

# CAPITAL MARKETS & ESG DAY

9 November 2022



SUSTAINABLE  
EVENT



Committed to:



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# Business Environment

**Armando Martínez**

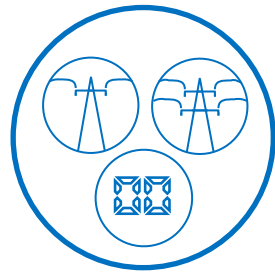
CEO

OVER 20 YEARS PIONEERING AND LEADING THE ENERGY TRANSITION...

2022E

SMART NETWORKS

50% EBITDA



Laying the foundations for a decarbonized energy system

PRODUCTION AND CUSTOMERS

50% EBITDA



Leading renewable energy production globally

**Eur 39 Bn** Asset Base

High credit rating countries...



**Diversified and balanced position**

Stable and predictable **regulatory frameworks and revenues**

**Leading decarbonization through smart grids**

**One of the lowest emissions levels** in sector

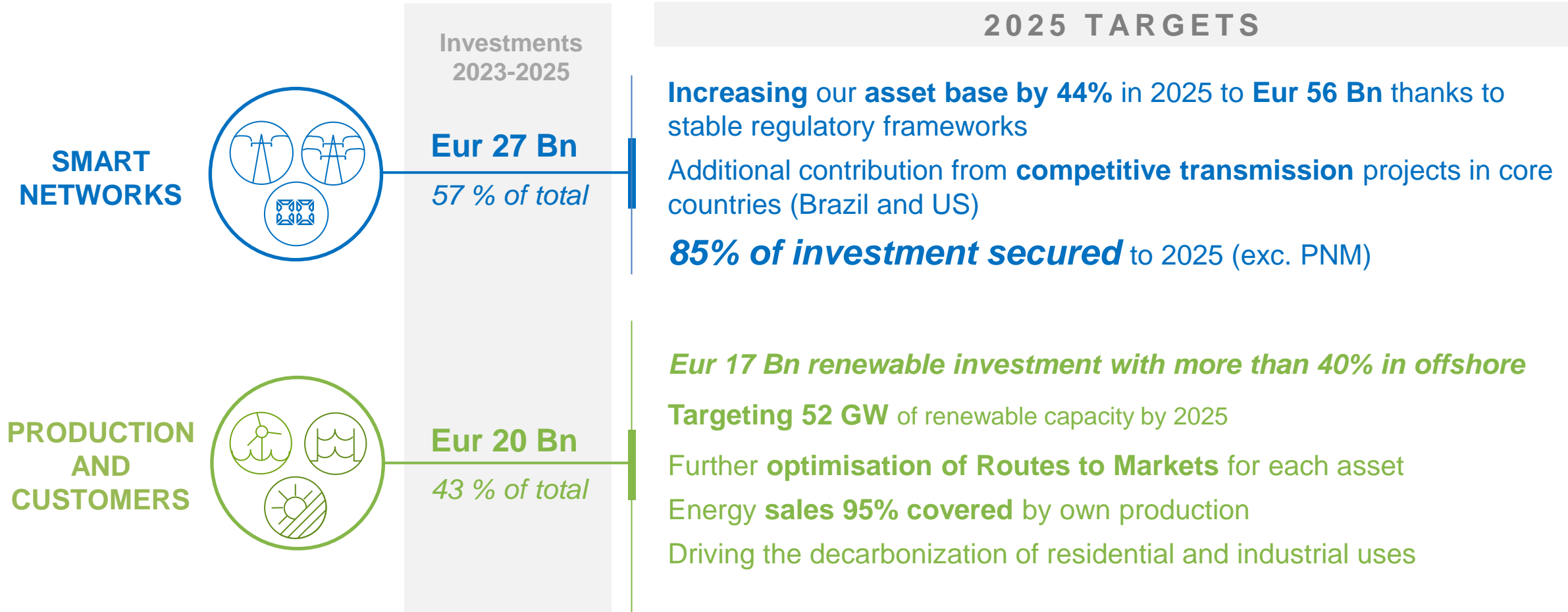
**40 GW** Renewable operating capacity<sup>1</sup> focused on **high added value** technologies and storage

Track record of project **execution** and best-in-class **O&M**

**Access to all Route to Markets** to provide stable revenues and maximize returns

...TO SERVE A POPULATION OF 100 MILLION PEOPLE GLOBALLY

## ACCELERATING INVESTMENTS IN NETWORKS...



## ...AND GROWING SELECTIVELY IN RENEWABLES

## READY TO DELIVER GROWTH IN THE CURRENT CONTEXT...



### SCALE

- Global and local **implementation**
  - *Technological skills and capacity for early action*
  - *>40,000 highly skilled employees sharing best practices*
- **Supply chain management**
  - *Purchases of Eur 15 Bn to top-tier suppliers*
  - *Supporting local industries and providing employment to 400,000 people*



### DIVERSIFICATION

- **Business and geographical mix**
  - *50% of net income from networks*
  - *High rating attractive markets*
- Access to **best-in-class technology**
  - *Pioneer smart grids and digitalization*
- Multiple **routes to market**



### CUSTOMERS and PARTNERS

- Green customer solutions portfolio
  - *Improving cost to serve 14% in the last 5 years*
  - *High penetration of smart solutions (45%)*
- Energy management
  - *Achieving competitive prices and reducing risks*
  - **Prudent hedging** management in volatile environment
- Global **partnerships**

...THANKS TO OUR STRONG TRACK RECORD AND OUR LOCAL AND GLOBAL PLATFORMS

# Networks





## CURRENT FOOTPRINT IBERDROLA...

**1.2 M km** distribution lines  
**> 20.000 km** transmission lines

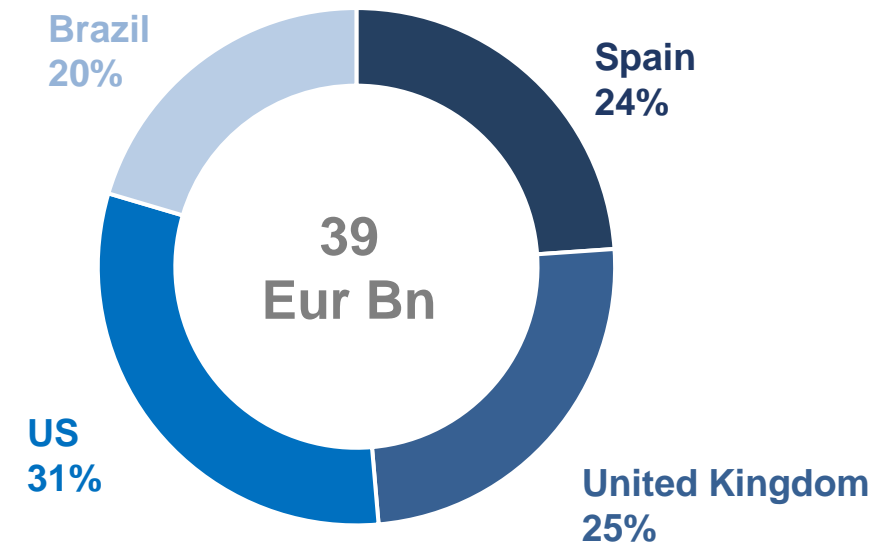
**~295 TWh** energy distributed

**34 M** connections  
More than **15 M** Smart meters

**>70% D&T lines digitalized**

**>70% Smart Meters in Europe and US**

2022E Asset Base by Geography



80% in Distribution and 20% in Transmission

...LEVERAGING ON STABLE FRAMEWORKS IN HIGH CREDIT RATING COUNTRIES

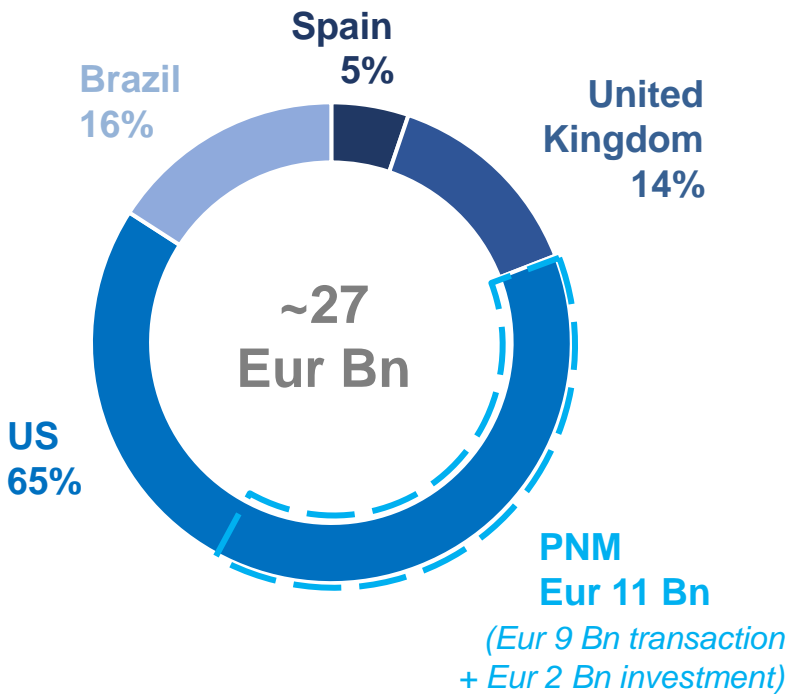
## NEED TO ACCELERATE NETWORK INVESTMENTS...

<b>Security of supply</b>	Networks are the backbone to integration of new renewables capacity (x5 2040*)	<ul style="list-style-type: none"><li>✓ Improvement of power system reliability</li><li>✓ Planning and development of new lines</li><li>✓ Preparedness to cyber activity</li></ul>
<b>Electrification of the energy demand</b>	Electricity demand will exceed current forecasts: <b>+5,000/8,000 TWh</b> of new electricity demand by 2030	<ul style="list-style-type: none"><li>✓ Increase of electric mobility and electrification of buildings (heat pumps)</li><li>✓ Penetration of electrified industrial and buildings processes</li></ul>
<b>Increasingly active customers</b>	New investment required to implement new distributed solutions and services	<ul style="list-style-type: none"><li>✓ Consumers, prosumers and energy communities demanding new services</li><li>✓ Need of new digital solutions</li></ul>

