

CAPITAL MARKETS & ESG DAY

9 November 2022



SUSTAINABLE
EVENT



Committed to:



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Creating value through sustainability

Agustin Delgado

Chief innovation & sustainability officer



VISION: AN ENERGY MODEL IN HARMONY WITH NATURE AND HUMAN BEINGS

Addressing the triple environmental challenge is crucial ...

...AND at the same time is an opportunity for sustainable value creation

CLIMATE CRISIS



BIODIVERSITY CRISIS



RAW MATERIALS CRISIS



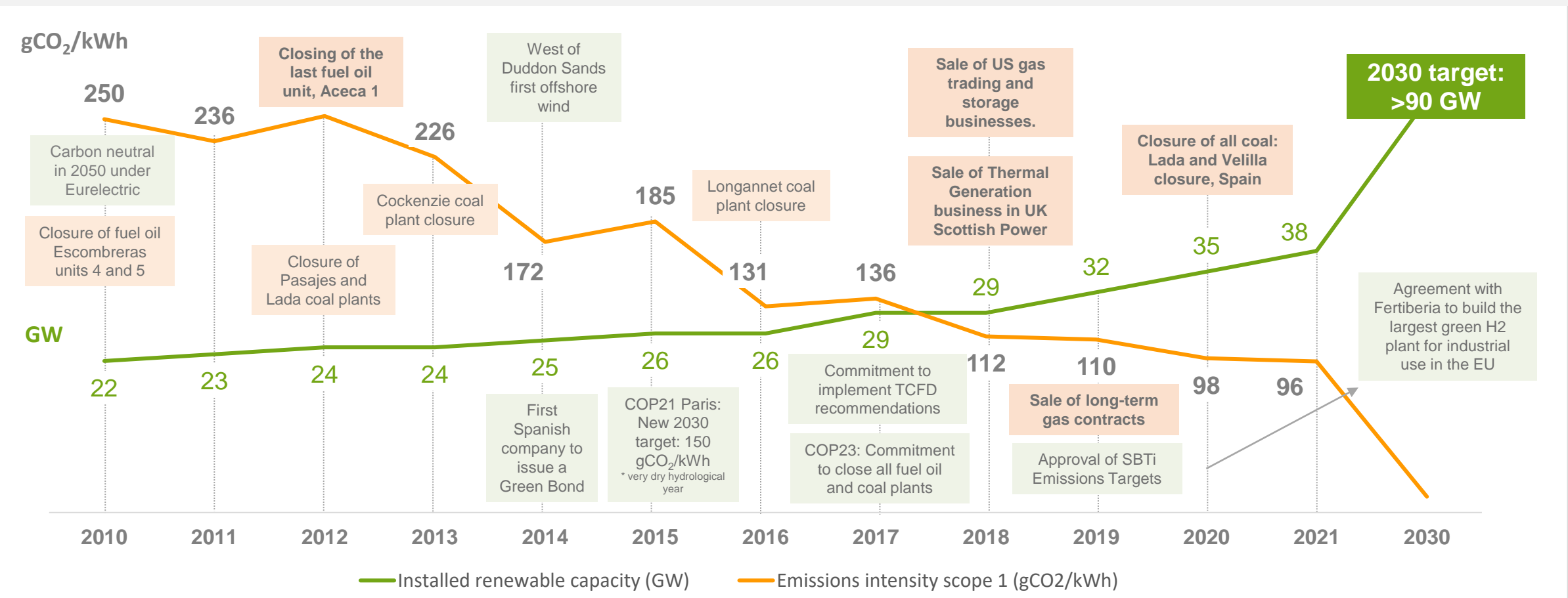
IBERDROLA'S STRATEGIC AREAS OF SUSTAINABILITY



POSITIVE
WITH
NATURE

IBERDROLA HAS A STRONG TRACK RECORD IN DECARBONISATION FOR THE LAST 20 YEARS

2010-2021: Emission intensity significantly reduced while increasing renewable capacity



1. Climate Action Plan

KEY ELEMENTS OF THE CLIMATE ACTION PLAN

Objective

2030

**Neutrality in emissions
for scopes 1 and 2**

Direct emissions (generation and other) and indirect emissions from electricity T&D losses and own consumption

<2040

**Net-zero emissions for all
scopes, including 3**

Scopes 1, 2 and 3 (rest of indirect emissions that occur in sources that are not owned or controlled by the company (e.g., gas sales, purchase of electricity for sale to the final customer, generation of electricity for third parties, suppliers))

Drivers



100% Renewables

All energy 100% zero-emissions



100% Intelligent networks

Networks more robust and 100% digitalised



Green procurement

- 100% green energy
- Suppliers - Projects for joint reduction of emissions and use of "green" products



Green solutions for customers

Offer of green products and solutions (electrification, green H2)

Alliances for green technologies and decarbonization



Iberdrola has approved near and long-term science-based emissions reduction targets with the SBTi. The SBTi has verified Iberdrola's net-zero science-based target by 2039.

2. Biodiversity Plan 2030

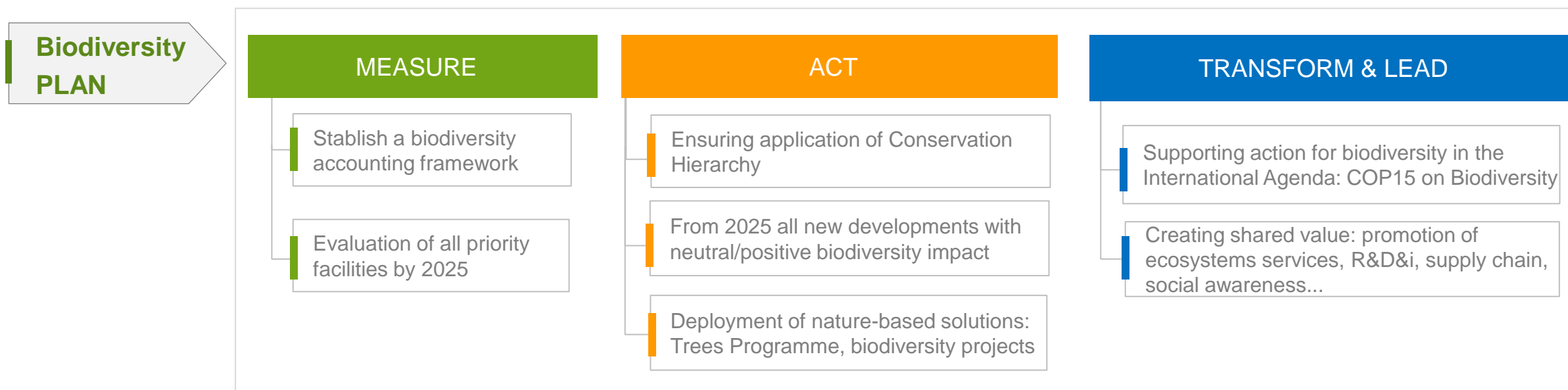
A PATH TOWARDS NET POSITIVE IMPACT ON BIODIVERSITY BY 2030

2025 Objective: *No net deforestation*

- Compensate impacts due to construction of new developments
- Act on our supply chain
- The “Iberdrola Trees” program guarantees soundness and credibility in meeting this objective

2030 Objective: *Net positive impact on biodiversity*

- Impacts on **ecosystems** from new developments
- Impacts on **species** from operational and maintenance of our assets



IBERDROLA'S CIRCULAR ECONOMY MODEL AND GOALS

Based on the 4 'r': redesign, reduce, reuse and recycle

2030 Objectives

Reduce*

- | Consumption of raw materials (water, fossil fuels, etc.) by **50%**
- | Emissions, lightweight corporate fleet: **100% sustainable**

Reuse / Recycle

- | Blades and PV modules: **100%**



Redesign

- Improve our supply chain through:
- | Use of low environmental impact materials: recycled and recyclables
 - | Inclusion of eco-design criteria, life cycle analysis and environmental product declaration

Reduce

- | CO₂ emissions

Reduce

- | Stimulate the energy efficiency through electrification:
 - Electric mobility
 - Heat (residential and industry)
 - Green H₂

* Example of Iberdrola's commitments in steel:

