



## 3.1 Regulatory environment



### United Kingdom

- Following the United Kingdom's formal exit from the EU on 31 January 2020, negotiations on its future relations with the EU continued throughout the year, resulting in a trade and cooperation deal (including a section on energy) shortly before the end of the transition period on 31 December 2020 and the effectiveness of its exit.
- After the government amended the Climate Change Act in 2019 to introduce a new legally binding objective "net zero emissions" target for 2050, it announced in December 2020 a Nationally Determined Contribution under the Paris Agreement, to reduce the UK's emissions by at least 68% by 2030 compared to 1990 levels. To make progress with this scale of ambition, the UK Government published in late 2020 a 'Ten Point Plan for a Green Industrial Revolution' and an Energy White Paper which start to set out long-term decarbonisation plans for the UK.



### Spain

- In January 2020 Spain sent to the European Commission its *National Integrated Energy and Climate Plan (Plan Integrado de Energía y Clima)* (PNIEC) proposing ambitious national goals for decarbonisation of the economy by 2030, which has been well received by Brussels.
- A *Draft Law on Climate Change and Energy Transition*, a tool for incorporating the objectives of the PNIEC into the legal system, has begun to be processed, and the *2050 Decarbonisation Strategies and the Renewable Hydrogen Roadmap*, among others, have been published.
- To offset the effects of the pandemic, the government has published various legal provisions to protect domestic consumers, the industry and companies, including compensation to reduce the impact on the electricity sector.
- The CNMC has published the Circular on toll methodology. The application of the new access tariffs is pending government approval of the methodology for calculating and allocating charges.
- The Ministry has approved the Royal Decree regulating access and connection to the network, though the CNMC has still to publish the Circular establishing capacity assignment standards, among other things.
- A hearing was held on the draft bill creating the National Fund for the Sustainability of the Electricity System (*Fondo Nacional para la Sostenibilidad del Sistema Eléctrico*) (FNSSE), which will allow for the cost of the policies to promote renewables, cogeneration and waste (RECORE) to be shared among all energy sources (oil, gas and electricity).



### European Union

- In the framework of the Communication on *A European Green Deal*, which is a package of measures to be implemented over the next 5 years to efficiently transform the European Union into a carbon-neutral economy by 2050, consultations and studies have been launched to modify the legislation and in particular to set a legally binding zero net emissions target for the EU by 2050. This will strengthen the 2030 emission reduction target to at least 55%, as adopted by the European Council in December 2020, (as compared to the current 40%), and the targets for renewable energy and energy efficiency (currently 32% and 32.5%, respectively) will subsequently be revised.
- In parallel, the Commission has published various strategies for the Green Deal's regulatory priorities. These include the *New European Industrial Strategy* (reforms to state aid, determination of key projects of European interest and a border carbon pricing adjustment mechanism), *Renovation Wave* (energy renovations in buildings), *Hydrogen Strategy* (objective of 40 GW of electrolysers by 2030), and *Strategy on Energy System Integration* (commitment to electrification and the efficient development of clean hydrogen in niche sectors), *Offshore Wind Strategy* (objective of 60 GW installed by 2030, infrastructure planning, and market integration model) and the *Offshore Renewable Energy Strategy* (electrification of transport, with 30 million zero-emission cars by 2030).
- The launch of the debates and studies coincided with the COVID-19 crisis and the EU's response. A *Recovery Plan* has been approved that will involve €750,000 million to support the countries most affected by the crisis (Spain is to receive approximately €140,000 million) through direct aid and credits, especially for the energy (Green Deal) and digital translations.



## United States and Canada

- On 7 November 2020 Joe Biden was declared the winner of the US presidential election, defeating Donald Trump, and was sworn in as President on 20 January 2021. The Biden administration has set out an ambitious agenda to address what they call the climate crisis, and is moving quickly using executive orders and other executive powers. In the first days in power, the administration returned to the *Paris Agreement*, revoked the executive order allowing the Keystone XL oil pipeline, set goals for a carbon-free electricity industry by 2035, began reshaping the way environmental impacts are considered, and began to reverse previous regulations that are inconsistent with these goals.