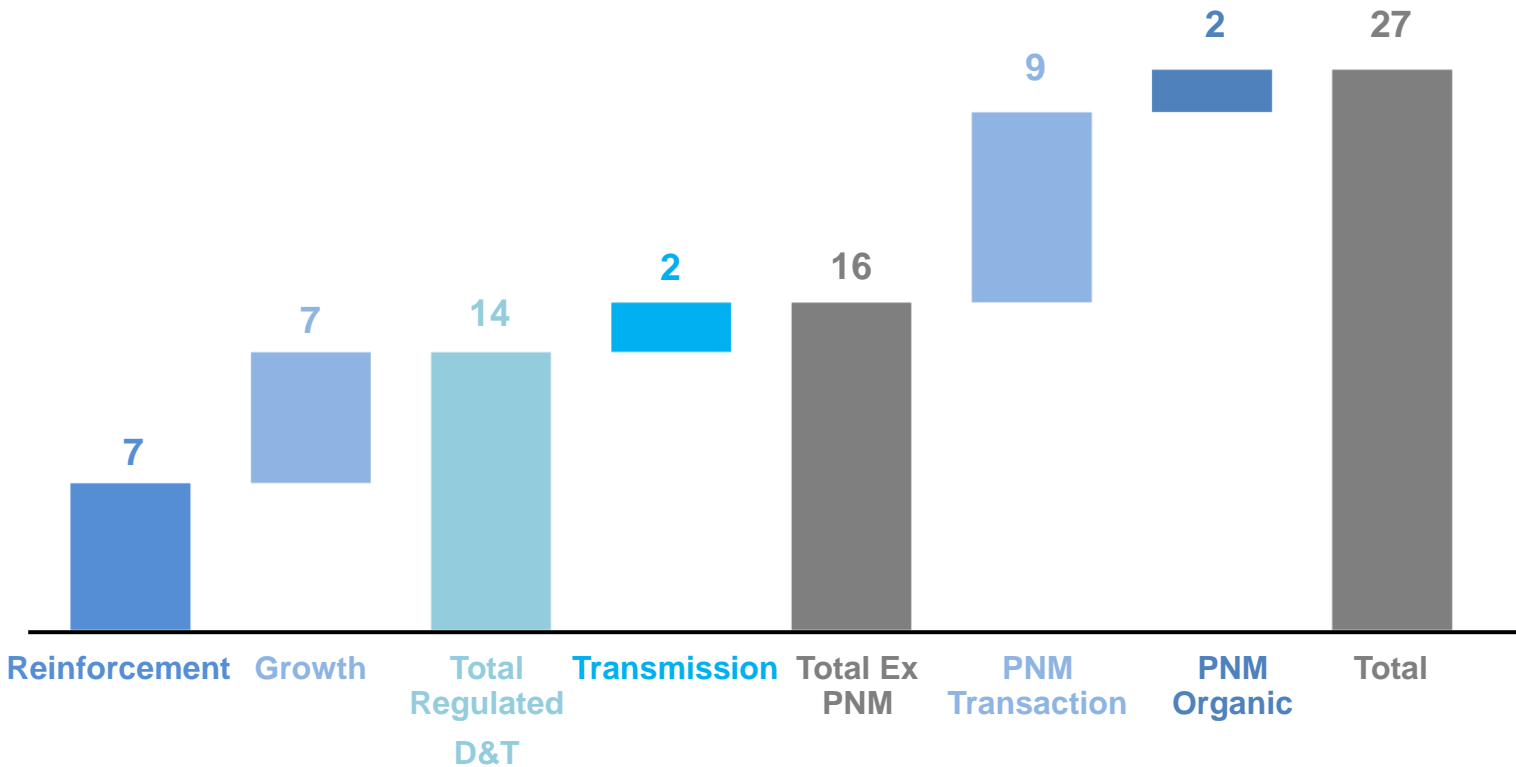
...DRIVEN BY INCREASING NEW NET ZERO TARGETS

EUR ~27 BN OF INVESTMENTS IN 2023-2025

GROSS INVESTMENTS BY GEOGRAPHY (EUR BN)







GROSS INVESTMENTS BY ACTIVITY (EUR BN)



>85%\* OF TOTAL ORGANIC INVESTMENTS ALREADY SECURED

**85% OF ASSET BASE WITH FRAMEWORKS CLOSED OR TO BE CLOSED IN 2023, WITH KEY CONDITIONS ALREADY KNOWN...**

	Framework Timeline*	Regulatory WACC	Factors to increase value
 i-DE	2020-2025	Nominal WACC pre-tax	Efficiencies and incentives
 SPD/SPM	2023-2028	CoE + <u>Inflation</u>	Price control set as Revenue = Incentives + Innovation + Outputs
SPT	2021-2026	CoE + <u>Inflation</u>	Totex over/underspend shared with customers Additional electrification needs (uncertainty mechanisms)
 NYSEG/RGE	2023-2026 (expected)	ROE	On-going negotiations for new multi-year rate cases
CMP-D			CLCPA ** Projects / Bipartisan Infrastructure Framework
UI-D	2023/24-2026 (expected)		
SCG & CNG			
CMP-T/UI-T	Annual filing	ROE	
 COELBA/COSERN	2023-2028	WACC + <u>Inflation</u>	Annual tariff reviews of pass through and manageable costs
ELEKTRO	2023-2027		
PERNAMBUCO	2021-2025		
BRASILIA	2021-2026		

**...PROVIDING OPTIONS FOR OUTPERFORMANCE AND PROTECTING FROM INFLATION**


## SUCCESSFUL GROWTH MODEL BASED ON INTERNAL CAPABILITIES



<b>Global player with internal know-how</b>	Centralized Business Intelligence Global Procurement and Relations with OEMs Technological skills and know how in core activities Optimized construction model (no EPCs)
<b>Competitiveness track record</b>	US: MPRP UK: Western Link Brazil: Auctions from 2017
<b>Execution</b>	10,000 km in HVAC and HVDC US, UK, Brazil
<b>Presence in countries with growth opportunities</b>	US, UK, Brazil, Australia

## STRONG COMPETITIVENESS TRACK RECORD, LEADING AWARDS IN AUCTIONS


**HVDC EXPERIENCE: 5.4 GW & ~1,300 km**




**Western Link (submarine line)** ✓ *In operation*

Capacity	2.2 GW HVDC
Cable length	850 km

One of the longest *subsea* HVDC bi-directional cable in the world



Western Link



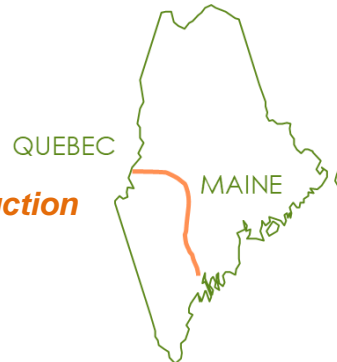
**Eastern Link (submarine line)**

Capacity	2 GW HVDC	(Secured, engineering in progress)
Cable length	~370 km	

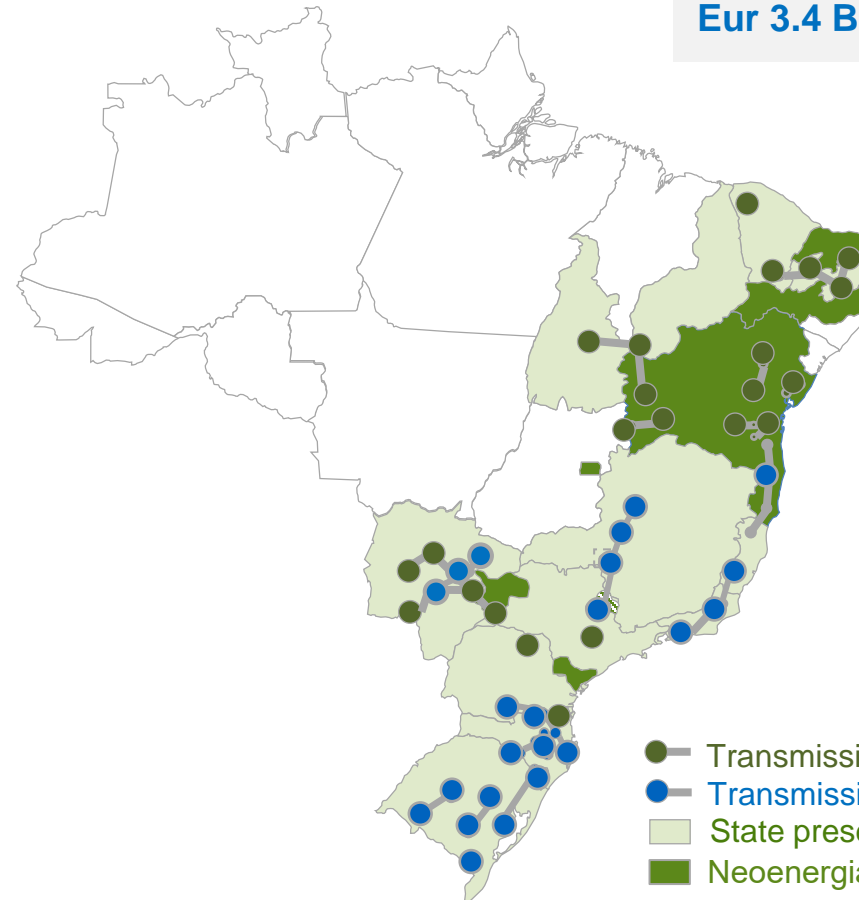


**NECEC**

Capacity	1.2 GW HVDC	(Construction started)
Cable length	314 km	



**~8,500 km IN HVAC TRANSMISSION AUCTIONS**



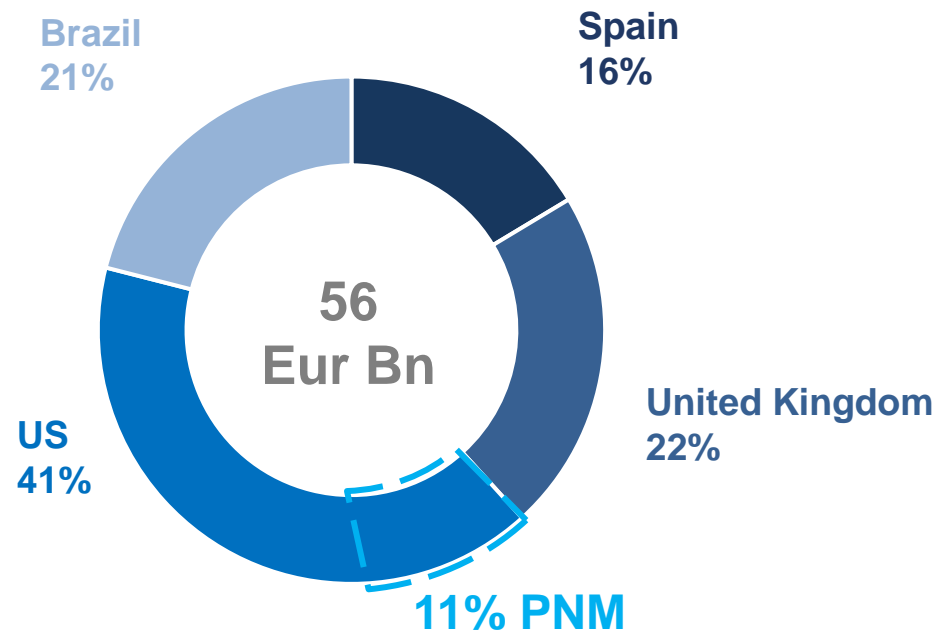
**Eur 3.4 Bn awarded in 15 projects**

**51 Substations**

- Transmission project in operation
- Transmission project under construction
- State presence
- Neoenergias's distribution regions

## EUR ~27 BN INVESTMENT FOR 44% INCREASE IN ASSET BASE

2025E Asset Base by Geography



70% in Distribution and 30% in Transmission



**Increasing EBITDA**



**Multiple benefits for customers**

- Improving quality of service
- Reducing operating costs per regulated asset base unit
- Digitalization of more D&T Lines
- Deployment of Smart Meters