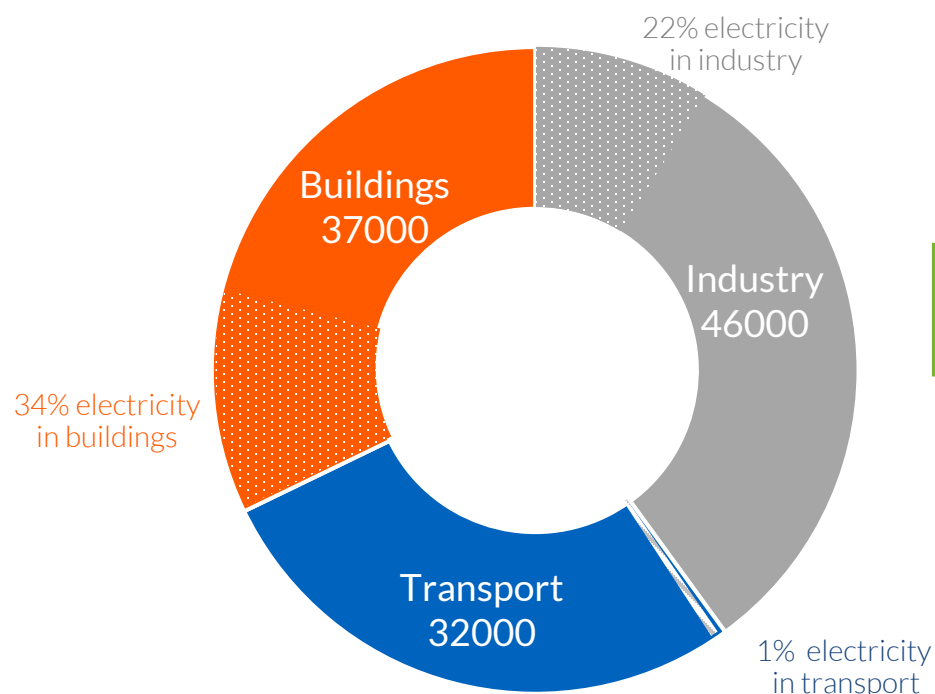
- | **First Movers Coalition:** 10% near-zero steel 2030
- | **SteelZero from The Climate Group:** 50% sustainable steel in 2030 and 100% net-zero in 2050

The size of the opportunity

DECARBONISING THE ENERGY SECTOR: THE OPPORTUNITY OF ELECTRIFICATION OF DEMAND

The massive challenge to decarbonise our economy has turned into a massive opportunity

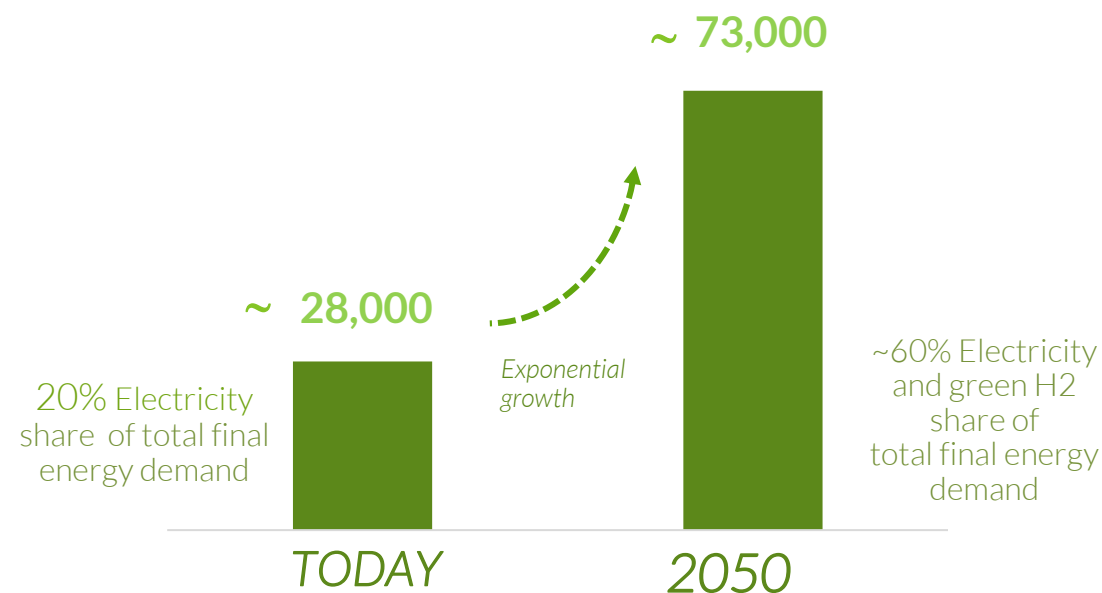
Today: Global final energy demand TWh and electricity share