The administration also plans to leverage the federal government's purchasing power to support the use of electric vehicles, renewable energy contracts and the development of new technologies. Following this initial activity, the administration will face challenges, as any legal changes will have to go through the regulatory process.



## Mexico

- During 2020 changes in energy policy and regulation have been promoted in the country that are contrary to foreign private investment and the development of renewables. In this context:
- In May 2020 the CRE approved an increase in the transmission rates for renewable and efficient cogeneration plants (transition stamp), and in the transmission rates for conventional technologies.

In May 2020 two regulations on reliability were published. Due to the pandemic, the National Energy Control Centre published a *Resolution to Guarantee the Reliability of the National Electricity System*, establishing strategies and measures prohibiting pre-operational tests of wind and photovoltaic plants. The Energy Secretariat subsequently published a *Policy on Reliability, Security, Continuity and Quality in the National Electricity System*. The Policy provides for changes regarding hedging contracts, existing generation permits and new requests, and new interconnection requirements.

- In October 2020 the CRE published a modification of the rules for self-supply and cogeneration companies dedicated to Electricity Generation. It prohibits the registration of load centres that have entered into a basic supply contract under the Electricity Industry Law (*Ley de la Industria Eléctrica*) (LIE), preventing changes in beneficiaries. It also restricts the rights of permit-holders to return to the previous system after they have migrated to the Wholesale Electricity Market.



## Brazil

- The COVID-19 pandemic affected all segments of the electricity market, giving rise to various government measures to ensure supply and avoid the financial collapse of the industry. The most significant measure was the creation of a finance mechanism in the form of a bank credit known as the COVID Account, guaranteed by tariff credits to the distributors, which will allow for maintaining payment flows between distribution, transmission and generation companies.
- Resolution No 895, which sets out the regulations under Law 14,052/20 providing for the renegotiation of the hydrological risk assumed by the hydro generators since 2012, was approved on 3 December 2020. The outstanding financial value will be quantified and reimbursed by the granting of a concession. Once all required actions stipulated in the ANEEL timetable have been completed, the short-term market, where there had been a deficit in the settlements, will return to normal operation.
- The short-term market price will be hourly (PLDh) beginning in January 2021.



*Maintenance of electricity supply during the Filomena storm (Spain).*





## 3.2 Networks

### Regulatory environment



#### Spain

- 1 January 2020 saw the beginning of the second regulatory period (2020-2025) for the activity of electricity distribution, which establishes a remuneration rate for the distribution activity at 6.003% for 2020 and 5.58% for the remaining years.
- The CNMC has approved the value of the 2020 Global Ratios Index (IGR) for companies engaged in the transmission and distribution of electrical energy. The IGR measures the financial prudence of regulated activities, weighting 5 financial ratios. i-DE broadly meets all ratios, so the 2020 IGR is 1.
- Royal Decree 23/2020 was published in 2020, increasing the investment limit from 0.13% to 0.14% of GDP for the period 2020-2022.



#### United Kingdom

- In December 2020 a final decision on the new RIIO-T2 regulatory framework was approved for transmission activities, and will enter into effect from April 2021 until March 2026. It establishes a cost of equity of 4.25%, a cost of debt of 1.82% and an annual TOTEX of £1,433 million (nominal). Companies may appeal this decision to the Competition Market Authority in the 20 working days following publication of the terms of the new license on 4 February.
- Ofgem continues the process of designing the RIIO-ED2 regulatory framework for transmission, which will be applicable from 2023.
- During 2020, SP Transmission Ltd. as well as SPD Ltd. and SPM Plc continued to do business under the RIIO-T1 and RIIO-D1 tariff frameworks, complying with all investment and quality goals agreed with Ofgem.