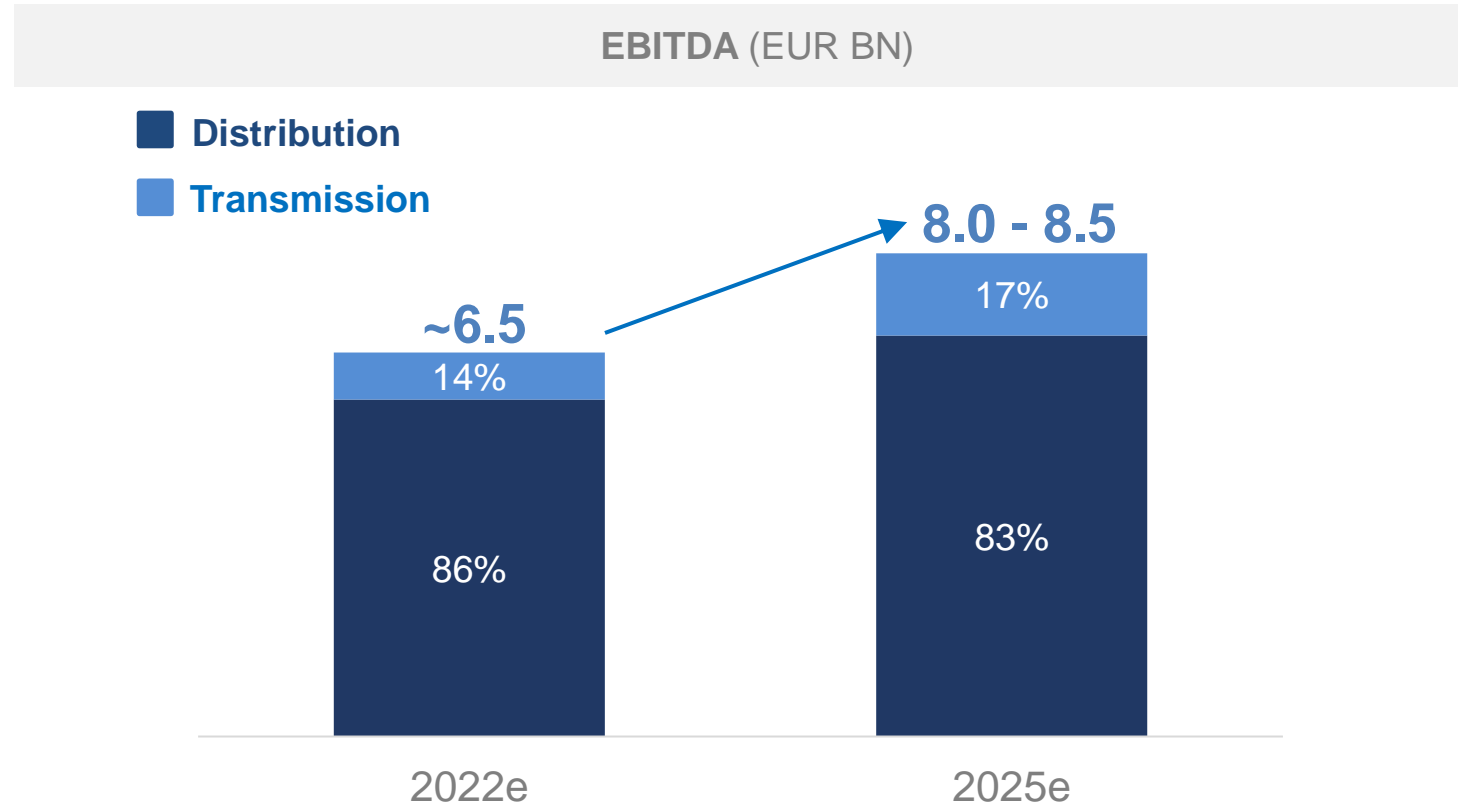
10%

-7%

~85%

+30%

DRIVEN BY ASSET BASE INCREASE, EBITDA REACHES EUR 8.0-8.5 BN IN 2025...

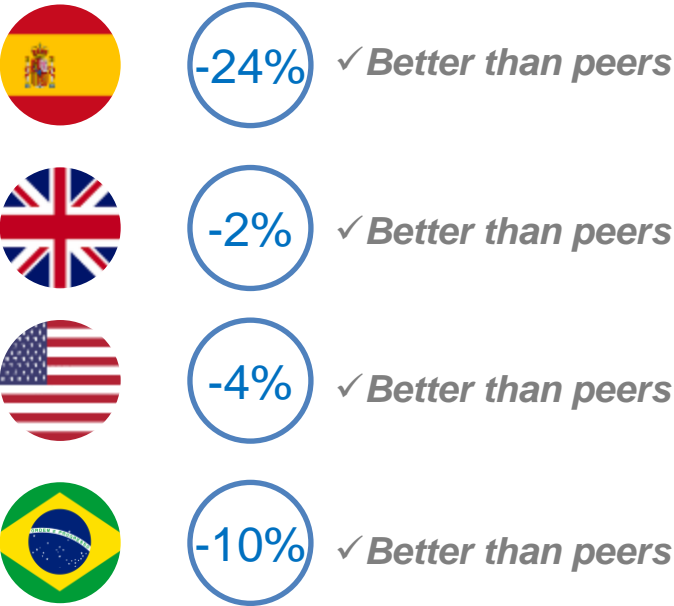


...WELL-BALANCED IN HIGH RATING MARKETS

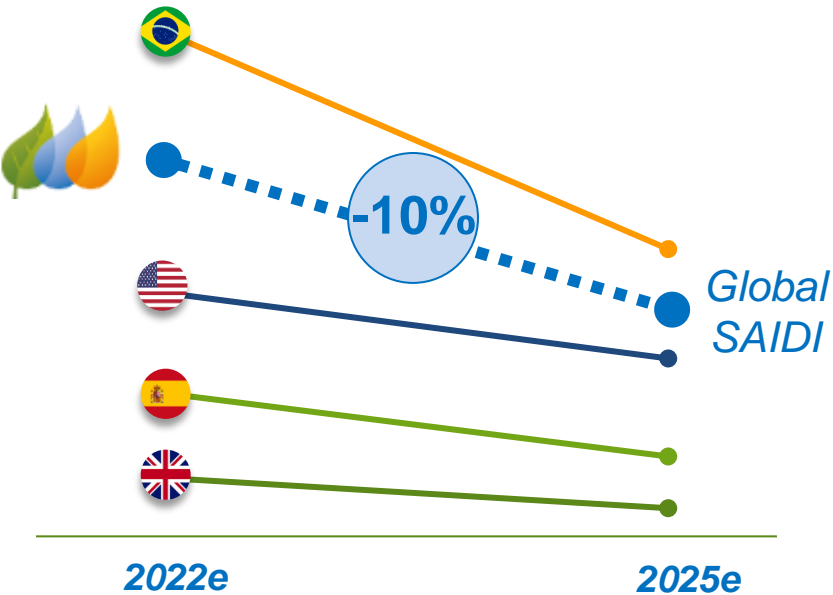


IMPROVING QUALITY OF SUPPLY BY 10% FROM BEST-IN-CLASS RATIOS...

Service Quality (SAIDI) vs peers  
Avg. 2019-21



SAIDI improvement targets



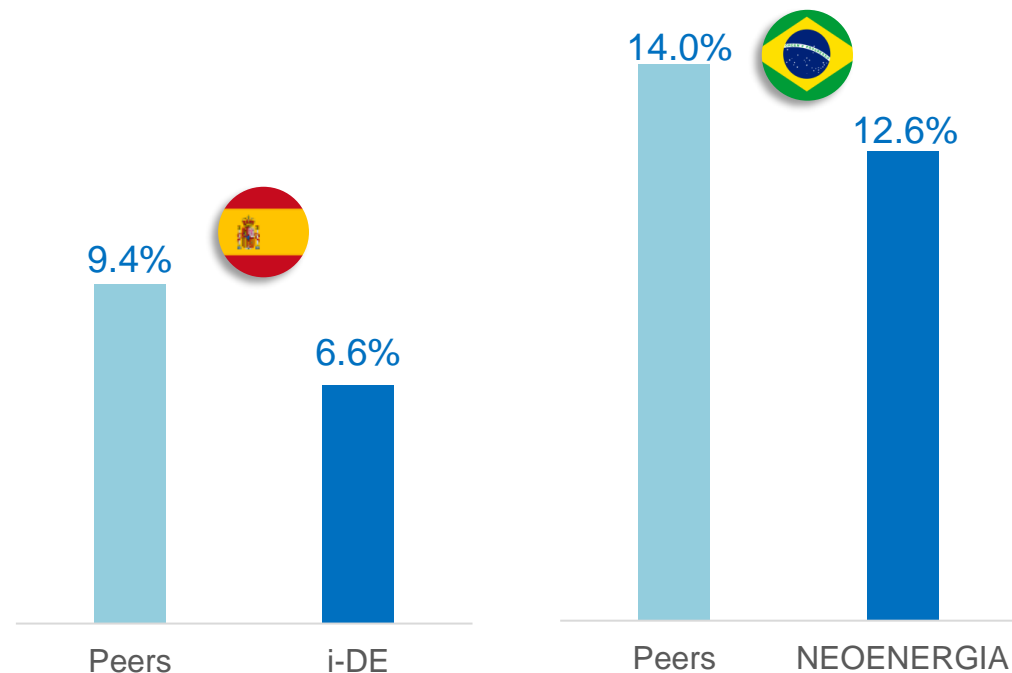
10%  
Service Quality  
improvement

SAIDI: System Average Interruption Duration Index

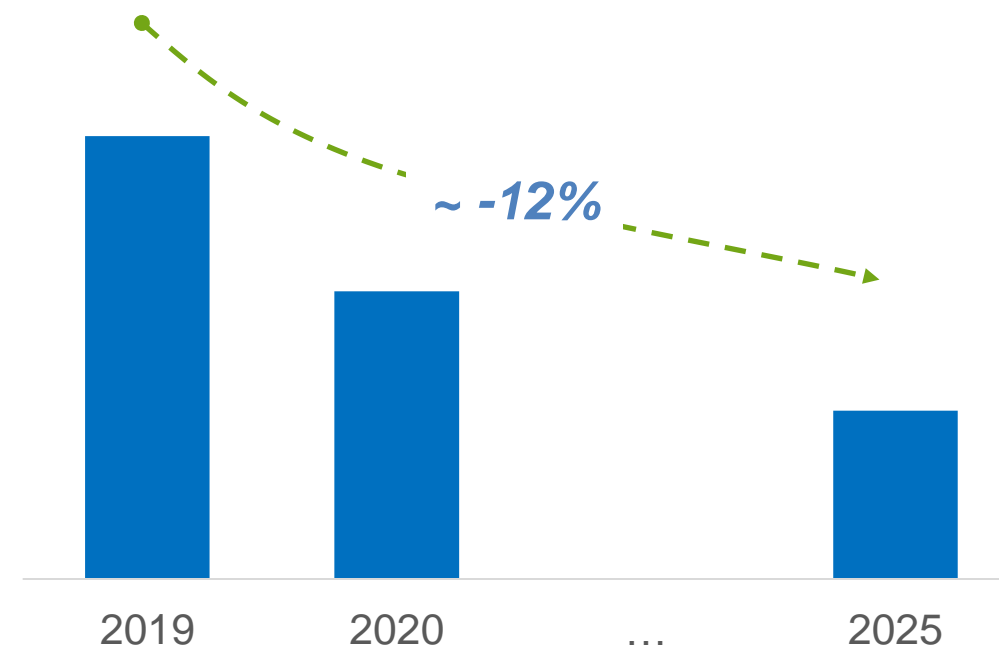
...DRIVEN BY CAPEX FOCUS ON DIGITALIZATION AND RESILIENCE

## DELIVERING ADDITIONAL EFFICIENCIES ...

% Grid Losses 2021



NOE / GM (%)



- ✓ Reduction of energy losses optimizes the cost of the system and **improves EBITDA through efficiencies**
- ✓ Efficiencies shared with customers **to decrease tariffs**

...TO IMPROVE AFFORDABILITY FOR CONSUMERS

## MORE RESILIENT TO SEVERE CLIMATE EVENTS



Filomena  
Storm  
2021

**i-DE:** 11.3 M consumers affected, but only 270k (2%) lost supply

- ✓ 190k (70%) remotely restored in less than 30 min **without human intervention**

✓ **Zero accidents**



Isaias  
Storm  
2021

**Avangrid:** Edison Electric Institute Emergency Response Awards



Arwen  
Storm  
2021

**ScottishPower:** first company to restore full service

200k SPEN customers affected:

- ✓ 89% restored in less than 24h
- ✓ 96% in less than 48h

✓ **Zero accidents**



ABRADEE  
award  
2021

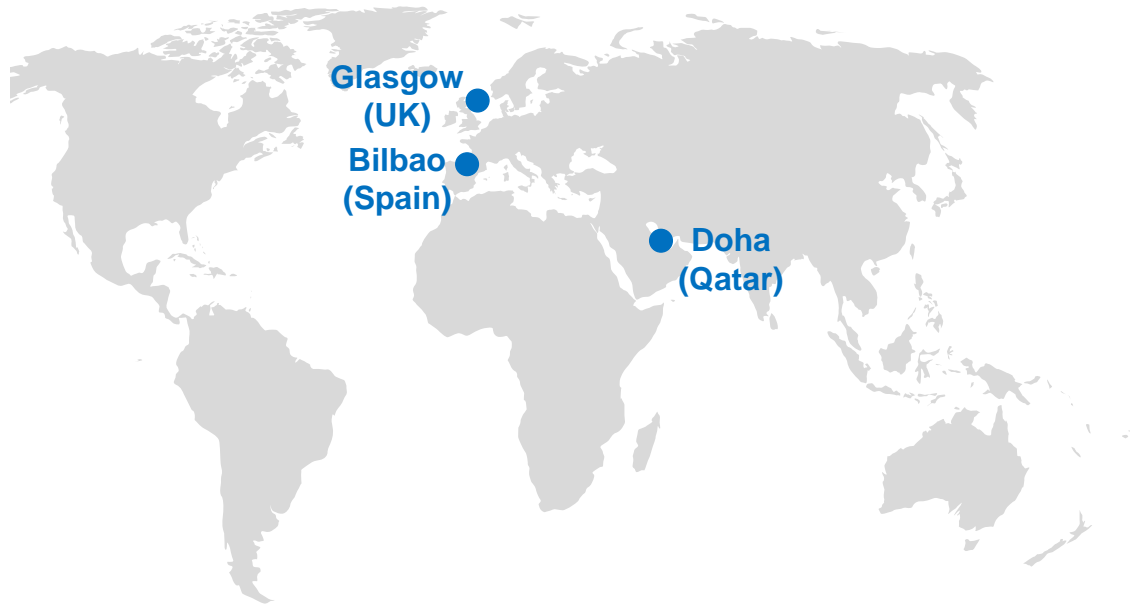
**Neoenergia:** best performance and practices in the national electricity sector



**SAFETY  
FIRST**

## GLOBAL SMART GRIDS INNOVATION HUBS AS PLATFORMS TO FOSTER CONTINUOUS IMPROVEMENT

### Global Smart Grid Innovation Hubs



- *More than 2,000 m2*
- *More than 125 projects worth over Eur 100 M*
- *More than 80 entities from all sectors*
- *More than 200 professionals*

Promoting innovation for the challenges of the grid

Focused on maximizing the use of renewables, integration of storage, cybersecurity, smart sensors, big data, efficiency, microgrids and other uses, such as electrical mobility

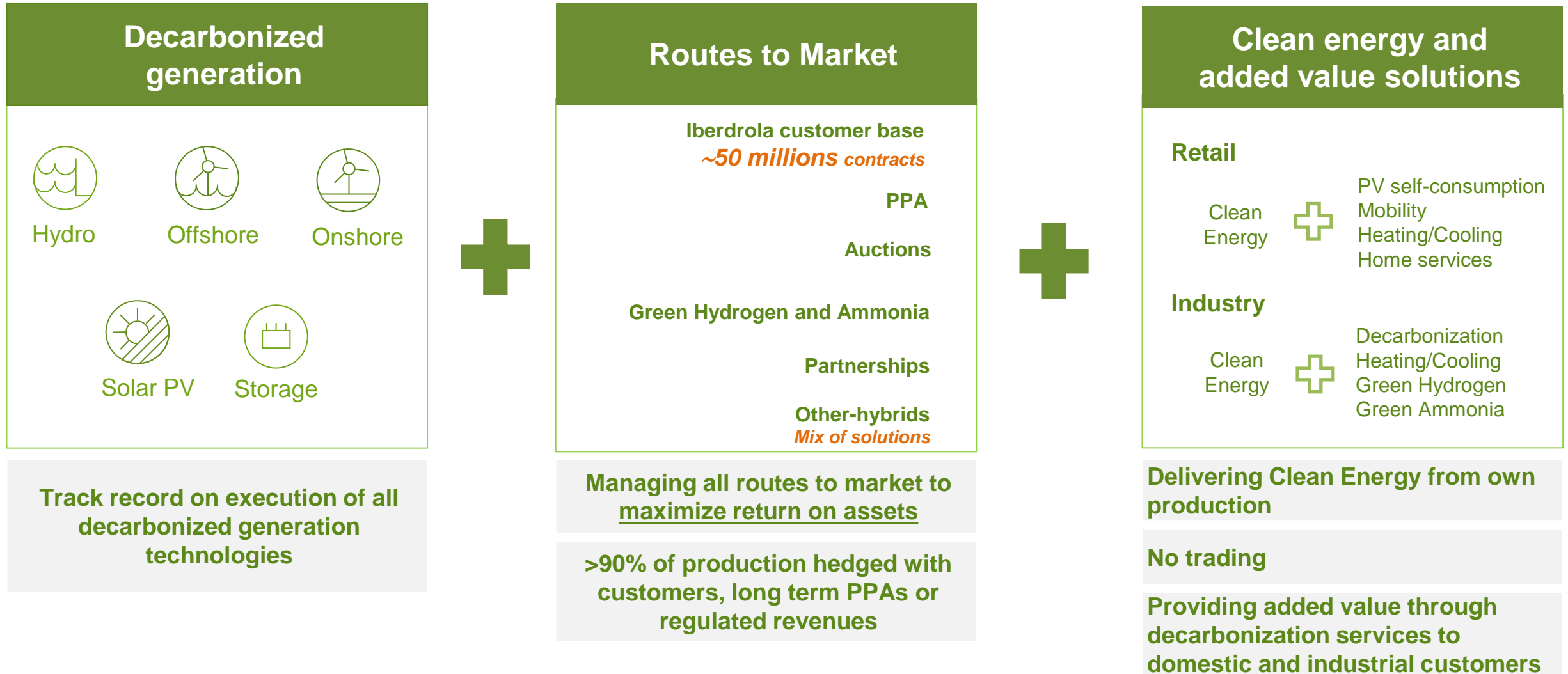
Collaborating with universities, start-ups, technology centers and suppliers

Preparing the professionals of the future

# Production and Customers



## MORE RENEWABLES AND STORAGE TO SUPPLY CLEAN ENERGY TO CUSTOMERS



## SELECTIVE GROWTH RENEWABLES AND VALUE-ADDED PRODUCTS AND SERVICES

### TRACK RECORD AND EXPERTISE

- **Consolidating leadership** in core areas
  - *In-house knowledge and expertise in multiple countries*
  - *Project delivery with multiples roles, standards with defined procedures*
- **Attractive returns** following a **selective growth criteria**
  - *Diversified sources of financing and tailored capital structures*
- **Final Investment Decision** with risks covered: supply chain, exchange rate and financing parameters

### COMPETITIVE ENERGY PRICES AND PRODUCTS

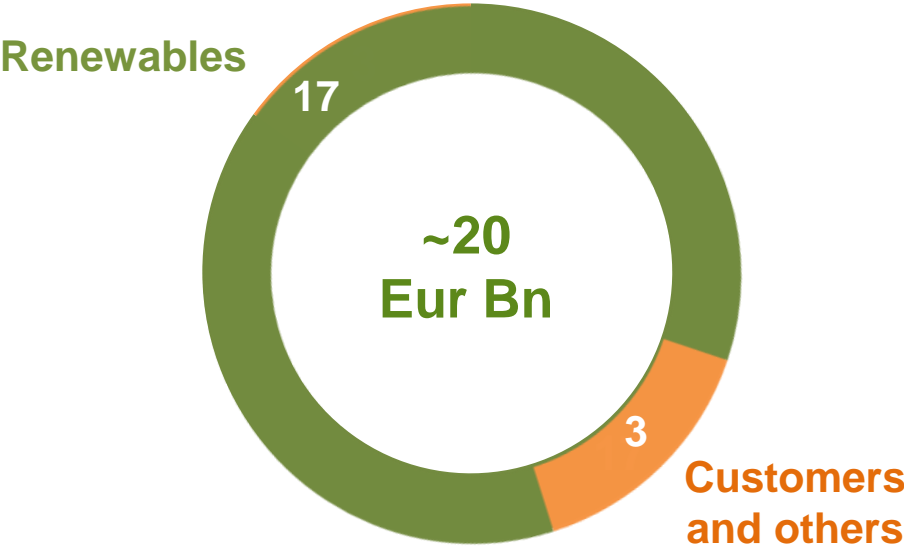
- Decarbonizing of the energy sector with **mature technologies**
  - *Wide range of solutions to improve operations and solve O&M hurdles*
- **Diversified routes to market**
- **Value added products and services**
  - *Green energy supply for residential and industrial customers*
  - *Decarbonizing industrial processes*
- **Low seabed leases for offshore**
  - *-70% vs recent processes in US*

### OPERATIONAL EXCELLENCE

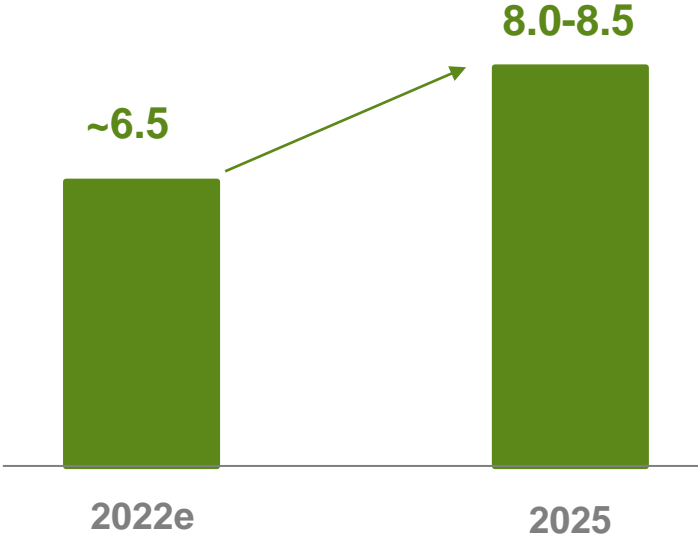
- **Optimizing CAPEX, improving gross margin and reduction O&M costs**
- Use of **best Group practices** and synergies to improve margins and costs
- Use of **digital tools** for better plants performance and energy management
  - *Interconnected infrastructures for quick action and minimize outages in the energy production activity*
  - *Analytics tools to develop better tariffs*
  - *Offering digital customer services*

EUR 20 BN OF INVESTMENTS IN 2023-2025

CAPEX 2023-2025 (EUR BN)



EBITDA (EUR BN)