ELECTRIFICATION
OF DEMAND

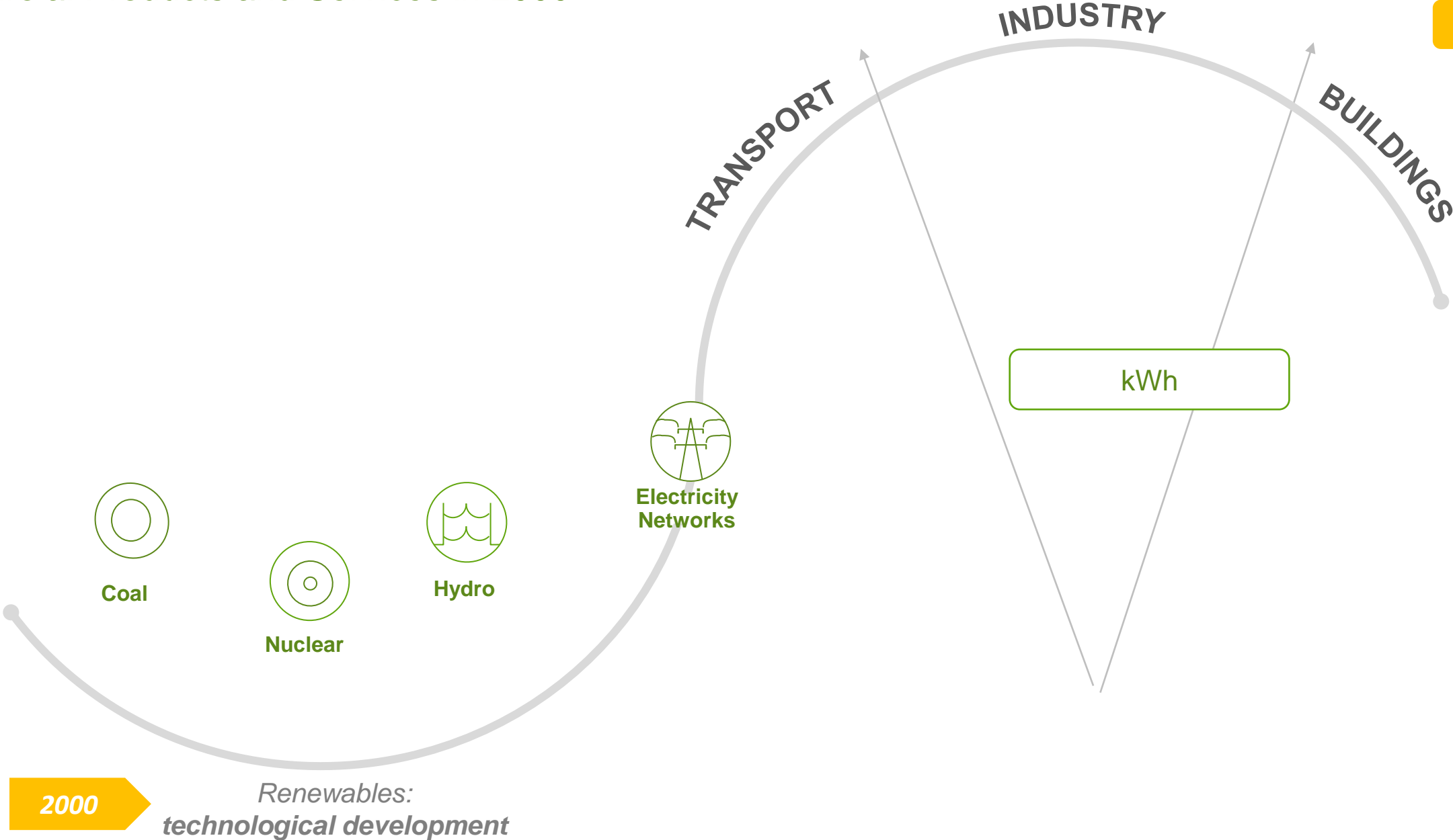


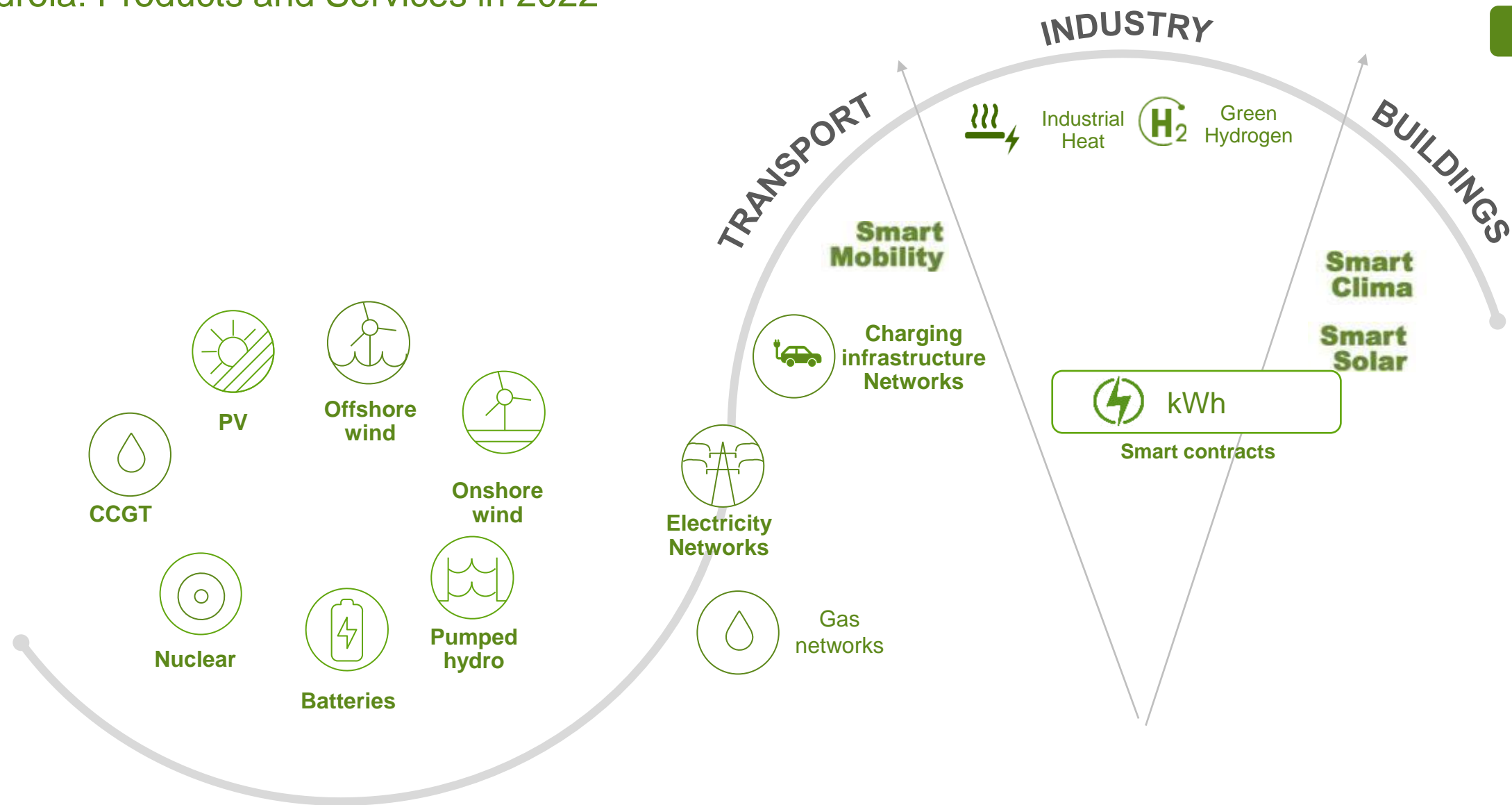
Global electricity
Production TWh/year



Iberdrola: Products and Services in 2000

2000





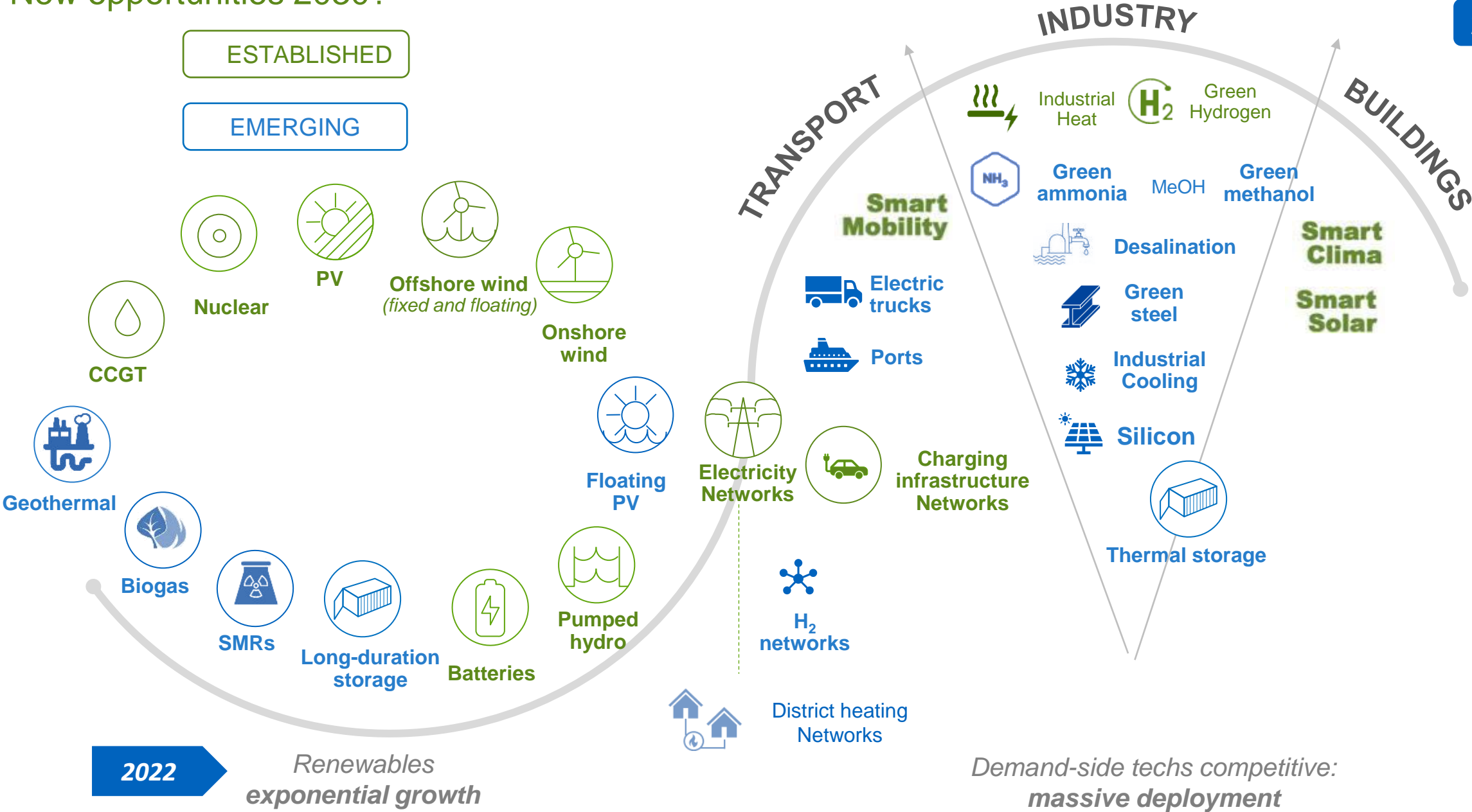
2022

Renewables competitive:
Massive deployment

Demand-side techs:
technological development

New opportunities 2030?

2030?



METHODOLOGY & TOOLS

Example of how Iberdrola has seized new opportunities

TECHNOLOGY & MARKET ANALYSIS



PUERTOLLANO PROJECT

Built first Green H₂ plant in Spain for fertilizer production



NEW BUSINESS UNIT LAUNCHED "Green Hydrogen"