#### United States

- New tariff conditions entered into force in February 2020 for the electricity distribution company CMP (Maine), with a recognised ROE of 9.25% (with a temporary adjustment based on four customer service metrics) and an equity percentage of 50%.
- In November 2020 new tariff conditions were approved for the distributors in New York state (NYSEG and RG&E), with retroactive effect to 17 April 2020 and valid until 30 April 2023. A ROE of 8.8%, an equity percentage of 48% and a \$4,275 million four-year investment plan were recognised.
- The Federal Energy Regulatory Commission (FERC) approved changes to the formula for the recovery of New England transmission providers costs in tariffs (Formula Rate). This represents significant improvements in the automatic recovery of costs, such as the elimination of volume risk for transmission companies. The changes will take effect for tariffs as from 1 January 2022.



#### Brazil

- In March 2020 ANEEL approved the new methodology for the annual definition of the regulatory distribution WACC.
- There was a regular annual readjustment in April for Coelba, Cosern and Celpe, the application of which was postponed until the end of June in order to avoid increasing rates during the COVID-19 pandemic, with a tariff asset being created to be recovered at the next tariff revision. The increase in tariffs mainly reflects the change in the General Price Index and recognises the improvement in supply quality. The Elektro readjustment was carried out in August as normal.





## Objectives, risks and principal activities

### Objectives

- Zero accidents.
- Offer our customers excellent service based on the quality of supply and information regarding the network.
- Maximise efficiency in system operations through operational excellence and the digitalisation of our assets.
- Lead the energy transition towards a cleaner model favouring a more efficient integration of renewable energy (centralised and distributed) and the deployment of electric vehicles and heat pumps, through the use of smart grids.

### Significant risks

- Operational risks: impacts on supply as a result of meteorological events and work-related and third-party accidents at owned facilities.
- Technological and cybersecurity risks affecting the security of the facilities and service to our customers.

### Principal activities 2020

- **Spain:** Investments are planned to meet the decarbonisation and electrification targets of *the Integrated National Energy and Climate Plan*, with a focus on digitalising the Low Voltage network.
- **United Kingdom:** Implementation of investments set out in RIIO-T1 and RIIO ED1. Joined the *Low Carbon Strategic Partnership*, focused on the role of electricity networks in favouring the energy transition. Progress on projects under the *Green Economy Fund* in Scotland to favour decarbonisation and accelerate the deployment of electric vehicle recharging infrastructure.
- **United States:** Permits for the *New England Clean Energy Connect* (NECEC) project awarded in 2018 have been obtained, with a planned investment of \$950 million, for the construction of a 233 kilometre transmission line between Canada and New England, which will allow for the supply of 1,200 MW of 100% hydroelectric power to Massachusetts beginning in 2023.
- **Brazil:** In December 2020 Neoenergia was awarded lot 2, with 2,000 million reais of investment, in the auction by the Brazilian regulator ANEEL for the construction of a 1,000 km transmission line and a substation in the states of Bahia, Espírito Santo y Minas Gerais. This brings the total won by Neoenergia in auctions since 2017 to 12 projects with a total investment of approximately 10,000 million reais. The acquisition of licences and construction of these projects is proceeding according to plan, with the placement into service of the first sections of the lot 4 line from the April 2017 auction during 2020.

### Customer service

- In response to the COVID-19 pandemic, there have been additional inspections of the network and reinforcement of facilities using generators to ensure the supply of electricity to essential facilities, especially hospitals, in our distribution areas.
- The customer service channels have also been reinforced, disconnections of customers have been suspended and customers are being offered payment arrangements.
- Spain has seen the launch of the DATADIS online platform, which enables customers to use a common channel to access private information on the electricity consumption of all their supply points, even if they are from different distributors.
- In the United States, 2020 was a year with strong storms in all of our distribution areas, and restoration of supply required tremendous efforts. The distributors Avangrid CMP, NYSEG and UIL have received an award from the *Edison Electric Institute* in recognition for their response to some of the 2020 storms (Nor'easter and Isaias).
- i-DE has earned the ISO 10002:2018 certification, which recognises that it has an effective and efficient system for attending to complaints and claims.
- The roll-out of mobile apps for all our distributors in the United States has been completed. The apps improve the user experience, facilitating self-service and simplifying online processes.