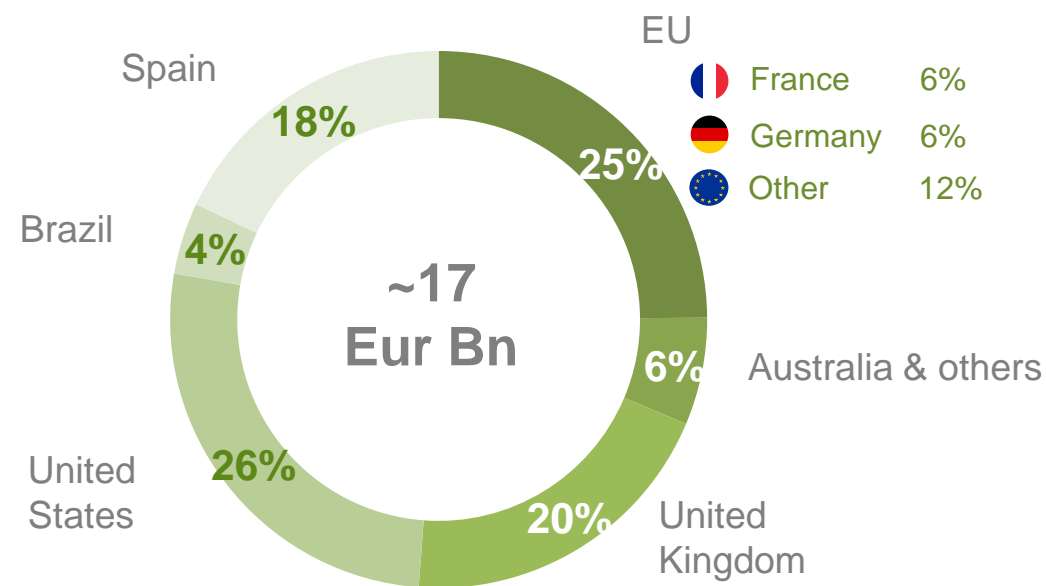


EBITDA REACHES EUR 8-8.5 BN IN 2025

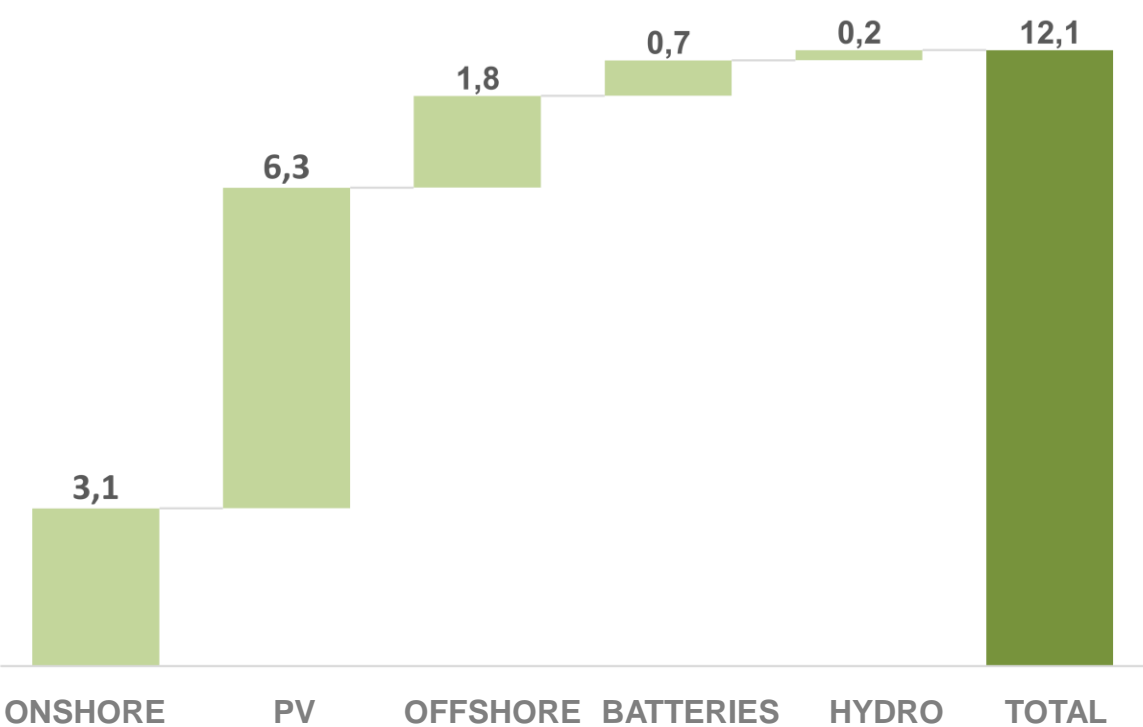


INVESTMENTS OF EUR ~17 BN (46% OFFSHORE)

TOTAL INVESTMENT BY GEOGRAPHY (EUR BN)

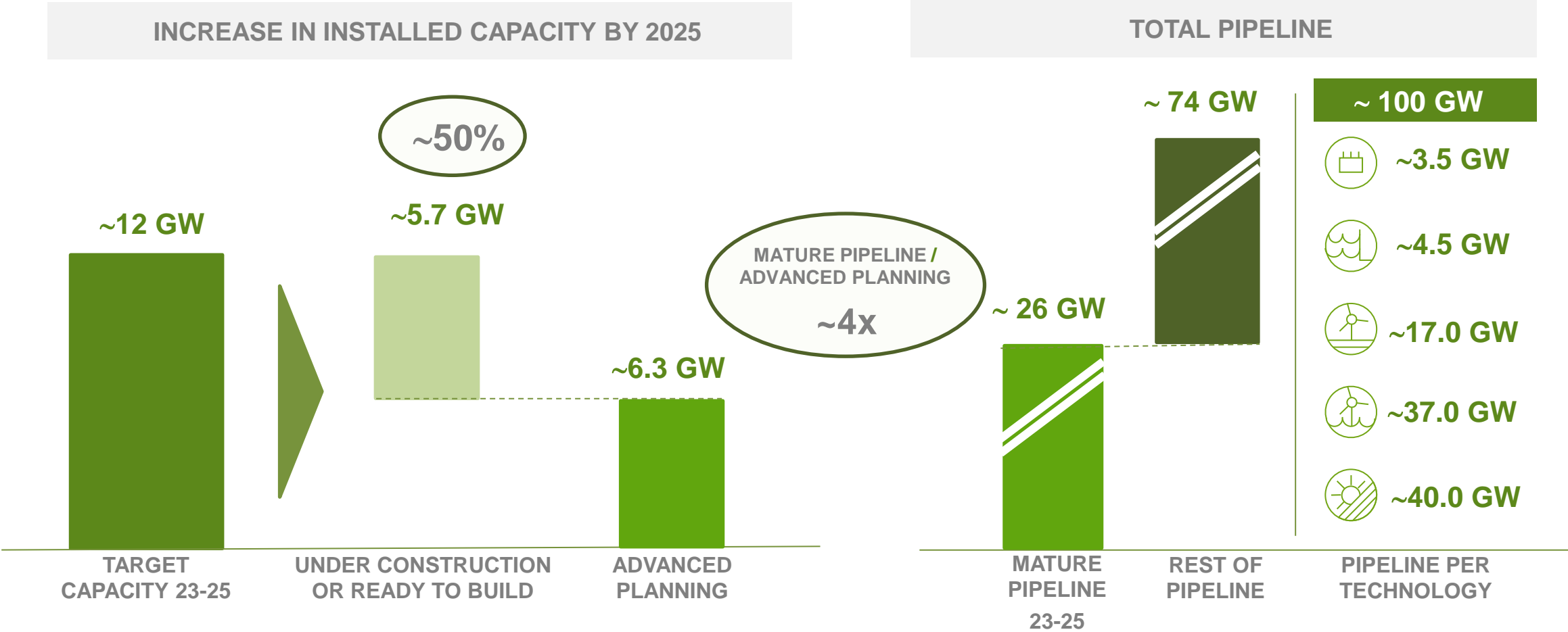


TOTAL CAPACITY BY TECHNOLOGY (GW)



WITH EUR ~4 BN ON ONGOING INVESTMENTS WITH COD POST 2025

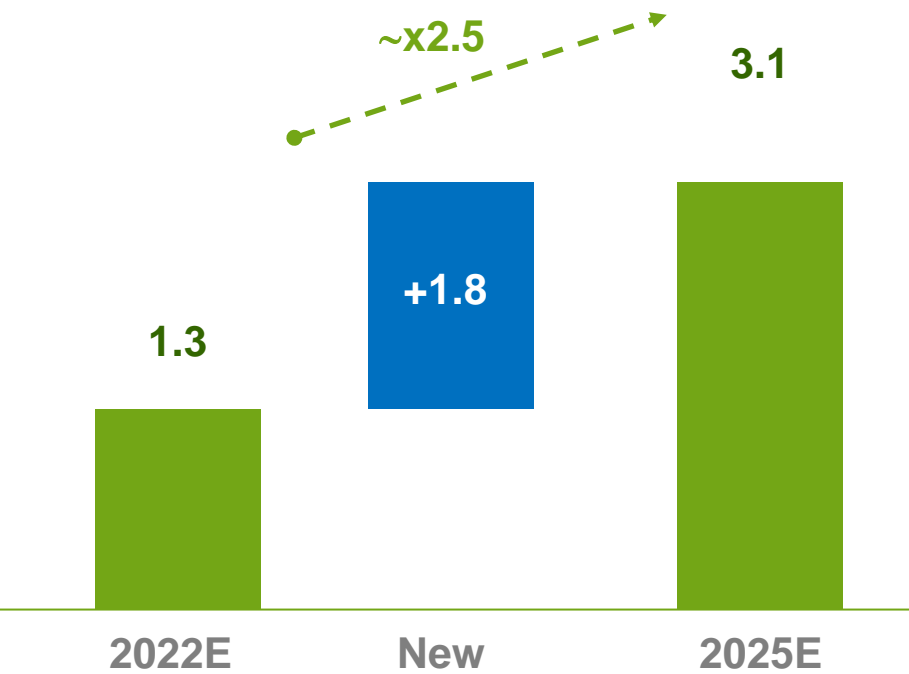
~50% OF NEW CAPACITY ALREADY SECURED AND 26 GW OF MATURE PIPELINE TO MEET THE TOTAL CAPACITY TO BE INSTALLED BY 2025









DIVERSIFIED PIPELINE OF 100 GW TO DELIVER GROWTH BEYOND 2025

EXPANSION OF OFFSHORE WITH 3 NEW PROJECTS OPERATING BY 2025

Offshore growth (GW)



In operation by 2025

	Status	Revenue Mechanism
 WoDS 194 MW	In operation	ROC (CPI indexed)
 EA1 714 MW	In operation	CfD (CPI indexed)
 Wikingen 350 MW	In operation	FiT
 Saint Brieuc 496 MW	COD 2023	FiT (CPI + labor indexed)
 Baltic Eagle 476 MW	COD 2024	FiT
 Vineyard Wind 806 MW	COD 2024	ITC, Utility PPA, Escalator

EBITDA to reach Eur 1.2 Bn in 2025 (x2 vs 2022E)

NEW MARKETS READY TO DELIVER GROWTH BEYOND 2025...

ADDITIONAL GROWTH +5 GW

Secured & advanced pipeline


**EA Hub**  
EA 3: 1,400 MW & COD 2026  
EA1N & EA2: 1,600 MW & COD 2028 & 2029


**Windanker 300 MW & COD 2026**


**New England**  
Park City 804 MW & COD 2027  
Commonwealth 1,232 MW & COD 2028


EXPANSION IN NEW MARKETS +30 GW


Rest of pipeline


**Ireland** 3,000 MW

**Sweden** 3,600 MW


**Poland** 2,000 MW


**US** 3,500 MW


**BRAZIL** 3,000 MW

**APAC** >5,000 MW

Scotwind

**MarramWind<sup>1</sup>** 3,000 MW

**CampionWind<sup>1</sup>** 2,000 MW

**MachairWind** 2,000 MW

<sup>1</sup> Joint Venture Shell and Iberdrola (50/50)

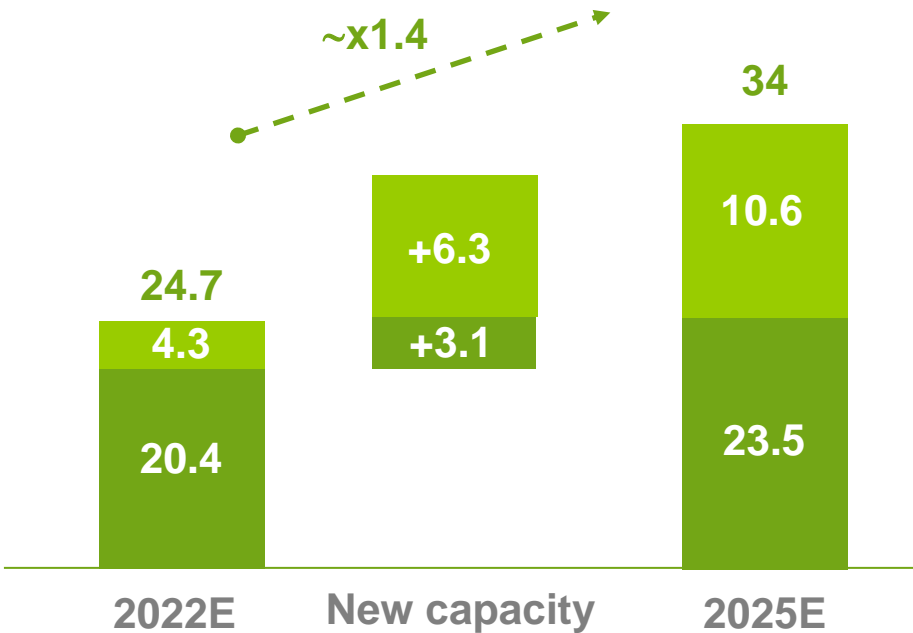
SEABED COSTS -70% vs RECENT PROCESSES IN USA