Main Industries



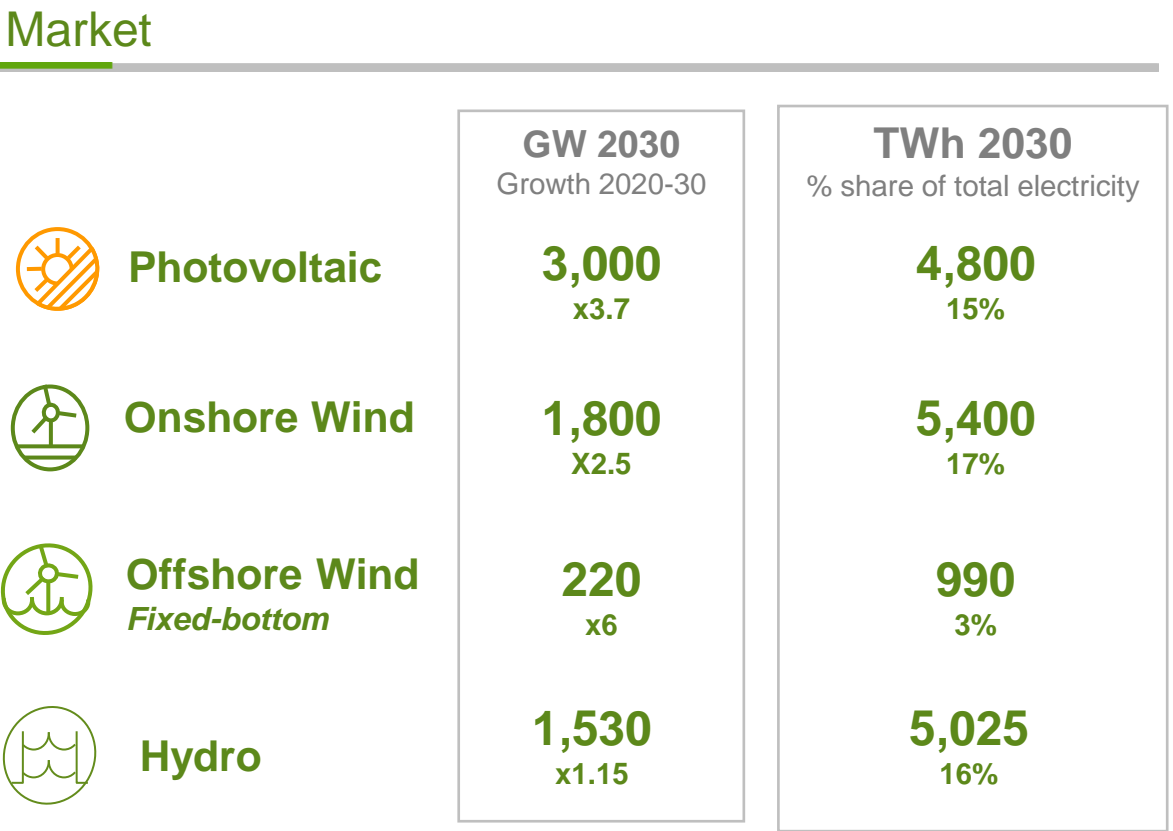
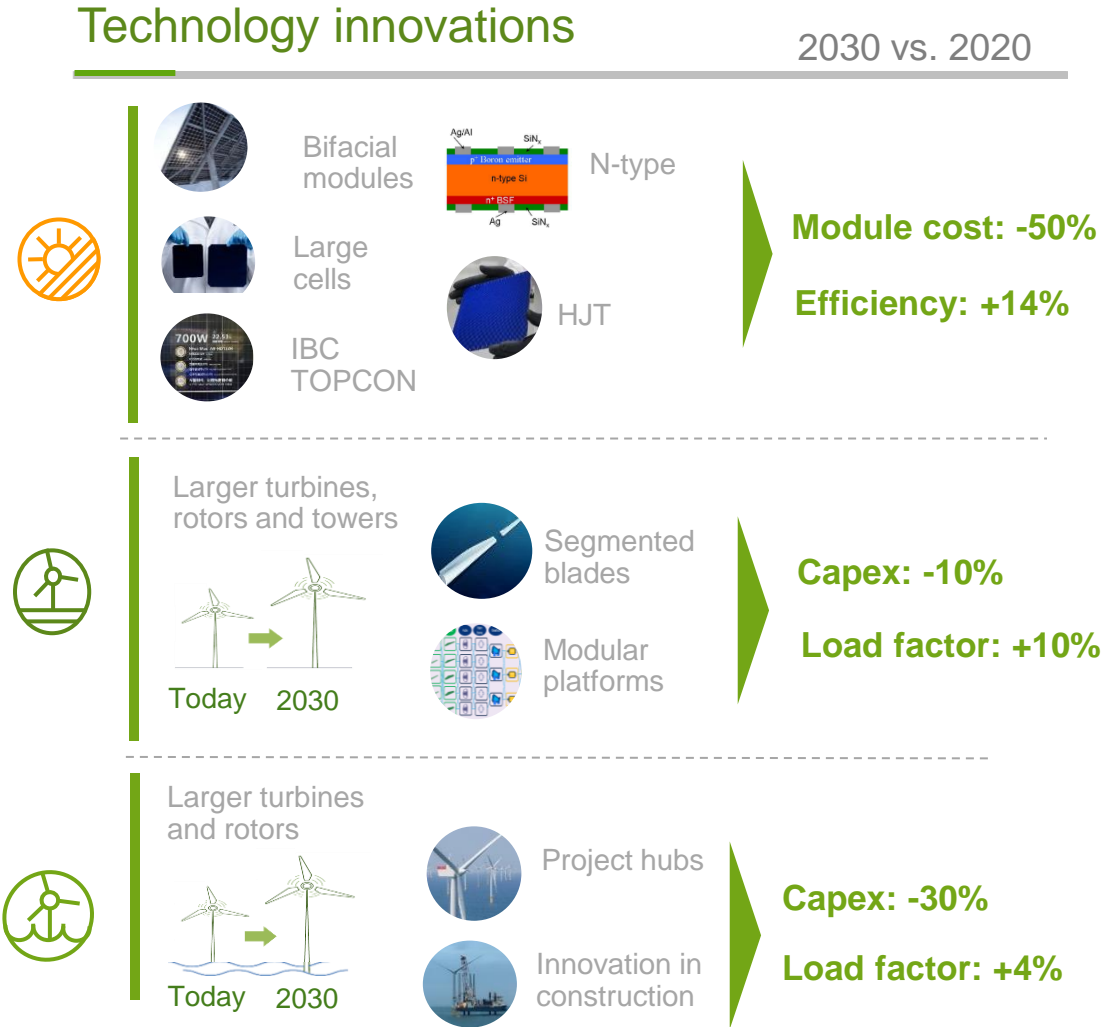
Projects

- Fertiberia Plants
- BP Castellón Refinery Project
- Green Methanol Project: Foresa
- Hydrogen bus for TMB
- ,.....

Creating Value: SUPPLY- Renewables

Renewables can be converted easily to electricity

Post 2030 existing renewable technologies will become even cheaper and capacity additions will continue:



~50% global 2030 electricity from renewables

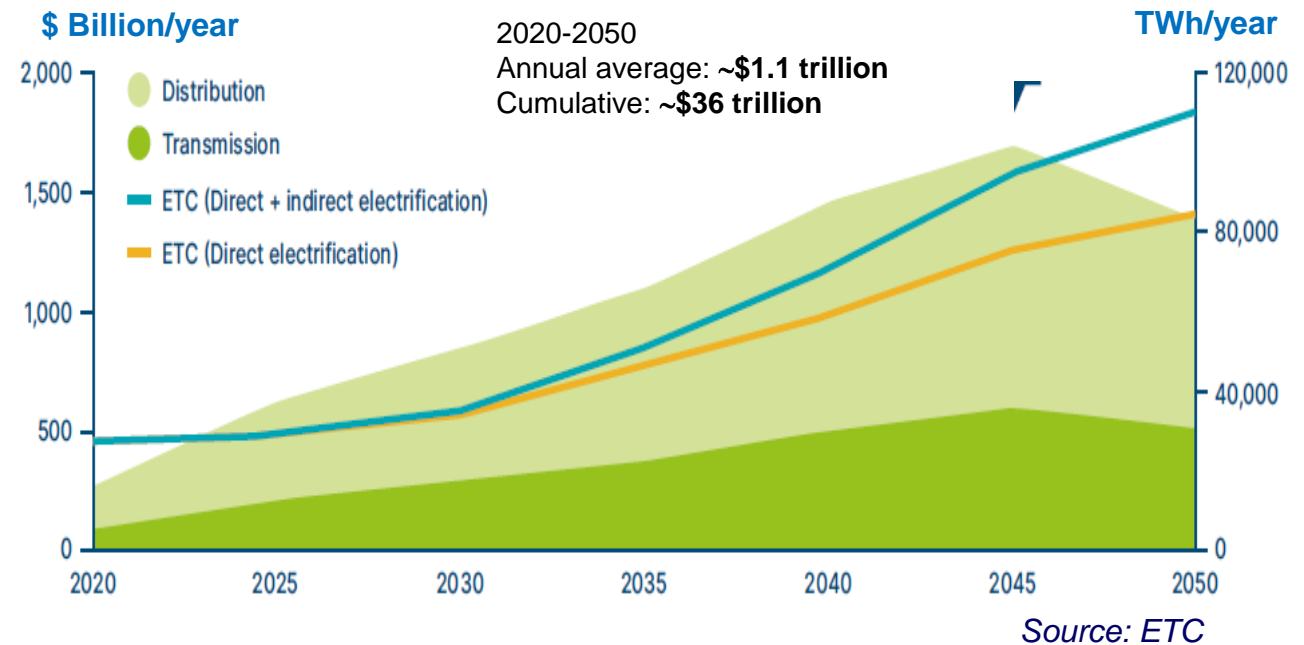
Huge investments needed in Transmission & Distribution but limited impact on energy bills

Tech. innovations & drivers of grid investment

- Electrification, including new uses
- Decentralization of electricity generation
- Digitization, smarter grids ...
- More interconnections
- Higher undergrounding
- High Voltage Direct Current (HVDC)
- Increasing variable renewables, enabling flexibility
- Resilience, adaptation to climate change
- Customer participation
- Cybersecurity

