

2021 results and Vision 2030

Enagás made a net profit of 403.8 million euros

As it progresses towards carbon neutrality by 2040, Enagás has added new reduction targets for Scope 3 indirect emissions in order to decarbonise the company's value chain

- The company met all its targets for the fifteenth consecutive year, while honouring its firm commitment to employment
- Affiliates contributed more than 40% of the company's net profit, which partly offset the effect of the new 2021–2026 Regulatory Framework that came into force in 2021
- The Spanish Gas System operated at 100% in terms of both availability and coordination of infrastructures
- Enagás continues to implement all the necessary preventive measures that will allow Spain's energy supply to be guaranteed. For this winter, 145 unloading slots have auctioned and booked, compared to the 86 vessels that unloaded the previous winter
- The year 2021 ended with 100% capacity booking at regasification plants and with liquefied natural gas (LNG) stocks 54% higher than in 2020
- Total natural gas demand in 2021 reached 378.4 TWh, 5.1% more than in 2020, mainly driven by the recovery in economic activity
- Enagás has more than halved its direct emissions (Scope 1) and indirect emissions associated with electricity consumption (Scope 2) since 2014
- Enagás Renewable has more than 50 hydrogen and biomethane projects with more than 70 partners in the pipeline, with total investments of close to 4.5 billion euros to be mobilised by 2030
- The company has presented Vision 2030, a reflection on the role to be played by Enagás throughout a decade marked by the process of energy sector decarbonisation and transition
- Enagás confirms all the specific commitments included in its 2022–2026 Outlook, a period in which solid cash flow generation will allow it to retain its dividend policy

2021 RESULTS

15 successive years of meeting targets

Enagás has posted a net profit of 403.8 million euros in 2021, a better than expected result for the year. In a year marked by great global uncertainty, the company succeeded in meeting all its targets for the fifteenth consecutive year, while honouring its firm commitment to employment.

This result was made possible owing to the contribution of affiliates, which contributed 40.4% of the company's net profit – largely offsetting the effect of the new Regulatory Framework for the 2021–2026

period that came into force in 2021 – and to the efficient management of the Spanish Gas System, among other factors.

Enagás has a solid financial structure, with more than 80% of its debt at a fixed rate, and the financial cost of its debt was improved, falling to 1.7%.

Affiliates now account for more than 40% of net profit

Affiliates that stood out for their excellent performance were Trans Adriatic Pipeline (TAP) in Europe and Tallgrass Energy in the United States.

Since its commissioning at the end of 2020, TAP has been key to the diversity and security of the European energy supply. This pipeline, in which Enagás holds a 16% stake, transported 7.7 bcm of natural gas to Europe in 2021.

Tallgrass Energy also showed a positive evolution, in line with the good performance of the sector in the United States. Moreover, the company received support from the United States Department of Energy and the Wyoming State Power Authority to develop clean hydrogen technologies and fund the development of a commercial-scale carbon capture and storage hub.

Enagás affiliates in Greece, Mexico, Chile and Peru also highlighted the key role of gas infrastructures in guaranteeing security of supply and advancing the energy transition process in these countries.

Other notable milestones in 2021 were the contract awarded to the TLA Altamira terminal by Comisión Federal de Electricidad de México until 2031, and the sale of 100% of Gasoducto de Morelos, in Mexico, for 173.8 million US dollars. The financial closure of the latter transaction, which is part of the asset rotation policy announced by the company, is subject to conditions precedent that are expected to be met in 2022.

100% availability of gas infrastructures

The Spanish Gas System is operating normally and with maximum efficiency, even in spite of such exceptional circumstances as Storm Filomena and the closure of the Maghreb-Europe Gas Pipeline.

Through constant coordination with the Spanish Government, Enagás is implementing all possible preventive measures that will enable the country's energy supply to be guaranteed.

These measures include the extraordinary auctions of slots that have been taking place since September with the aim of augmenting the arrival of LNG at Spain's regasification plants. For the winter period, which runs between November 2021 and March 2022, 145 unloading slots have been auctioned and booked, compared to the 86 vessels that unloaded at Spanish terminals last winter.

Enagás continuously monitors natural gas supplies and reserves to identify any extraordinary unloading slots that can be made available to the market.

The year 2021 ended with LNG tank capacity booking at 100% and with LNG stocks 54% higher than in 2020.

Regasification plants bring flexibility to supply because they make it possible for gas to be brought in from anywhere in the world. In 2021, natural gas arrived from 14 different sources. Spain currently has 30% of Europe's LNG storage capacity and 25% of the continent's regasification capacity.

Demand for natural gas rises by 5.1%

Total natural gas demand reached 378.4 TWh in 2021, which was 5.1% higher than in 2020 and mainly driven by the recovery in economic activity.

Conventional demand, which accounts for about 76% of natural gas demand in Spain, increased by 6.2% in 2021, driven by an increase in industrial demand and also from an increase in residential demand brought about in part by the impact of Storm Filomena in January 2021.

Demand for electricity generation also grew by 1.6%, compared to 2020, to reach 90 TWh, mainly due to a lower contribution from hydro and nuclear production.

Renewable gas projects

In 2021 Enagás submitted renewable gas projects to the various calls for proposals launched by the Spanish Government and the European Commission, and signed agreements with numerous partners.