...WELL POSITIONED TO CAPTURE NEW OPPORTUNITIES IN NEXT ROUNDS IN EUROPE, UK, US AND APAC

INCREASING ONSHORE INSTALLED CAPACITY BY 40%

Onshore growth (GW)

Solar PV  
Onshore Wind



+4,100 MW  
- More than 50% under construction & ready to build



+1,100 MW  
- More than 800 MW awarded in the last CfD auction



+1,300 MW  
- Including 600 MW in partnership



+500 MW  
- Oitis and Luzia under construction

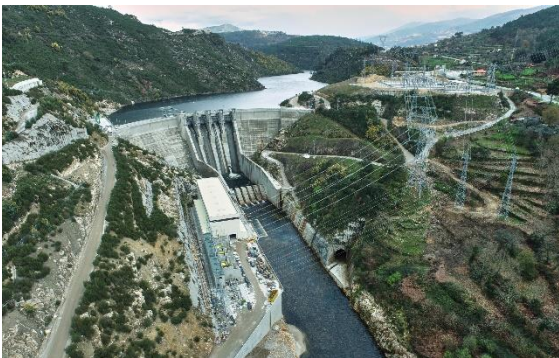


+2,400 MW  
- Selective growth in countries with attractive returns

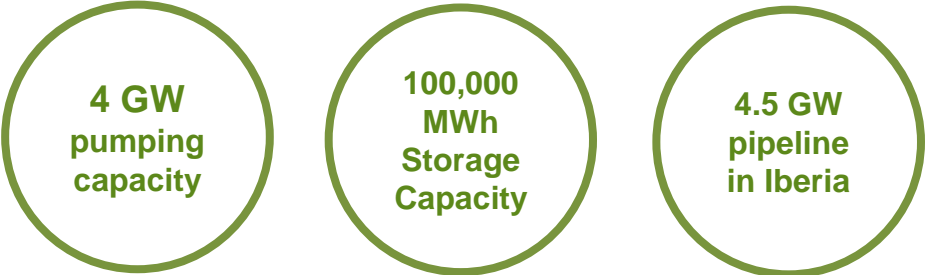
INCREASING CAPACITY AND ALLOWING MORE INTEGRATION OF RENEWABLES

Pumped Hydro

Most efficient technology for applications involving large amounts of energy in long periods



Tâmega gigabattery: Gouveas and Daivoes **already in operation**

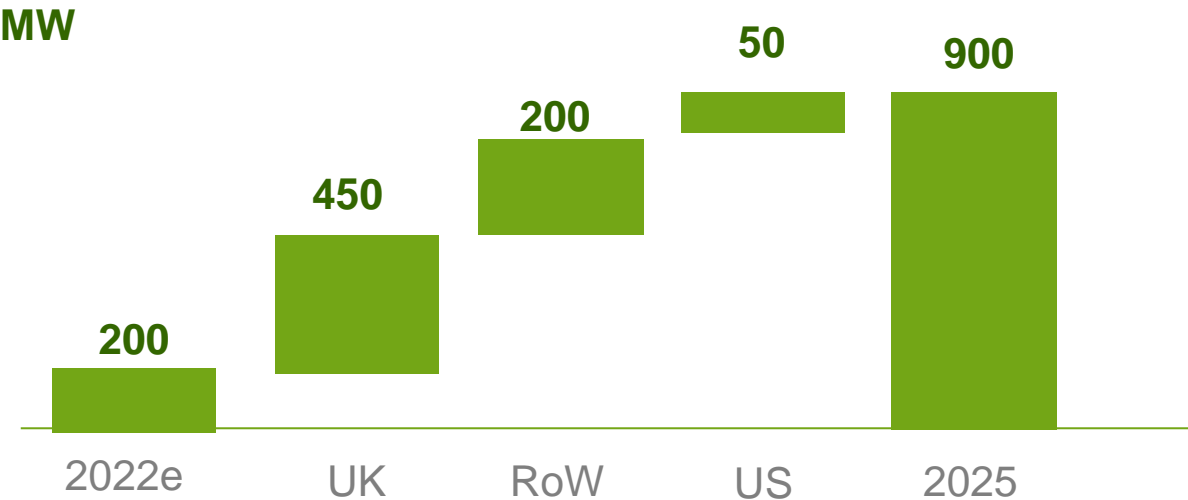


Storage capacity equivalent to supply  
**24 million homes during 12h**

Batteries

Improving dispatchability of the renewable generation in those countries with no hydropower plants

Battery growth by 2025



## PERMITTING HAS BEEN THE MAIN BOTTLENECK FOR RENEWABLE DEPLOYMENT...



Recommendations already published to speed up permitting to a maximum time of 1 year



Fast track process already approved accelerating permits in some locations (hybrid projects)



**France: new generation law under discussion**

- Establishing renewables as public interest
- Shortening permitting process



**Germany:**

- Incentivizing municipalities to allow renewables deployment in their regions
- Land usage modifications

## ...BUT PROSPECTS ARE IMPROVING BASED ON REGULATORY WILLINGNESS

## CRITICAL SUPPLIES AND PRICES SECURED TO COMPLY WITH INVESTMENT PLAN...



- ✓ **Strategic equipment guaranteed** through contract that anticipate investment decisions



- ✓ **Competitive prices** based on aggregated volume and negotiation capacity with strategic suppliers



- ✓ **Commodities, inflation, and exchange rates risks hedged at investment decisions**



- ✓ **100% contracted offshore** wind turbines up to 2025 (1.8 GW)



- ✓ **~ 50% onshore wind turbines contracted up to 2025**
  - ✓ Advanced negotiation for remaining 50%, pending on FID conditions



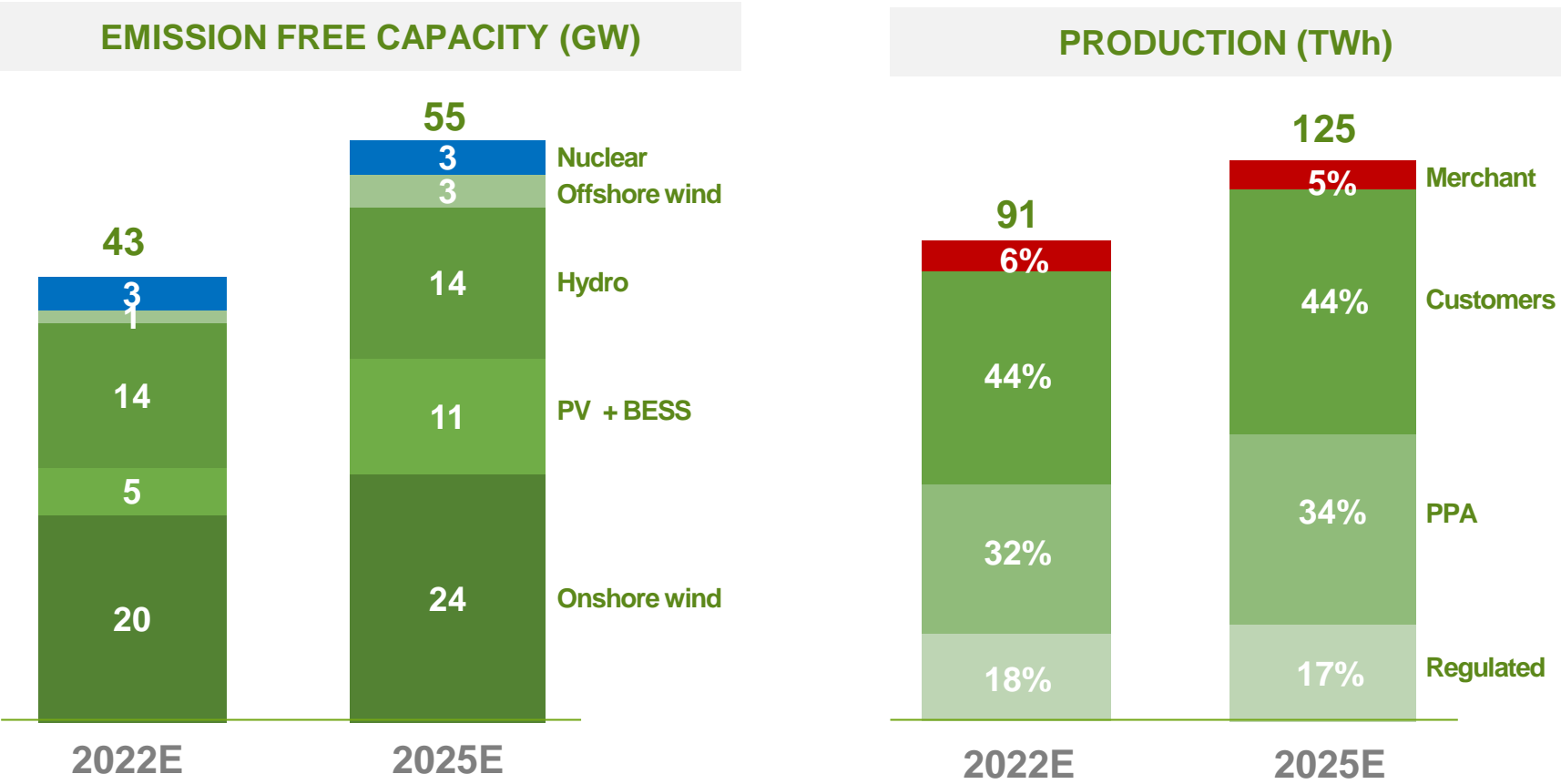
- ✓ **100% contracted panels** up to 2025 (>6 GW)