Market

Total Networks investment & power generation



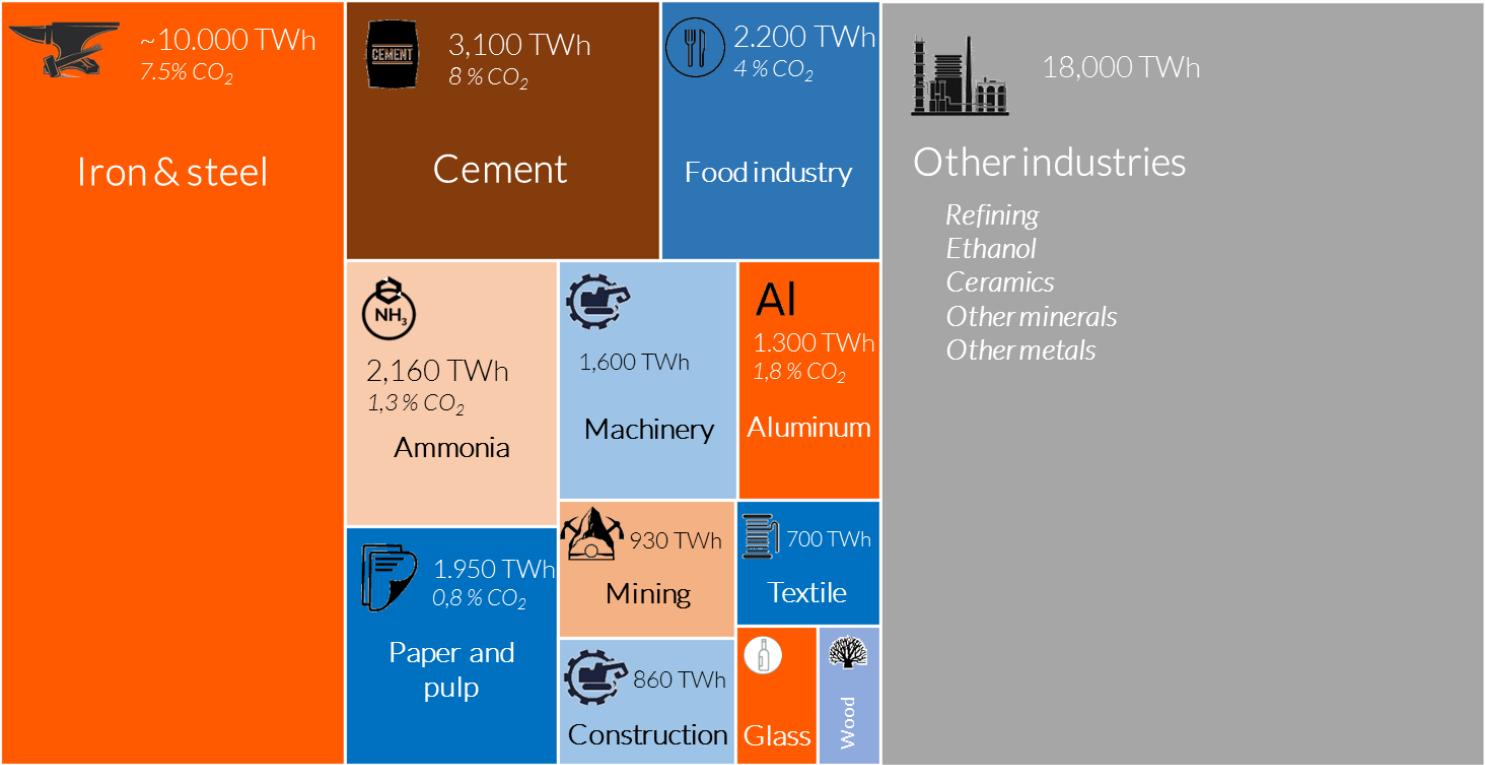
Grid investment has limited impact on energy bills:

**1.5-3.0
€/MWh**

Levelised costs for incremental grid expansion*

DEMAND- INDUSTRY: GLOBAL DEMAND & EMISSIONS TODAY

The industry accounts for ~40 % of final energy demand (~46,000 TWh) and ~28% of global emissions (~9.3 Gt CO₂) *



*Source: International Energy Agency

GREEN HYDROGEN HAS MANY APPLICATIONS.....BUT NOT THE ANSWER TO ALL


Use of hydrogen to be focused on applications that have no other alternatives


Green H₂

Current opportunities:
Replacing current grey hydrogen




Industrial feedstock




Chemicals


Current H₂ uses



42%
Refinery



38%
Ammonia-Fertilisers



14%
Methanol

Future opportunities:
Hard-to-abate sectors with no alternatives



Maritime transport

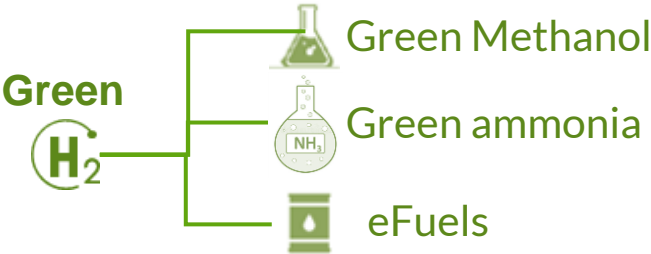


Air transport



Long-haul heavy transport

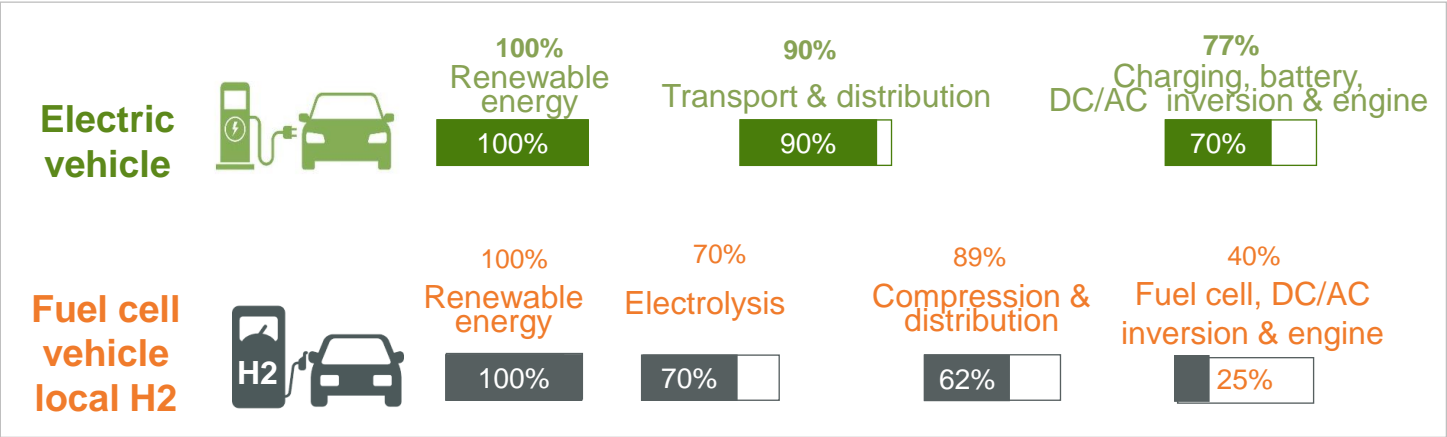




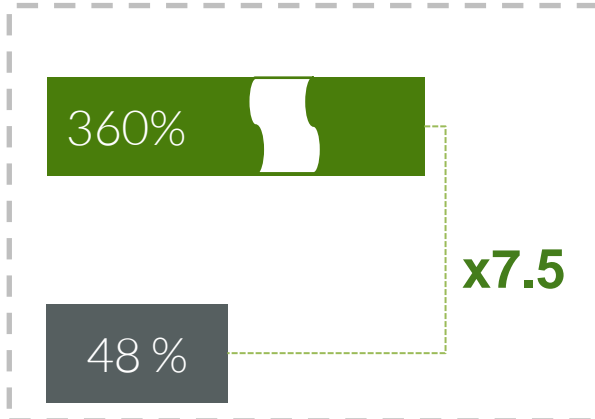
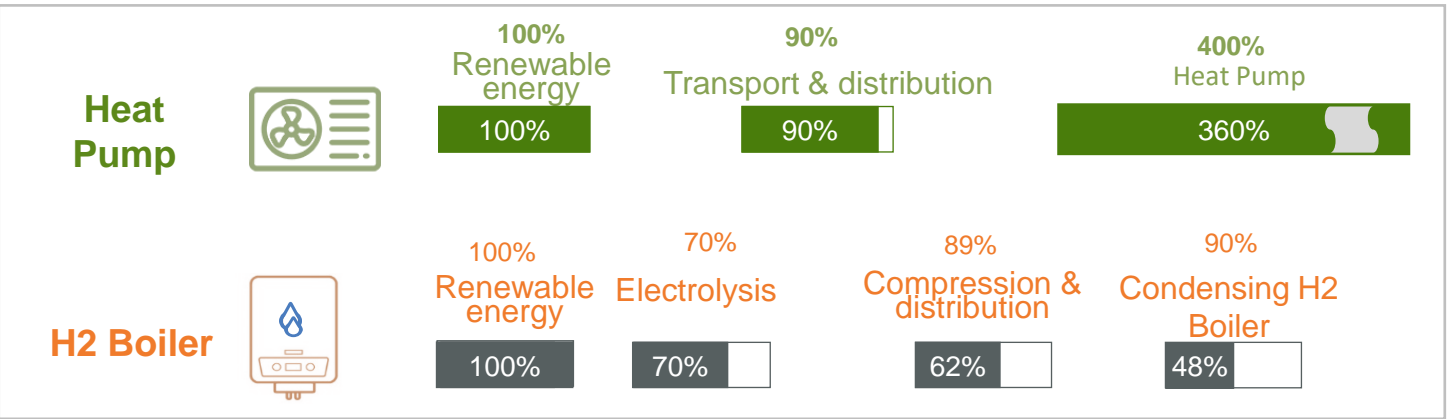
FOR USES WITH AN ELECTRIC ALTERNATIVE, HYDROGEN IS NOT EFFICIENT

Thermodynamics of H2 not favourable for passenger cars or domestic heating: electric alternatives x times better

