

Staying the course towards a sustainable energy transition

In a year largely marked by the crisis caused by the pandemic, Encevo Group maintained its operational excellence. The group and its entities stayed the course towards a sustainable energy transition.

How would you rate the Encevo Group's 2020 performance?

Claude Seywert (CEO Encevo S.A. & Chairman of the Executive Committee):

On the operational level, we fared well through this COVID-19 crisis. In our grid activities, we were directly impacted by the pandemic as construction projects were halted for a certain period, which is why Creos was not able to complete its full investment programme. But they moved forward with their main projects and even launched a new project; the 380 kV line. Enovos Services saw a similar lockdown effect in its subsidiaries, but they recovered well and the group further strengthened their activity through new acquisitions. Enovos felt the impact as industrial and SME clients' energy consumption decreased. On the operational side, the development and implementation of new digital and enhanced customer processes continued. Throughout the group, our people showed flexibility and commitment and adapted quickly to the new situation. Their efforts allowed us to efficiently continue operations in all subsidiaries and I really would like to thank them for their efforts.

Marco Hoffmann (Chairman of the Board of Directors): The crisis had its impact on our group results. While our operational result was satisfactory, our net result indicated a clear impact. On the one hand, the COVID-19 crisis' short-term effects included extreme fluctuations in energy prices, which made acting appropriately on markets

rather difficult. On the other hand, the energy world evolved substantially in the past year. European and national ambitions regarding the reduction of CO² emissions were raised and the perspectives for industry and economic growth in general are not the same as before the crisis. The combination of both had an effect on long-term energy pricing and prospects for generation assets.

2020 was also the year of a strategy review for the group. What was the outcome of this?

Marco Hoffmann: The review confirmed, among other things, that technical services are an important vehicle to drive the energy transition forward; an overarching goal of the group's strategy. Three years ago, the group decided to venture into technical services. This area is well established and helps to drive the energy transition forward along the whole value chain, in the Greater Region, but with a special focus on Luxembourg.

Claude Seywert: As a regional player, our group develops products that are adapted to our local market and therefore, can really advance the energy transition via relevant and customised solutions. We intend to follow through with this strategy throughout our whole group by giving every entity the means to drive the energy transition forward in their respective domains. All the pieces

of this puzzle should come together in the end. We want to enhance the whole system and motivate other actors to continue in the same direction.

What are the achievements regarding the energy transition?

Claude Seywert: Enovos extended its photovoltaic asset base in Luxembourg by connecting installations it won in its first public tender. It is currently working on realising the nearly 20 MW won in the second tender. This will double the group's PV capacities in Luxembourg. In the Netherlands, the newly built PV assets of Enovos Green Power performed above expectations. Enovos Renewables GmbH built up a promising renewable energy project pipeline in Germany, where our focus will also lie on PV. In parallel, Enovos also continued developing its wind power capacities, both in Germany and in Luxembourg, via its joint venture Soler.

The group saw an important increase in e-mobility activities and recent developments will support this even more. Creos Luxembourg expanded the Chargy network and added new, faster chargers, the first SuperChargy connections. Enovos launched its roaming offer within enodrive, where customers can now charge their electric vehicle on 180,000 charging points throughout Europe. Finally, we noted a strong demand for private charging stations in our technical services subsidiaries and with local craftsmen collaborators.

Marco Hoffmann: New possibilities will arise from smart meters. Now that the rollout is complete, new innovative products can be offered to customers through the group's different entities. This includes energy efficiency services, which are another driver of the energy transition and consequently part of the group's strategy.

Are there other key evolutions?

Claude Seywert: Our subsidiaries continued their digitisation roadmap, completing projects that allow them to become even more customer-centric. Particularly on the Enovos side, and despite difficult market conditions, we retained market share, new offers were designed, and good customer relations were maintained. Despite these intrinsically positive developments, a strategic review of our sales activities concluded with the decision to initiate an exit from the German B2B market.

Marco Hoffmann: Creos Luxembourg updated the 2040 scenario report regarding projections for future energy and infrastructure needs. Guaranteeing security of supply remains a main and challenging objective over the next decade. A growing population, development of the economy, new use cases for electricity, distributed production, newly upcoming flexibility needs are all elements that will necessitate the expansion of existing grid capacities, be it inside the country or on interconnections. The 380 project, focused on replacing and upgrading the existing interconnector from Germany to Bofferdange and Bertrange, is therefore a piece of the puzzle for securing energy supply and moving us towards the energy transition.

The energy transition also includes decarbonisation. Creos is currently looking into possibilities for adapting the gas grids to decarbonised gases. Creos Deutschland is driving a pilot project using parts of existing gas grids to transport and distribute pure hydrogen between Lorraine and Saarland. Such initiatives enable the group to acquire the necessary knowledge to be able to drive sustainable development by maintaining existing infrastructures.

Which challenges and opportunities do you see arising in the near future?

Claude Seywert: Concerning infrastructure, the 380 project was mentioned, but in a more general way, Creos is upgrading its electricity grids and contemplating the adaption of gas grids to decarbonised gases, projects that require important investments. On the other hand, starting in 2021, grid regulation will mean that grid revenues are further reduced, these investments, therefore, will be made with decreasing cash flow from grid activities.

On the supply side, Enovos is motivated to continue to increase the group's renewable energy production in the Greater Region but especially also in Luxembourg. Here, the challenge will be to significantly increase photovoltaic capacity in bigger installations while the surface of industrial rooftops is finite.

Enovos Services, through its subsidiaries, will further develop decentralised energy solutions and help their clients to manage energy "behind the meter". Together with its partners, Enovos Services continues to promote and drive the

efficient use of energy, which is a key element of the sustainable energy transition.

Marco Hoffmann: The global climate crisis calls for new and ambitious initiatives from our group as well. We will redouble our efforts in energy efficiency, renewable energy and decarbonisation. This is a significant challenge, but all our companies are fully motivated to contribute their expertise to meet it.

Your perspective moving forward?

Claude Seywert: We expect that we will overcome the COVID-19 crisis in 2021. We will profit from the lessons learned during that crisis. We will assess what we can integrate further into our organisation; remote working and home offices, for example. Habits will change for us, but also

for our customers. There is a big evolution going on in the energy sector and, of course, this affects the energy behaviour of our customers. We will be prepared and will support our customers in their wishes and needs. I am confident that we are up to the task.

Marco Hoffmann: Leaving the COVID-19 crisis behind us for good, hopefully sooner than later. I am delighted that the group will bring in all its expertise, effort and motivation to successfully implement the necessary projects and measures to realise key climate targets that support a sustainable energy transition.

WE WANT
TO ADVANCE
THE ENERGY
TRANSITION