ACTIVE AND SOLID RISK MANAGEMENT

... AND MINIMIZE THE IMPACT OF RAW MATERIALS & INFLATION



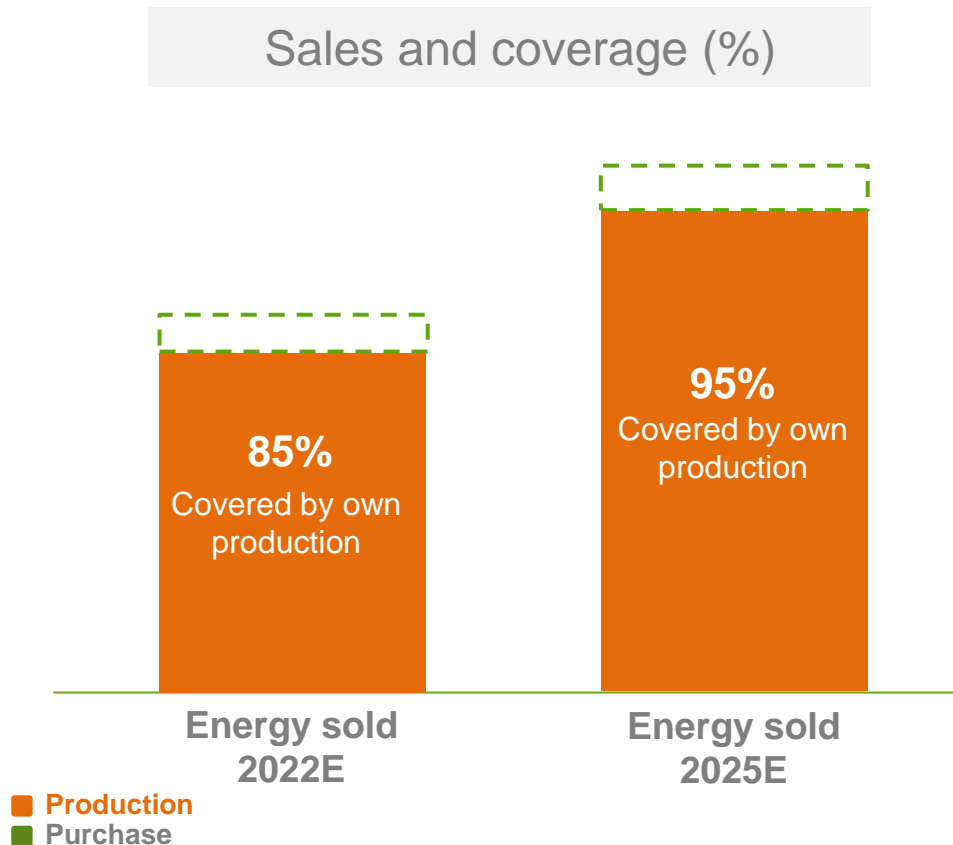
ACCESS TO ALL ROUTE TO MARKETS FOR MAXIMIZING RETURNS



**>90%**  
Production hedged with customers, long term PPAs or regulated revenues

LIMITED IMPACT TO PRICES VOLATILITY AND REGULATION

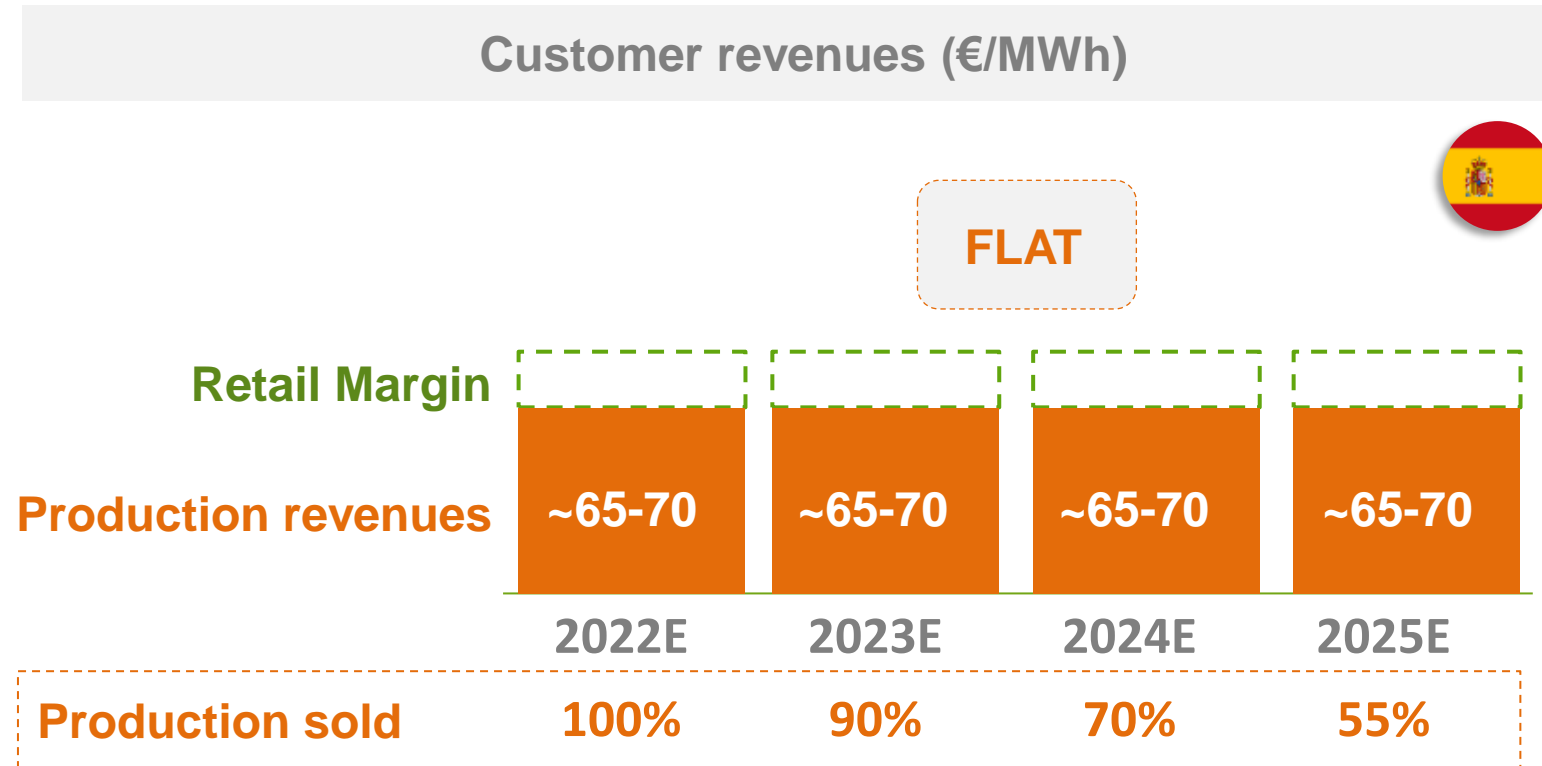
## 95% OF ENERGY SALES COVERED BY OWN PRODUCTION BY 2025...



- ✓ Focused on areas with **own generation capacity**
- ✓ Own generation capacity allows us to **maintain the price policy** to customers through long-term contracts
- ✓ **Prudent hedging** management in volatile environment
- ✓ **No trading**

...WITH AN AVERAGE CONTRACT TERM >3 YEARS

OWN GENERATION CAPACITY ALLOWS US TO MAINTAIN THE PRICE POLICY...



...NOT LINKED TO SPOT PRICES

## PROVIDING CLEAN ENERGY AND ADDED VALUE SOLUTIONS

### ✓ Clean energy



### ✓ Added value solutions

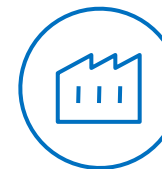
- Delivering our own generation for **customer engagement**
- Focus on **cost efficiency**, thanks to knowledge and capabilities
  - *Best-in-class with -14% cost reduction in Spain and UK (2017-2022)*
- **Digitalization** and advanced analytics to provide more energy solutions to our customers
  - *63% digital customers*

#### Retail



- PV self-consumption
- Mobility
- Heating/Cooling
- Home Services

#### Industry



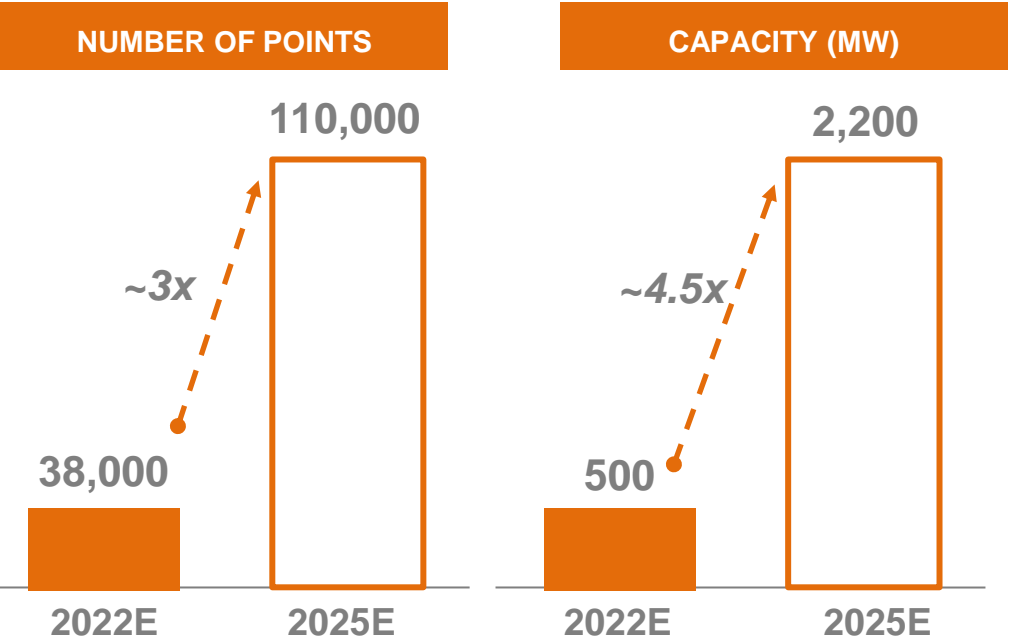
- Decarbonization
- Heating/Cooling
- Green Hydrogen
- Green Ammonia

**11 M**  
**Smart**  
**Solutions**  
2022

IMPROVING PROFITABILITY AND CUSTOMER LOYALTY

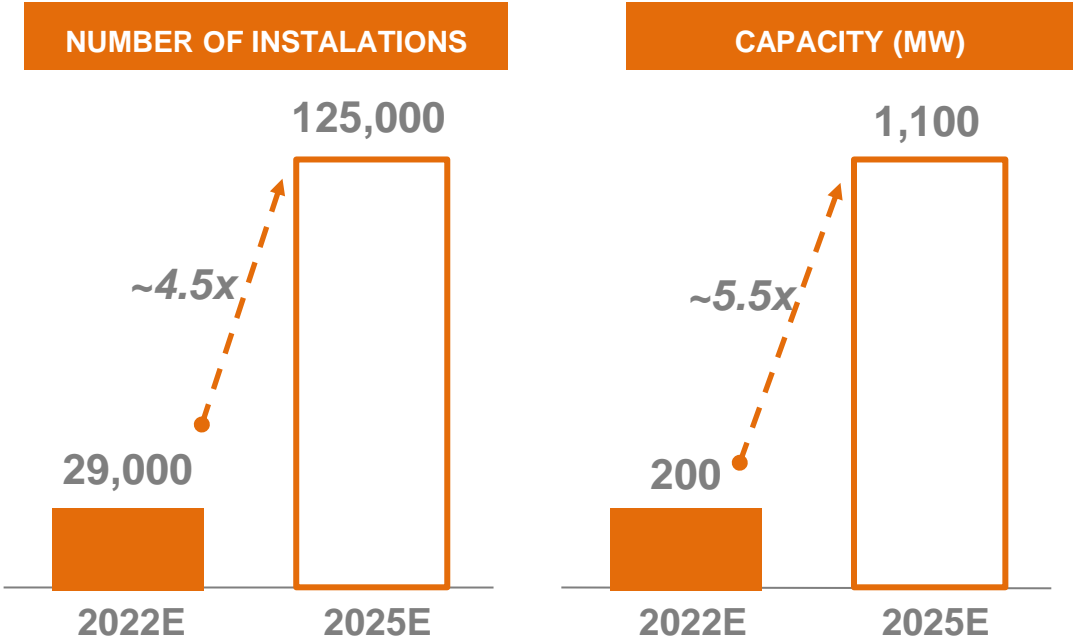
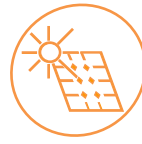
CONSOLIDATING SMART SOLUTIONS DRIVEN BY ELECTRIFICATION...

