the new renewable gas networks, especially hydrogen, will be established. The company is actively working to anticipate this new regulatory framework, for which the promotion of integrated planning of electricity, gas and hydrogen networks will be crucial.

Forecasts 2022-2026

In its forecasts to 2026, Enagás has confirmed that it remains committed to increasing the dividend by 1% per annum in 2022 and 2023 and maintaining a sustainable dividend of 1.74 euros per share between 2024 and 2026.

Both the shareholder remuneration and the investment plan are underpinned by the solid cash generation expected for the period and the company's strong liquidity position: 3,300 million euros as at 31 December 2021.

Enagás' strategic plan also foresees the intensification of the efficiency plan in the 2022-2026 period in order to minimise the impact of inflation on the company's manageable costs. According to Arturo Gonzalo, this plan includes "further enhancing our high operational efficiency and includes measures such as the comprehensive control of corporate expenses, while maintaining our commitment to employment".

2022

The target Net Profit for the end of this financial year is between 380 and 390 million euros. This figure takes into account both the capital gains from the company's asset rotation process and an impairment of the investment in Tallgrass Energy in the United States.

As part of this rotation policy, the company expects to complete the sale of three assets this year: the 50% stake in the Gasoducto Morelos in Mexico will generate a net capital gain of around 35 million euros. The entry of the Clean H2 Infra Fund as a financial partner in Enagás Renovable with a 30% stake will generate a net gain of about 50 million euros. And the sale of 45.4% of GNL Quintero, in Chile, will bring net capital gains of around 120 million euros and an after-tax profit of 98 million euros.

As for Tallgrass Energy, the US affiliate foresees very substantial investments in the short and medium term, which it will finance through cash generation, prioritising its growth plan and investments over the payment of dividends in 2022-2025. Following an analysis of Tallgrass' forecasts and a prudent assessment of the expected returns on these new investments, and taking into account the increase in interest rates, Enagás has considered an impairment of the investment in Tallgrass estimated at between 130 and 140 million euros.

New Sustainability and Transformation Roadmap

Arturo Gonzalo emphasised in his speech that "Enagás has a very solid ESG profile", with significant progress in recent years in the three areas of environment, social and corporate governance, reflected in leading positions in the world's main sustainability indices.

As part of the 2022-2030 Strategic Plan, the company also unveiled its new Sustainability and Transformation Roadmap.

In the area of sustainability, a key element of this roadmap is Enagás' commitment to achieve carbon neutrality by 2040. To this end, the company has outlined a decarbonisation pathway with emission reduction targets based on the scenario of a 1.5°C temperature increase, which has already enabled it to reduce its emissions in tonnes of CO₂ equivalent (tCO₂e) by 54% between 2014 and 2021. In addition, the company has set a target to reduce its Scope 3 indirect emissions by 25% by 2030 and 50% by 2040.

The company also has more than 50 renewable gas projects, which are an important part of its carbon neutrality strategy.

The investments in the Enagás 2022-2030 Strategic Plan are also in line with the requirements of the decarbonisation plans of the Green Deal, a roadmap for a carbon neutral EU by 2050, and Fit for 55, a package of measures to reduce emissions by at least 55% by 2030.

On social and corporate governance, Arturo Gonzalo highlighted the company's commitment to people, job preservation and its Diversity and Inclusion Policy. He pointed out that Enagás "now has 40% women on the Board and 33% on the Executive Committee, and we will continue to make progress on diversity and equal opportunities at all organisational levels of the company".

Reliable energy for a decarbonised future

During his speech, Arturo Gonzalo mentioned that the slogan of the 2022-2030 Strategic Plan, Reliable energy for a decarbonised future, “summarises the goal of the entire team of people who are part of Enagás: to continue contributing to the availability of reliable energy for society while accelerating progress towards a decarbonised future in Europe”.

As part of this new phase, Enagás has revamped its website (www.enagas.es) with a new design, adapting its content to new digital trends and stakeholder needs, maintaining maximum transparency, improving accessibility and usability, and strengthening its positioning as a key player in decarbonisation.

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