PASSENGER VEHICLES



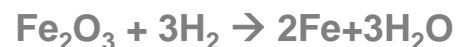
DOMESTIC HEATING



DECARBONISING STEEL PRODUCTION

Technology innovations

Hydrogen direct iron reduction



Iron direct electrolysis



Other innovations: Low temperature iron reduction

Increase recycling rate

Steel can be infinitely recycled using electricity

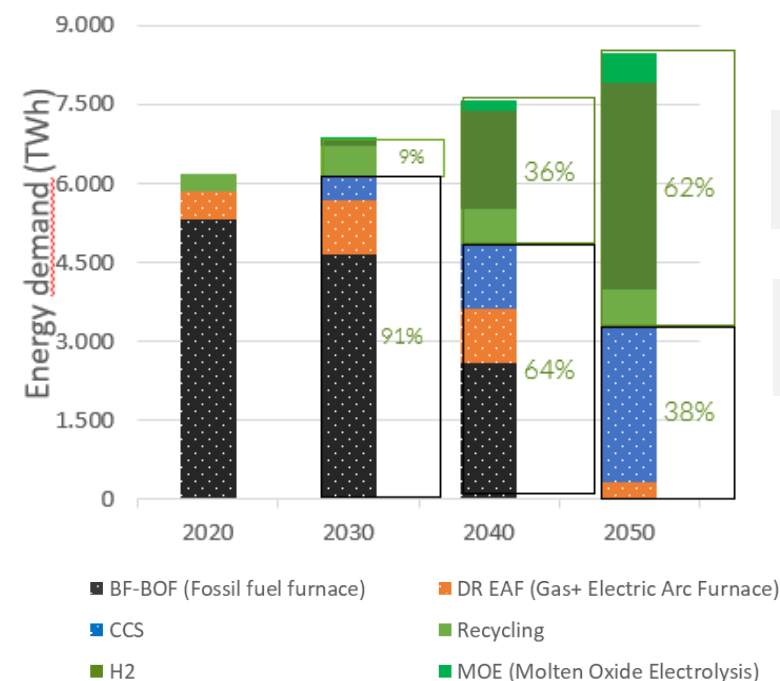
Recycling 1 ton of steel saves on average:

- 1.5 tCO₂
- 74% energy

Market

Energy demand in steel industry:

From 4.5% electricity demand in 2020 to 62% by 2050



2030: ~330 TWh/year
of new electricity demand

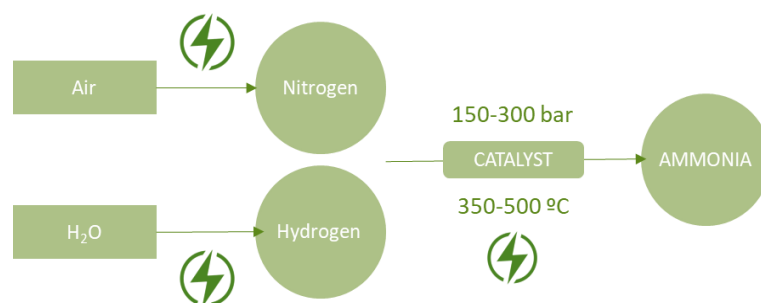
2040: ~2,400 TWh/year
of new electricity demand

***Source: Internal analysis aligned with BNEF outlook*

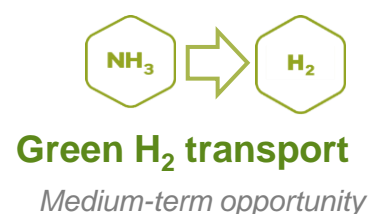
DECARBONISING FERTILISER PRODUCTION

Technology innovations

H_2 Raw material decarbonization: Green H_2

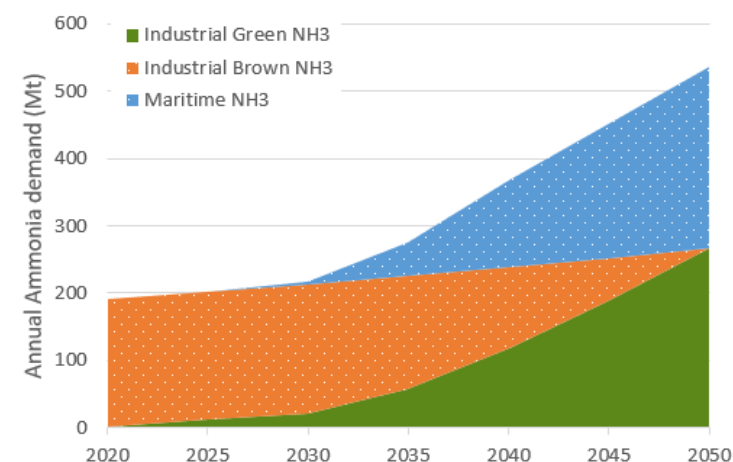


NH_3 New uses of ammonia as an energy carrier



Market

Ammonia demand & decarbonization pathway: *Scenario NetZero 2050*
Industrial ammonia demand to grow 25% by 2050*



Industrial green NH_3 **

2030: ~330 TWh/year
of new electricity demand

2040: ~1250 TWh/year
of new electricity demand

Maritime ammonia demand is expected to emerge from 2030

* Internal estimates aligned with Getting to Zero Coalition's Net Zero Scenario

** Does not include electricity demand for the production of NH_3 for maritime transport.

IBERDROLA EARLY POSITIONING IN DECARBONISING INDUSTRY

 POSITIONING



Green Hydrogen

First plant
2022

✓



Green Methanol

Agreement with Foresa to build a H2 plant to produce green methanol in Galicia, Spain.

✓



Green Ammonia

Exploring opportunities



Green Steel

Exploring opportunities

DECARBONISING PASSENGER VEHICLES

Technology innovations

Battery innovations:

Cathode - cobalt reduction

Silicon anodes

Solid state electrolyte

Manufacturing improvements

Cost reductions: Battery costs -50% by 2030

Cost parity in Europe

Total Cost (TCO)	Initial Cost
< 2025	< 2027

~2 years

Models

~ 370 2020	➔	~500 2022
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Range

<400 km 2019	➔	~500+ km 2022
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Charging Power:

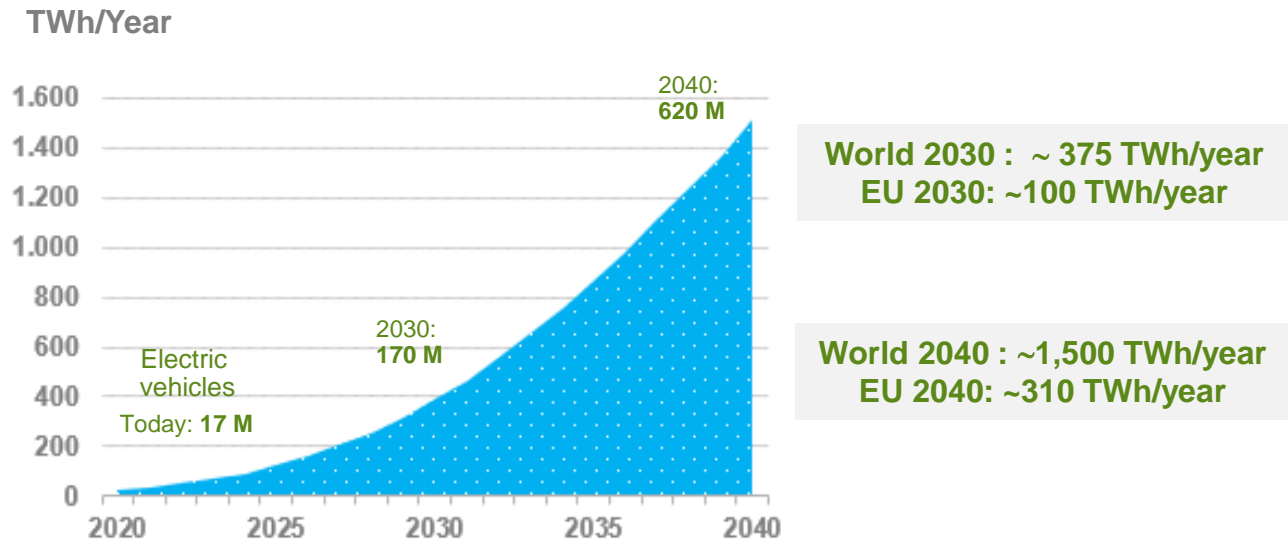
Max.Vehicle charging power:

50kW 2018	➔	350kW 2022
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Additional levers: environmental policies/regulation and electric vehicle purchase subsidies