EV CHARGING



- ✓ 20% of charging points in Spain
- ✓ Transforming the transportation sector

PV SELF-CONSUMPTION

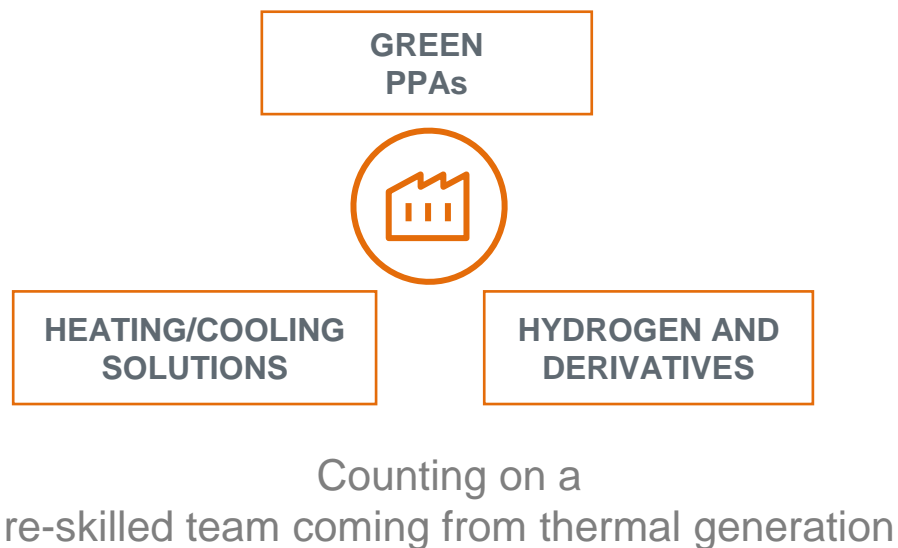


- ✓ Leading PV market in Spain
- ✓ PPA onsite

...EXPANDING EXPERIENCE TO NEW GEOGRAPHIES

## PROVIDING DECARBONIZATION SOLUTIONS...

### DECARBONIZATION SOLUTIONS



Alliances with **leading companies in multiple sectors**

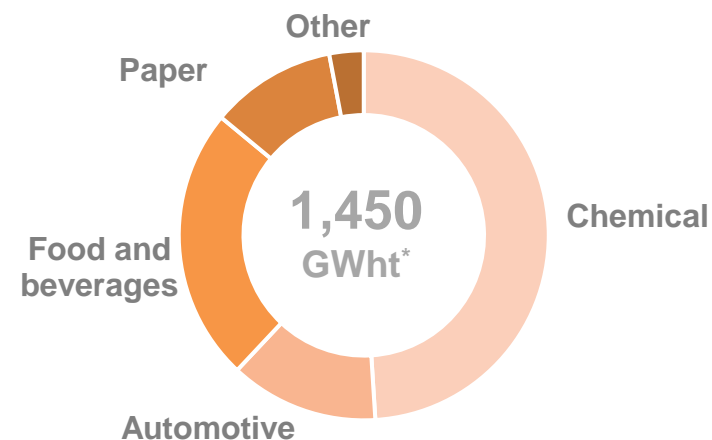


### GREEN PPAs

**~23,000 GWh** of green PPAs to industrial customers

**Higher customer appetite** for long term PPAs due to current energy prices and decarbonization targets

### PIPELINE OF INDUSTRIAL PROJECTS



## ...SUPPORTING COMPANIES ON THEIR PATH TO NET ZERO

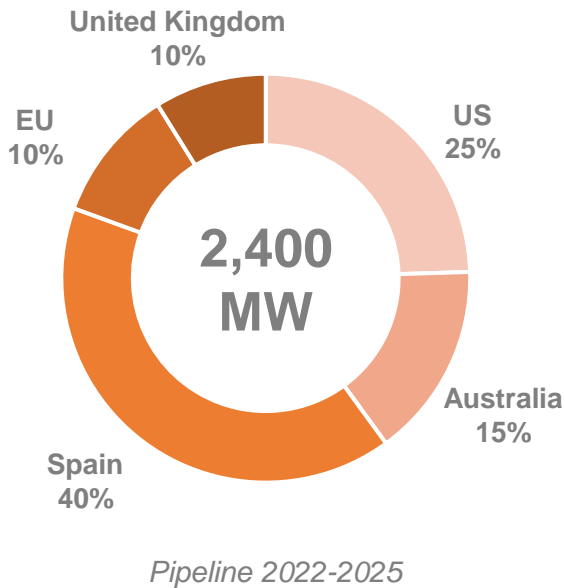
PIONEERING THE PRODUCTION OF GREEN H2...



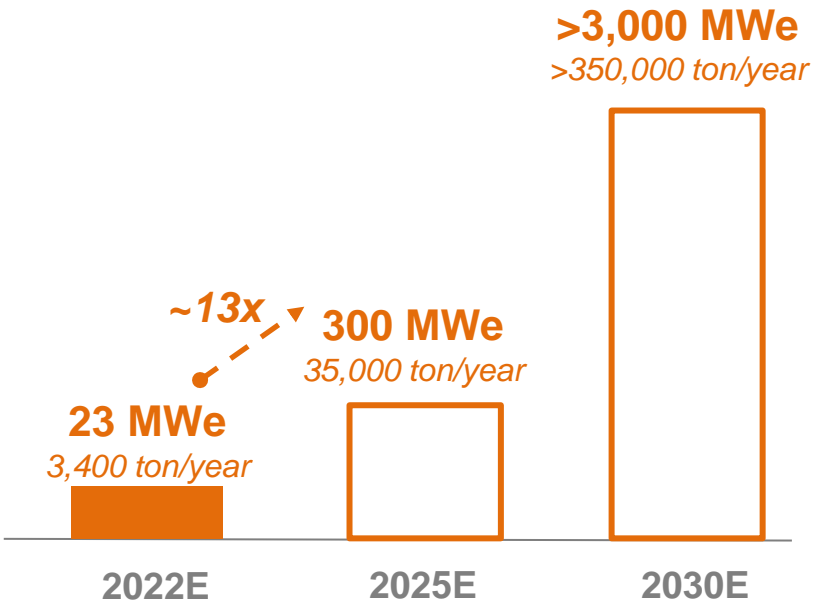
Taking advantage of our **global strength in renewables and execution** capacity to be **first movers**



PROJECT PIPELINE

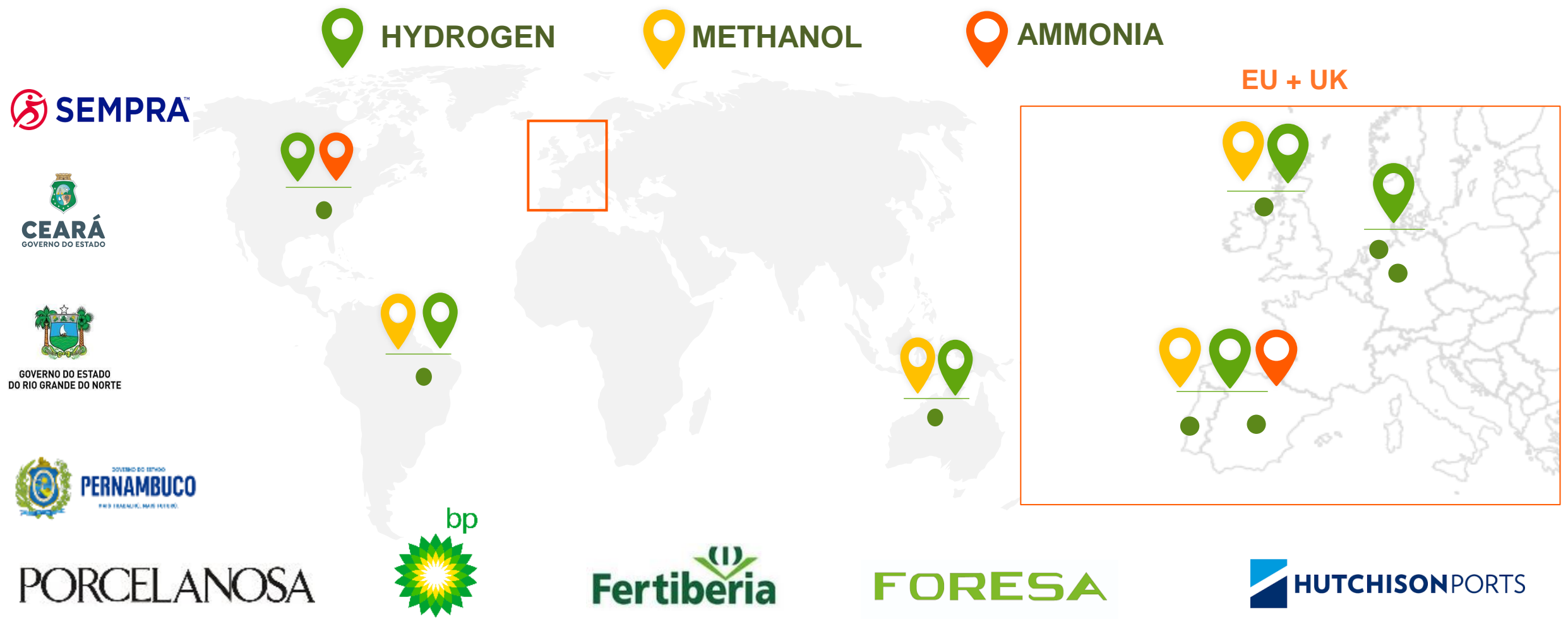


GREEN H2 PLAN 2023-30



... WITH A MATURE PIPELINE TO ACCELERATE GROWTH

BEING FRONT RUNNERS IN GREEN DERIVATIVES...



... LEVERAGED ON OUR RENEWABLE PORTFOLIO



## OUR OUTLOOK 2023-2025 IS BASED ON A WELL-DIVERSIFIED AND SOLID POSITION

### SUSTAINABLE GROWTH

85% NETWORK INVESTMENT  
SECURED

50% OF TARGET MWS SECURED

MATURE PIPELINE EXCEEDS 4x  
CAPACITY ADDITION NEEDS

SECURED SUPPLY CHAIN

### ACHIEVABLE RESULTS

80% CAPEX ALLOCATED TO  
RATING A COUNTRIES

NETWORKS CONTRIBUTE 50% TO  
THE RESULTS

NO TRADING

GENERATION REVENUES NOT  
LINKED TO SPOT

### DIVERSIFICATION

ACCESS TO ALL ROUTE TO  
MARKETS

NETWORKS OUTPERFORMANCE

OPTIONALITY IN INVESTMENTS

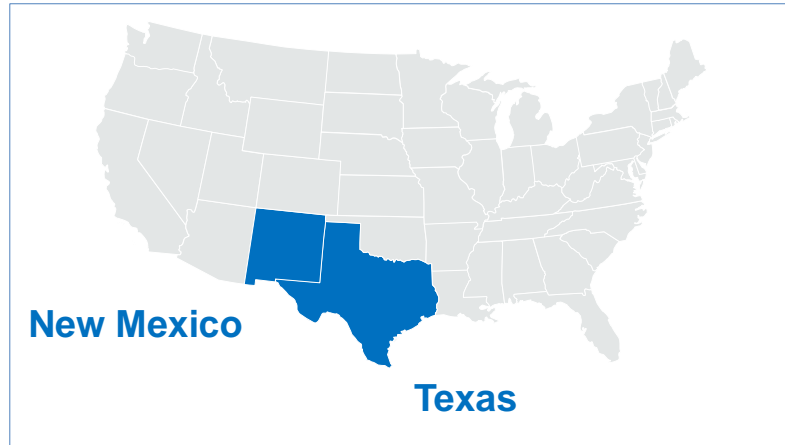
INCREASING EFFICIENCES

AND DELIVERED BY A TEAM OF PROVEN TRACK RECORD

# Annex



## ACCELERATING GROWTH IN US



### 2021 key figures

- Present in New Mexico and Texas
- Rate base: \$ 4.6 Bn
- Customers: ~800k
- Regulated generation: 2,168 MW
- \$ 196 Mn net income
- \$ 8.7 Bn Total Assets

### Strategic rationale

- Growth in regulated business and renewables
- Operates in states with strong opportunities and where Iberdrola is already present
- Solid commitments to ESG, including carbon reduction goals

### Next steps

- New Mexico Public Regulatory Commission rejected stipulation agreement. Challenging with NM Supreme Court
- Merger end date extended to April 2023

**CLOSING EXPECTED BY MID-2023**

COMMODITIES & PRICES