### Operational excellence

- The adjusted evolution of operating expenses continues in order to maintain and improve efficiency ratios in all countries.
- New plans and models continue to be developed to end fraud in electricity consumption in Spain and Brazil, and also to comply with the parameters defined by the regulators. In addition, Iberdrola has been declared the winner of the *Big Data Talent Award 2020* for its project on the use of advanced data analysis for the identification and reduction of non-technical losses.

### Digitalisation of the network and Flexibility

- ScottishPower Networks has announced its biggest flexibility services auction to date, for the period between 2023 and 2028 (corresponding to the ED2 regulatory period), for 900 MW of active power and 38 MVar of reactive power in Scotland, England and North Wales.
- i-DE was a winner at the *2020 enerTIC Awards in the Smart Data Center* category, with the e-LVIS project, and in *Intelligent IT Infrastructures*, with the *Intelligent Transformation Centre* project.
- Iberdrola has announced the launch of the *Global Smartgrid Innovation Hub* (located in Bilbao), a global centre of innovation in smart grids to lead the energy transition. It will be inaugurated in mid-2021 and will bring together the innovative potential of over 200 professionals in the development of R&D projects related to the electricity networks of the future. Over 120 innovation projects have been identified, with a value of €110 million, related to digitalisation, data processing, new consumption models, electric mobility and self-consumption. The Hub has the support of the Biscay Provincial Government.



## Key figures of the Networks Business

Item	Unit	Spain		United Kingdom		United States		Brazil		Total	
		2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Gross margin</b>	€M	1,964	2,117	1,302	1,311	2,775	2,875	1,575	1,828	<b>7,615</b>	<b>8,131</b>
<b>EBITDA</b>	€M	1,612	1,711	1,000	987	1,087	1,330	1,079	1,234	<b>4,777</b>	<b>5,262</b>
<b>Distributed energy</b>	GWh	88,390	93,509	31,738	33,711	38,012	38,441	66,857	67,879	<b>224,998</b>	<b>233,541</b>
<b>Supply Points (Electricity)<sup>1</sup></b>	Millions	11.2	11.1	3.5	3.5	2.3	2.3	14.3	14.1	<b>31.3</b>	<b>31.0</b>
<b>Gas supply</b>	GWh	--	--	--	--	59,134	64,234	--	--	<b>59,134</b>	<b>64,234</b>
<b>Supply Points (Gas)</b>	Millions	--	--	--	--	1.0	1.0	--	--	<b>1.0</b>	<b>1.0</b>
<b>Gross investments</b>	€M	554	536	567	736	1,589	1,435	905	916	<b>3,614</b>	<b>3,624</b>
<b>Workforce</b>	No. of people	3,544	3,574	2,958	3,000	5,699	5,375	12,308	11,287	<b>24,509</b>	<b>23,236</b>

• IFRS 11 has been applied to the financial information.

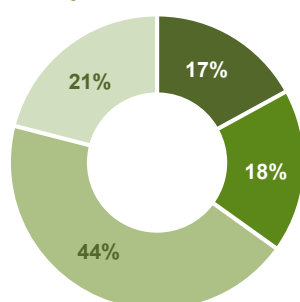
(1) Supply points in Spain include Conquense and other small distributors.

📍 Quarterly Results Report

## Outlook 2020 - 2025

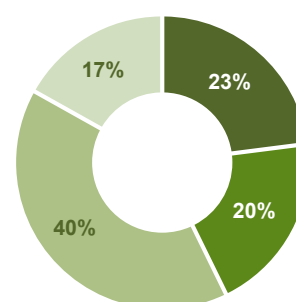
- Over the 2020-2025 period, investment will exceed €27,000 million (including PNM and awaiting the inclusion of CEB's investments in Brazil), laying the foundations for higher growth in every country, where approximately 90% of the investments are already assured.
- The spread of electric vehicles, the integration of distributed renewable generation, the electrification of the economy and the resilience and digitalisation plans in the United States and Brazil are vectors for growth.
- The supply quality target (-25% compared to 2017) was achieved two years ahead of schedule in 2020, while a new target for a further 10% improvement in the duration of power outages has been set for 2025, thus continuing to improve customer satisfaction.