Market

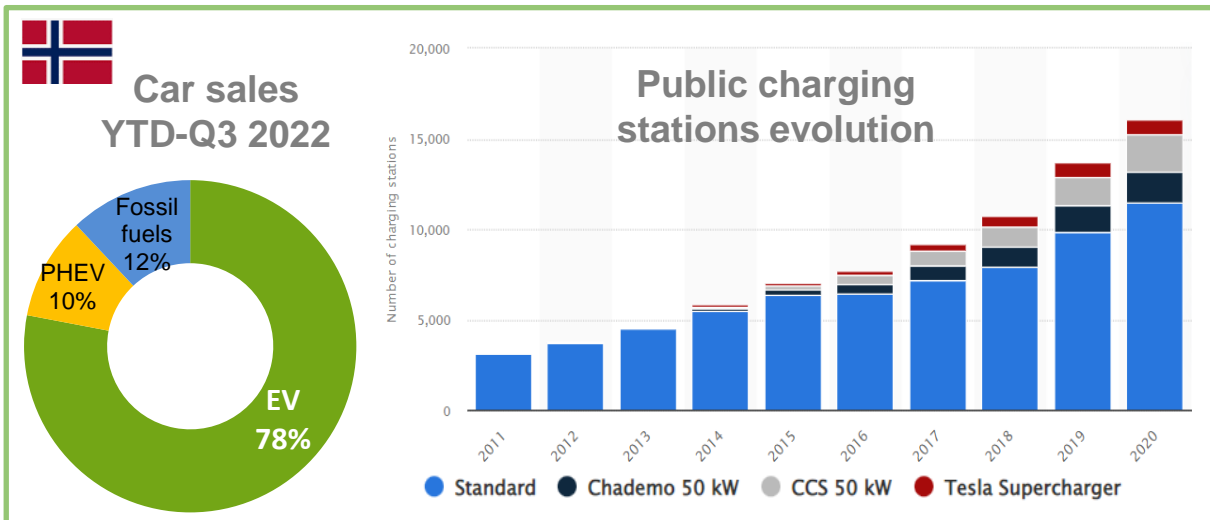
Evolution of the annual demand of electricity from electric cars*
From 24 TWh in 2020 to 1500 TWh by 2040



*Source: Bloomberg, IEA and internal analysis

IBERDROLA EARLY POSITIONING IN DECARBONISING TRANSPORT

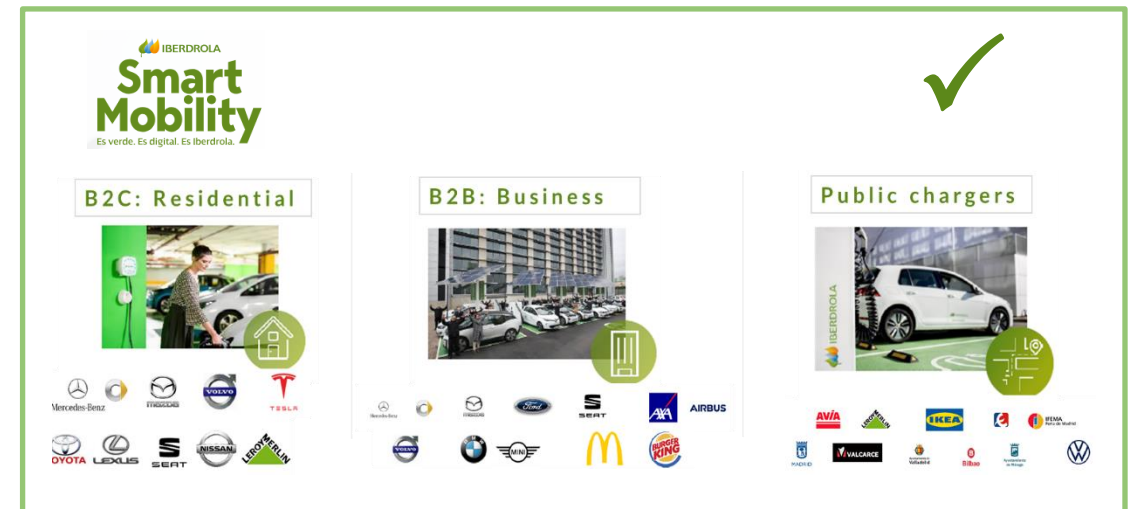
Already happening today: **Norway case**



Oslo to become the first capital city in the world with an all-electric **public transport** system by **2023**



POSITIONING



DECARBONISING RESIDENTIAL HEATING

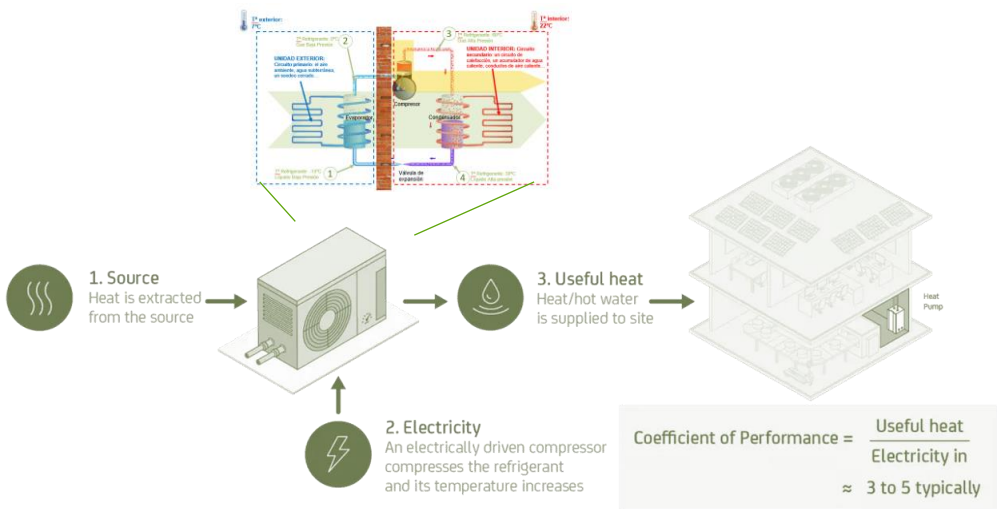
Technology innovations



- Better refrigerants
- Economies of scale
- Thermal storage



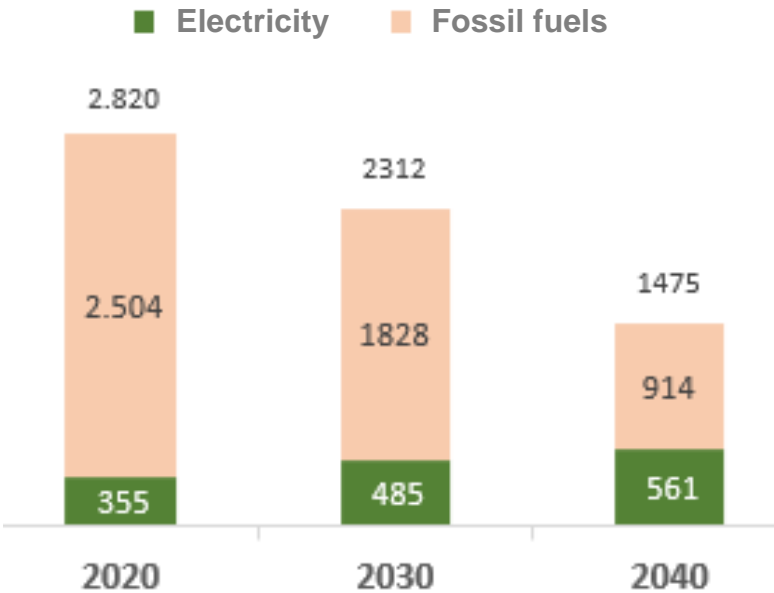
Efficiency:
300- 500%



Market

EU- Annual energy demand for residential heat (TWh)

Quota heat electricity: 13% today to 38% by 2040



Green Heating Opportunity

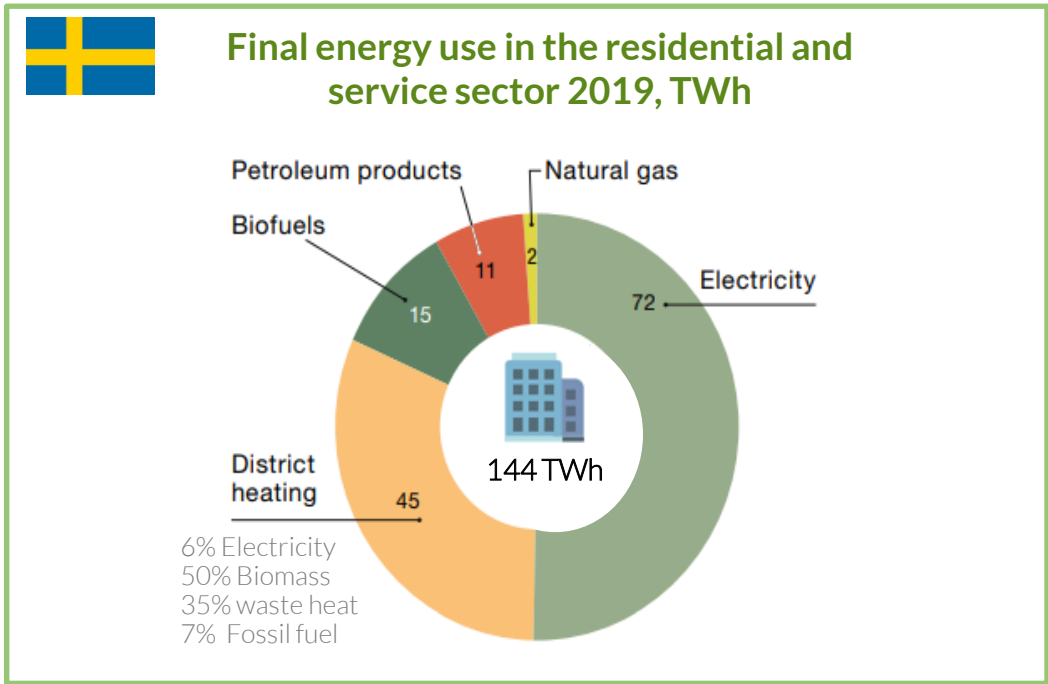
EU 2030:
~130 TWh/year
of new electricity demand

EU 2040:
~200 TWh/year
of new electricity demand

*Source: Bloomberg, IEA and internal analysis


IBERDROLA EARLY POSITIONING IN DECARBONISING BUILDINGS

Already happening today: **Sweden case**




Source: The Swedish Energy Agency (Energy in Sweden 2021-an overview)


 POSITIONING



Launched *Smart Clima* unit.