Together with these partners, Enagás has already achieved milestones in representative projects such as "Power to Green Hydrogen Mallorca", an initiative with ACCIONA Energía and the collaboration of IDAE and CEMEX, which in tests at the end of 2021 produced the first renewable hydrogen molecules of the first industrial-scale project in Spain, specifically at its facilities in Lloseta (Mallorca).

This February, Enagás announced its participation in two important projects in the regions of Asturias and Aragon. The first of these, in partnership with ArcelorMittal, Grupo Fertiberia and DH2 Energy, saw the presentation of "HyDeal España", the world's largest renewable hydrogen project that will supply this green gas for the production of steel, ammonia and fertilisers, and other low-carbon industrial products. The other is the Catalina project, a consortium formed with Copenhagen Infrastructure Partners, Naturgy, Fertiberia and Vestas for the large-scale production of green hydrogen and ammonia in Spain, which has the potential to create 5,000 jobs and prevent the emission of one million tons of CO₂ per year. At the end of January, Enagás also announced that it was joining the SHYNE project, a large consortium of companies and institutions to promote renewable hydrogen.

In addition, Enagás and Naturgy are working together to develop a hydrogen plant in La Robla (León).

Through the Enagás Emprande subsidiary, Scale Gas, the company developed the first commercial hydrogen plant in Spain and has partnered with Naturgy and Exolum to build the first major green hydrogen alliance for mobility in our country, which will promote the construction of 50 hydrogen plants.

Together with its partners, Enagás also promotes hydrogen clusters, such as the ones to be found in Catalonia, the Basque Country, the Canary Islands, Cartagena and the Henares Corridor, in the Madrid region.

It also participates in other transnational cooperation projects, such as the corridor connecting Asturias with the north of Europe and other clean mobility projects.

Progress towards decarbonisation and leadership in sustainability

Enagás has strengthened its commitment to achieving carbon neutrality by 2040. Since 2014, it has reduced its direct emissions (Scope 1), and indirect emissions associated with electricity consumption (Scope 2) by 54%.

The company is resolutely continuing to progress towards decarbonisation by increasing the level of ambition of these emission reduction targets, and it has also included in its targets the 50% reduction of indirect emissions from its value chain (Scope 3) by 2040. These are the emissions derived from the inflows and outflows of natural gas to the infrastructure network and emissions by affiliates and main suppliers, among others.

Enagás is present on the main sustainability indexes, such as the Dow Jones Sustainability Index World, where it has obtained Bronze Class classification in the Gas Utilities sector, and the FTSE4Good index, where it has obtained the highest ESG rating in its sector.

In terms of climate action, the company was included in the CDP climate change A List 2021. In addition, it obtained the Gold Standard qualification in the OGMP 2.0 initiative, led by UNEP, on methane emissions.

It has also been recognised for its model for people management and diversity and inclusion management, highlights of which are the company's continued presence on Bloomberg's Gender Equality Index and its certification as a Top Employer for the twelfth consecutive year.

VISION 2030

Enagás has presented Vision 2030, a reflection on the company's role throughout this decade, which is marked by the process of energy sector decarbonisation and transition.

In line with the role played by TSOs that the European Commission recognises in its decarbonisation package for the hydrogen and gas markets published in December, the company can make a relevant contribution to this process.

Firstly, because of the importance for the energy transition of gas infrastructures, a network that will be progressively decarbonised and adapted to the transmission of renewable gases, and that will coexist with natural gas during the transition period until a dedicated hydrogen transmission network is created. This future network would largely consist of adapted pipelines and also of new axes to be built to meet domestic demand and, eventually, to export hydrogen to the heart of Europe.

Secondly, because TSOs are also compatible with the Hydrogen Network Operator (HNO) figure that the European Union is proposing for roll-out of hydrogen. Enagás is already working in this direction, in coordination with the main European TSOs through the European Hydrogen Backbone initiative.

And, thirdly, because of the contribution that the company can make to the creation and development of a renewable gas market.

Based on these three areas of contribution, Enagás has established four lines of investment related to the decarbonisation process between now and 2030: 1) Adaptation of gas infrastructures; 2) Dedicated hydrogen network and participation in renewable gas projects; 3) New businesses and innovative sustainable technologies; and 4) Development of the international business, contributing to decarbonisation with renewable gas projects in the countries where it is present.

These new businesses will be developed over the course of this decade as regulatory, technological and market uncertainties dissipate, and those businesses associated with decarbonisation and that contribute to the Enagás target of achieving zero net emissions by 2040 will gradually gain weight within the company's core business.

Investment will be adapted to the evolution of the climate agenda in the different regions and to the development of hydrogen markets, taking into account the coexistence of natural gas and renewable gases during the transition period.

Specific commitments for 2022–2026

Enagás has confirmed its dividend policy for the 2022–2026 period. The company increased its shareholder remuneration by 1% in 2021, maintains this same estimate of 1% annual growth for 2022 and 2023, and is committed to retaining a sustainable dividend of 1.74 euros per share for the 2024–2026 period.

International subsidiaries will continue to play a key role in ensuring security of supply and contributing to the energy transition. Furthermore, the demand for natural gas in the countries where Enagás is present is expected to show a positive evolution in line with the process of replacing coal and other more polluting energies, which will generate a high utilisation of infrastructures.

For the 2022–2026 period, Enagás is counting on the high visibility and predictability of the expected contribution from its affiliates, with an average dividend contribution from subsidiaries of about 280 million euros per year.

The company has forecast a net profit of approximately 430 million euros for 2022, an increase of 6.5%.

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