Gross investment of €27,000 million between 2020 and 2025, with heavy investment in the United States



■ Spain ■ United Kingdom ■ United States ■ Brazil

Growth in asset base in all countries, to €47,000 million, by 2025



■ Spain ■ United Kingdom ■ United States ■ Brazil



*Fernando de Norhona photovoltaic plant (Brazil)*





## 3.3 Renewables

### Regulatory environment of the business



#### Spain

- Royal Decree 960/2020 regulating the new financial regime for renewable energy (*régimen económico de energías renovables*) (REER) was published on 4 November and includes a very flexible tariff framework, based on the recognition of a fixed price for energy (€/MWh). On 11 December the first auction was called for 3 GW (with at least 1 GW wind and 1 GW PV) and a contractual duration of 12 years, in which new installations or extensions of existing ones located in mainland Spain could participate. This auction took place on 26 January 2021, with an award to Iberdrola of 300 MW of photovoltaic energy.



#### United Kingdom

- In 2021, offshore auctions are expected, as are CfD (contracts for difference) auctions, with strong demand.



#### United States

- The Democratic victory in the presidential and congressional elections point to a more favourable environment for renewable development.
- In December 2020 Congress published a package of omnibus funds that include:
  - 1) Extension of PTCs and ITCs for onshore wind projects begun in 2021.
  - 2) A 2-year extension of ITCs for solar projects.
  - 3) A new 30% ITC for offshore wind projects beginning construction before 2025.
- State (RPS) and corporate (IRP / RfP) interest in renewables remains, with their own objectives.



#### Brazil

- Due to weak demand in 2020 and the interruption of auctions in December due to COVID-19, the timetable for auctions for new and existing energy has been revised (Implementing regulations No 435-436/2020) for years 2021-2023.
- There are regulatory advancements for the inclusion of offshore technologies and solutions for hybridisation and storage.



#### International

- The other countries within the International scope in which Iberdrola has a presence (Australia, France, Italy, Germany, Poland, Japan, Sweden, etc.) are also setting more ambitious decarbonisation targets which, together with the appropriate regulatory developments, will drive the development and construction of renewable projects in the various technologies.

**The business will engage in sustainable growth, mainly based on onshore wind, offshore wind, photovoltaic, hydroelectric and pumped storage investments in the countries that are most important to the group.**





## Objectives, risks and principal activities

### Objectives

- Occupational safety and health.
- Efficiency in operations to optimise the operation of assets.
- Efficiency in development and construction costs to maximise the competitiveness of all renewable projects.
- Profitable growth from various technologies in strategic countries for the group, and in new countries of interest.
- Development of a robust portfolio that covers the company's growth plan.

### Significant risks

- Regulatory risk: changes in regulations in the countries in which it operates.
- Operational risk: availability rate of facilities and potential incidents with environmental impact.
- Market risk: changes in prices of energy in short-term markets.
- Risk of access to evacuation networks and limits on production due to technical restrictions of the networks.
- Technological and cybersecurity risks affecting the facilities.