Created *IR Heat and Cool Networks* (JV REBI and Iberdrola) for heat networks




VOLUNTARY CARBON MARKETS

Technology innovations

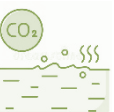


Reforestation & Conservation

- Drones
- Smart seeds




Land / Biochar





Blue carbon

- Mangroves
- Algae



CO₂ Technological Capture (BECCS y DAC)

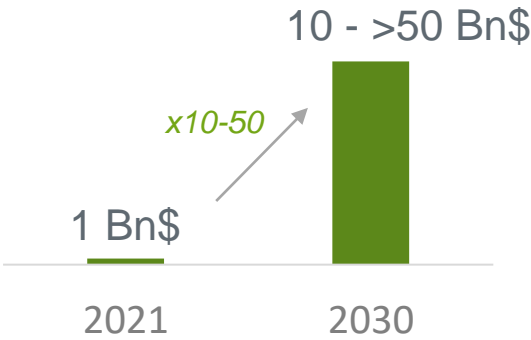




Market

	2021	2030*
Demand (GtCO ₂ /yr)	~ 0.2	1 - 2
Supply (GtCO ₂ /yr)	~ 0.35	1 - 5
Average Price (\$/tCO ₂)	~ 5-6	11 - 200

Size of primary voluntary carbon market**



*Range of different sources: TSVCM, BNEF, TROVE
** 2021 Market value from TROVE. If secondary transactions are included, market value would be 2Bn\$ (Ecosystem Marketplace)

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IBERDROLA EARLY POSITIONING IN VOLUNTARY CARBON MARKETS

Launched a new venture: Carbon2Nature



WHO/ WHAT

- ✓ Iberdrola's platform to generate CO2 credits through the promotion of top-quality projects
- ✓ Founded in sept. 2022 as a Limited Company, open to the entry of new partners
- ✓ It will have the CO2 credit generating assets that have already been developed (Cortes de Pallás, Villarino) and those that are under development (Galicia)



SCOPE

- ✓ International scope: Main objective countries: Spain, UK, USA and Latam (Brazil, Mexico)
- ✓ Initial focus on Nature-Based Solutions,
- ✓ Development of R&D lines (soils, oceans, DAC) to obtain new sources of CO2 capture



GOAL

- ✓ Achievement through the promotion of own projects or the participation in existing projects ready to build.
- ✓ The achievement of the targets will be subject to developments in the CO2 credit market

2030 targets:

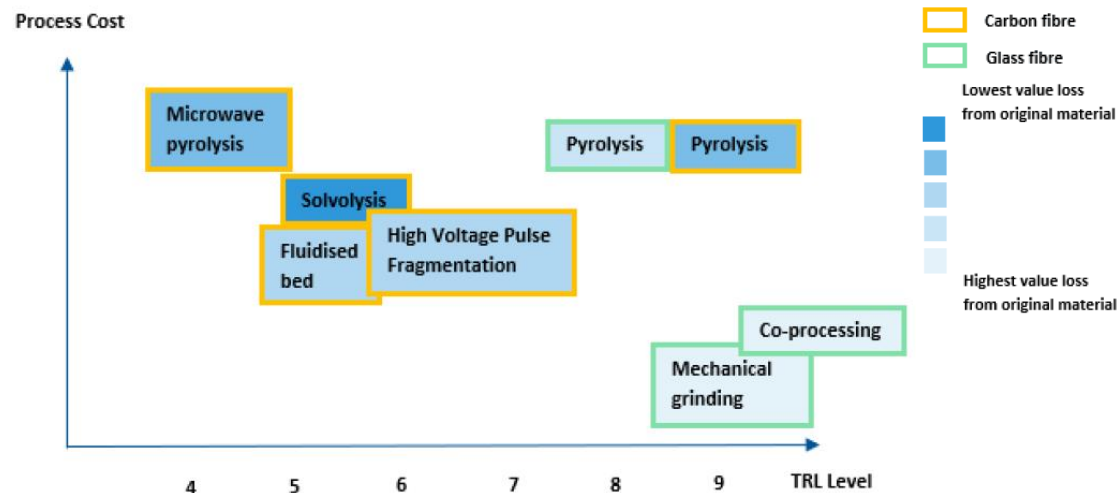
- 100 k Ha reforested area
- 130 million trees
- 61 MtCO2

CONTEXT AND OPPORTUNITIES

- In the coming years, **the volume of wind turbine blades reaching the end of their useful life will increase rapidly.**
- There is **no widespread solution blade recycling**; currently the most widespread **procedure is landfilling.**
- Increasing **regulatory requirements** that imply an increase in landfill fees and that may establish recycling obligations.

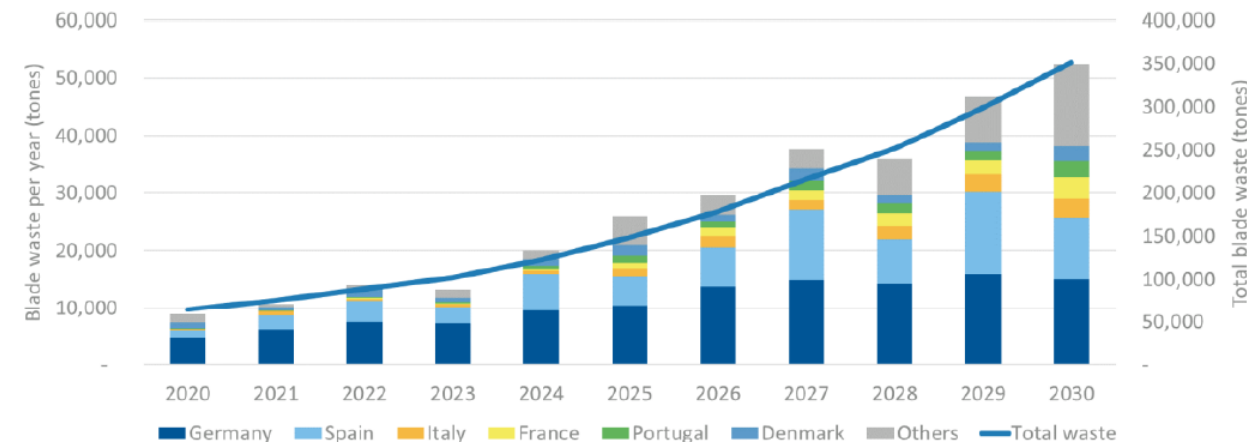
Technology Innovations

Mechanized grinding and pyrolysis are the most mature technologies to recycle blades, although more research and industrial scale-up is needed for pyrolysis to be competitive and sufficient in scope.



Potential market in Europe (2030)

Decommissioned Blade weight (including Repowering)



Source: WindEurope

IBERDROLA EARLY POSITIONING IN WIND BLADE RECYCLING

Launched a new venture to recycle wind blades in Spain

ENERGYLOOP



WHO

- ✓ Partnering with one of the leading waste management companies in Europe
- ✓ Supported by leading players in the wind sector such as Siemens Gamesa Renewable Energy (SGRE) or GDES Wind
- ✓ Working with top research centres and universities in Spain



WHY

- ✓ It is mandatory to minimize the environmental impact in the lifecycle of wind farms
- ✓ It is desirable to reduce dismantling expenses
- ✓ Rigorous and efficient end-of-life asset management required
- ✓ Regulations to become stricter in wind waste management



GOAL

- ✓ Find feasible solutions for recycling wind blades
- ✓ Optimize logistics and procedures around wind farm dismantling or repowering, blade failure or manufacturing scrap
- ✓ Find new applications for recycled materials across several sectors: textile, chemical, construction...



MAIN FIGURES

- ✓ Company founded in mid 2022
- ✓ Industrial facility construction to start in mid 2023
- ✓ ~10 M€ to be invested when fully operational facility
- ✓ ~100 direct and indirect jobs to be created up to 2030
- ✓ Ongoing environmental permitting procedure within a selected location in southern Navarra

With the Iberdrola's previous experience of BRIO project



VISION: AN ENERGY MODEL IN HARMONY WITH NATURE AND HUMAN BEINGS

**Addressing the triple environmental challenge is crucial ...
and at the same time an opportunity for sustainable value creation**

**Massive opportunities ahead to decarbonise the economy, many based on new
technological developments (but also on already existing techs)**

**Iberdrola early positioned to create value in the transition to a sustainable economy:
technology assessments, partnerships, pilot projects, new business units..**

*Iberdrola has a track record in being a pioneer in new technologies
and creating value for all its stakeholders*