### Principal activities 2020

- **2,890 MW of new installed capacity<sup>1</sup>** was added during the year:
  - **Onshore wind:** 287 MW in Spain, 468 MW in the United States, 88 MW in Mexico, 670 MW in Australia (Infigen), 118 MW in France (Aalto Power), 44 MW in the United Kingdom and 16 MW in Greece.
  - **Offshore wind:** 294 MW in the United Kingdom, which complete East Anglia ONE (total of 714 MW).
  - **Photovoltaic solar:** 600 MW in Spain, notably Ceclavín, and 274 MW in Mexico.
  - **Batteries:** 6 MW in the United Kingdom and 25 MW in Australia.
- There are also **approximately 7,000 MW under construction**, of which more than 1,800 MW are onshore wind in Spain, the United States, Brazil and Mexico, and more than 2,800 MW are photovoltaic solar in Spain, the United States, the United Kingdom, Brazil, Australia, Italy and Portugal. Batteries are also being installed the United Kingdom and Spain. Construction of the Tâmega hydroelectric complex, with 1,158 MW, continues in Portugal.
- Following the construction of the 714 MW East Anglia ONE project in the United Kingdom, **offshore wind** continues to grow with the **construction** of the **496 MW St. Brieuc project in France** and the **476 MW Baltic Eagle project in Germany**, the **800 MW Vineyard project** and **804 MW Park City project in the United States**, and the development of the other projects in the portfolio.

### Load factor and availability

Maximising the load factor of facilities and availability, through operating and maintenance measures, as well as other external factors, optimising production.

### Operation and maintenance costs

Continuous improvement in efficiency through global standardisation and systematisation processes, exploiting digitalisation opportunities.

### Project portfolio

Development of the portfolio of onshore wind and photovoltaic projects in Spain, the United Kingdom, the United States, Brazil, Mexico and International (Continental Europe, Australia and South Africa) and offshore wind projects in France, Germany, the United Kingdom and the United States, together with the new development agreements in Japan and Sweden.

(1) The new additional renewable capacity is 2,881 MW, due to the disposal of 9 MW from the Iberdrola portfolio.



## Key figures of the Renewables Business

Item	Unit	Spain		United Kingdom		United States		Brazil		Mexico		IEI		Total	
		2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Gross margin</b>	€M	1,218	1,251	957	678	893	852	145	174	118	113	428	378	<b>3,758</b>	<b>3,446</b>
<b>EBITDA</b>	€M	698	736	758	525	592	591	111	125	93	86	334	323	<b>2,586</b>	<b>2,386</b>
<b>Load factor<sup>1</sup></b>	%	18.0	15.9	28.5	24.8	29.4	29.1	33.0	29.0	25.2	29.5	30.5	31.6	<b>23.2</b>	<b>21.3</b>
<b>Gross investments</b>	€M	1,173	766	597	907	1,027	1,397	166	87	242	129	1,555	50	<b>4,760</b>	<b>3,335</b>
<b>Workforce</b>	No. of people	1,731	1,567	549	418	939	752	352	225	139	136	461	257	<b>4,171</b>	<b>3,355</b>

• IFRS 11 has been applied to the financial information.

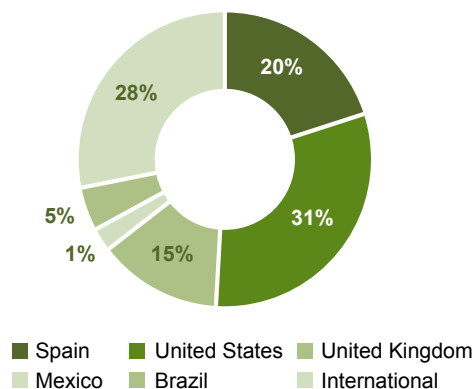
(1) The load factor includes all renewable technologies.

[Quarterly Results Report](#)

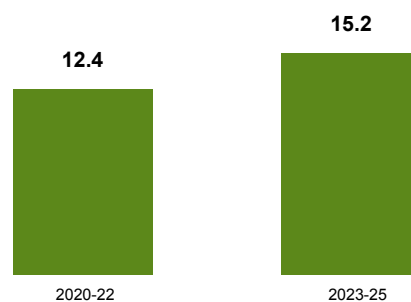
## Outlook 2020-2025

- Investments of €34,000 million, destined mainly to increasing the installed capacity in Spain, the United States, the United Kingdom, Brazil and International.
- 28 GW are expected to be installed during the 2020-2025 period, including the St. Briec (496 MW), Baltic Eagle (476 MW), Vineyard (800 MW) and Park City (804 MW) offshore wind farms, the Ceclavín (328 MWdc) and Francisco Pizarro (590 MWdc) solar photovoltaic plants, and the Tâmega hydroelectric plant (1,158 MW).
- Operational excellence thanks to the life cycle management of assets through digitalisation, maximising revenues and continuing with the advanced operation and maintenance model

Investment plan of €34,000 million during the period



Accumulated new additional capacity in the 2020-2025 period (GW)







IBERDROLA  
Green Hydrogen







## 3.4 Wholesale and Retail

### Regulatory environment



#### Spain

- The *Hydrogen Roadmap*, which identifies renewable hydrogen as a key solution for decarbonising those industries that are difficult to electrify, was approved in October 2020. The document sets national objectives to be reached by 2030, including the installation of at least 4 GW of electrolyser capacity, a 25% minimum contribution of renewable hydrogen to total consumption by the industry, and specific minimums for the HGV fleet and hydrogen refuelling stations. These objectives are aligned with the *European Hydrogen Strategy*, which sets milestones for three time horizons (2024, 2030 and 2050) and forms part of the policies to achieve carbon neutrality in the EU by 2050.



#### United Kingdom

- In October 2020 the government extended the price cap applicable to customers with variable rates, default tariffs or prepayment meters until end 2021.



#### Brazil

- Implementing regulation (*Portaria*) No. 465 to expand the free market, which provides that from January 2021 consumers with a capacity above 1.5 MW can purchase conventional energy from any retailer, was published in December 2019. Similarly, consumers with a capacity above 1 MW can do so as from January 2022, and consumers with a capacity above 0.5 MW can do so as from January 2023.



#### Mexico

- In November 2020, the CRE approved resolutions to extend the term of legacy contracts between CFE generation companies and CFE Suministrador de Servicios Básicos (basic services supplier).
- The industrial basic supply tariff has remained stable during 2020. On 17 December the update of the final tariffs for basic supply for 2021 was approved, together with the transmission and distribution tariffs.



#### International

- During 2020, the geographical areas where Iberdrola markets energy approved various packages of emergency measures to combat the COVID-19 pandemic, with the aim of extending measures of protection for vulnerable customers, providing for more flexible bill payments and avoiding suspensions of supply.
- In Italy, Decree Law no 162/2019, postponing the liberalisation of the electricity and gas market for domestic customers and micro-enterprises until 1 January 2022 was published in January 2020. Resolution 491/2020/R/eel, regulating the liberalisation of electricity tariffs for small businesses as from 1 January 2021, was published in December 2020.
- In April 2020 the Portuguese parliament extended the validity of the regulated electricity tariffs for medium voltage until end 2021. The special low voltage tariffs were extended until year-end 2022 and other low voltage tariffs until year-end 2025.



## Objectives, risks and principal activities

### Objectives

- Occupational safety and health.
- Development of growth opportunities and new energy solutions, putting the customer at the centre of the transition: electrification of energy demand and new services.
- Competitive supply and excellence in service to customers.
- Operational excellence and continuous improvement in efficiency.
- Environmental management and protection of biodiversity.
- Risk identification and minimisation.

### Significant risks

- Regulatory risk: Changes in regulations in the countries in which it operates.
- Operational risks: Availability rate of facilities and potential incidents with environmental impact.
- Market risk: Commodity prices and competition levels in liberalised markets.
- Technological and cybersecurity risks affecting the security of the facilities or the information of our customers.

### Principal activities 2020

- **Spain: Continuous development of products and services** meeting the needs of customers (*Customised Plans, Smart services, Smart mobility, Smart solar, Smart home, Smart clima and Smart Cities*). Development of green hydrogen projects.
- **United Kingdom:** Responsibility is assumed for the supply of 375,000 new contracts with customers from two retailers that ceased operations during 2020. A cumulative total of 1.7 million smart meters has also been installed in the United Kingdom.
- **Mexico:** Completion of CC Topolobampo III (779 MW capacity) and 514 MW thermal under construction.
- **Europe:** Growth of retail activity and connection to customers through *Smart Solutions*, which has led to a total of 9.3 million smart contracts worldwide during 2020.

### Efficiency

- Digitalisation of processes and services to improve the customer experience.
- Optimisation of production and increase in availability of thermal facilities.
- Flexible operation to participate in complementary markets.

### Growth

- Spain: development of the largest complex in Europe for green hydrogen for industrial use, operational in Puertollano (Ciudad Real) in 2021. This is the first milestone in a plan to develop 800 MW of green hydrogen with an investment of 1,800 million euros by 2027.
- United Kingdom: continued widespread deployment of smart meters.

- Mexico: 3,500 MW of installed capacity in the last three years (largest private sector electricity producer in the country).
- Loyalty-building and development of new digital products and smart solutions meeting the needs of customers, which promotes efficiency and the consumption of renewable energy.
- Expansion of retail activity in Europe with sustained growth due to an efficient and established management model.



## Key figures of the Wholesale and Retail Business

Item	Unit	Spain		United Kingdom		Brazil		Mexico		IEI*		Total	
		2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Gross margin</b>	€M	2,916	2,932	798	684	89	92	913	935	77	45	<b>4,794</b>	<b>4,688</b>
<b>EBITDA</b>	Millions	1,469	1,558	250	110	59	64	790	762	0	(25)	<b>2,568</b>	<b>2,469</b>
Electricity contracts	Millions	10.0	10.1	2.8	2.8	0.0	0.0	0.0	0.0	0.7	0.6	<b>13.6</b>	<b>13.5</b>
Gas contracts	Millions	1.1	1.0	1.9	1.9	0.0	0.0	0.0	0.0	0.3	0.2	<b>3.3</b>	<b>3.1</b>
Smart solutions contracts	Millions	6.3	5.7	2.1	1.9	0.2	0.1	0.0	0.0	0.8	0.7	<b>9.3</b>	<b>8.4</b>
<b>Contracts total</b>	Millions	17.4	16.8	6.8	6.6	0.2	0.1	0.0	0.0	1.8	1.5	<b>26.2</b>	<b>25.1</b>
<b>Gross investments</b>	Millions	261	318	157	218	17	31	199	381	87	85	<b>721</b>	<b>1,033</b>
<b>Workforce</b>	No. of people	2,602	2,646	1,413	1,552	164	128	982	997	282	191	<b>5,443</b>	<b>5,514</b>

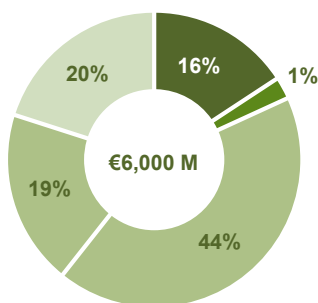
- IFRS 11 has been applied to the financial information.
- \* IEI- Iberdrola Energía Internacional.

[Quarterly Results Report](#)

## Outlook 2020 - 2025

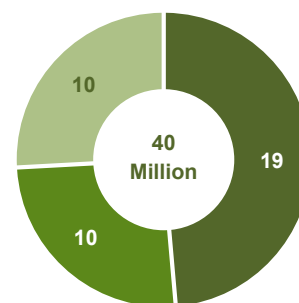
- Gross investment of more than **€6,000 million during the period**, for:
  - Retail expansion in new markets and growth of smart solutions for customers, to reach 40 million contracts.
  - Production of green hydrogen, as an alternative to decarbonisation in consumption niches where electrification is not possible or competitive.

Gross investment 2020-2025 (€M)



■ Mexico ■ Brazil ■ Spain ■ IEI ■ United Kingdom

Customer contracts in 2025 (million contracts)



■ Spain ■ United Kingdom ■ IEI