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## Watt's the story?

Alpiq's update on the current market flows

### Market update | Liquidity status | Goals and requirements for sustainability reporting

Dear Reader,

It's mid-winter and the geopolitical situation is as unstable as in the autumn. In addition to that, northern Europe has experienced quite a strong cold spell at the beginning of the year. But despite all that, power and gas prices are going down. What's happening – and why? We take a closer look in our **Market Update**.

In the last edition, we provided an overview of the progress made in building up renewable energy sources in Switzerland in recent years. Although 2023 saw a record increase in installed capacities for PV, not too many renewables were connected to the grid beyond that. What we really lack is storage capacities and electricity produced in winter – which are critical topics for Switzerland. We now know that there will be a **public vote** on the overarching decree ("Mantelerlass") which intends to push the expansion of renewable energies in Switzerland, because the number of signatures required for a referendum has been reached. This puts at stake a hard-won compromise supported by a broad political alliance, and thus endangers a relatively moderate but nevertheless vital increase in Switzerland's renewable energy capacity focusing on winter power and storage capacities. We will have a quick glance at this topic at the end of this newsletter.

In the deep-dive section of this eleventh edition of Watt's the story, we focus on **sustainability**. New legislation introduced in Switzerland and the EU is increasing the **reporting** requirements, which will also mean significant changes to Alpiq's report for the reporting period starting this year. What impact will this have on us as an organisation? How will it affect our results? And what challenges do we face on the way to net zero? Read our deep dive further below to find out more.

But first let's look at the movements on the energy markets in the past two months...



## Market update

As mentioned above, power prices have continued a downward trajectory and are now back to pre-invasion levels on the Central-Western European (CWE) market. Taking the bellwether Cal-25 German baseload contract as an example, the contract was last trading slightly above EUR 80/MWh, down from a high of EUR 280/MWh on 26 August 2022. Several drivers are contributing to this development: the continued weakness in gas and CO<sub>2</sub> prices, the strong penetration of renewables, weak power demand and the improved availability of nuclear power plants in France.

Despite concerns that the Middle East conflict may spread, the gas market is noticeably unconcerned about threats to supply. The main supply impact stemming from the conflict so far is the re-routing of global container traffic away from the Suez Canal and around the Cape of Good Hope. While this results in delivery delays and increased shipping costs, there has been no interruptions to gas production so far. For example, Qatar, which accounted for 13% of Europe's LNG imports in 2023, has seen continuous production of gas but has also decided that its LNG tankers should avoid the Red Sea and take the longer route to Europe.

The market therefore does not believe production of gas will be impacted. This assessment may (or may not) prove to be immature, but the main worry of the day is on the demand side. Economic and industrial activity in Europe remains subdued and seems unlikely to pick up any time soon. This weakness in demand is not only a European story. The structural problems facing the Chinese economy, in combination with the strong growth in renewables, look to be weighing on energy commodity demand going forward there as well. Moreover, the continued growth of the Chinese economy will not be as energy- or fossil-fuel-intensive as in the previous decade.

The weak demand for gas and coal in Europe is also weighing on CO<sub>2</sub> prices. The German Association of Energy and Water Industries (BDEW) reported that German energy sector emissions were 18% down year-on-year, from 256 million tonnes in 2022 to 209 million in 2023. Furthermore, the strong growth in renewables combined with moderate demand growth is undermining demand for CO<sub>2</sub> allowances for the coming years.

More to follow in the next edition. But now let's move on to our current liquidity situation.



## Liquidity status

The strong operational cash flows forecast in the previous edition of *Watt's the story* materialised, bringing our Group liquidity balance up to roughly CHF 2 billion and a headroom of around CHF 2.6 billion as per end of December. The increase in liquidity would have been even higher were it not for some collateral outflows in the last few months of the year related to yearly auctions and cascading effects on exchange traded deals.

Current liquidity planning shows a further increase in the Group liquidity and headroom for the first quarter of 2024, based on a strong operational cash flow.



### How Alpiq understands sustainability and fulfils its reporting requirements

Sustainability is embedded in Alpiq's purpose and the company is well positioned – thanks to our electricity production from renewable energies and the management of renewable energies for third parties. However, we're fully aware that further steps are needed to build a truly sustainable company. In this interview with Karin Manser, Lead Sustainability at Alpiq, we discuss Alpiq's sustainability goals and the sustainability reporting requirements for companies resulting from the European Union's new Corporate Sustainability Reporting Directive (CSRD).



 **Karin Manser**  
Lead Sustainability at Alpiq

### **Karin, Alpiq is undergoing a transformation to a sustainable business. What does this mean and where do we currently stand?**

For Alpiq, being sustainable is about focusing not only on maximising profits and shareholder value, but also on the crucial impact of the company's activities on the environment and society. This mindset is already embedded in our corporate purpose "Together for a better climate and an improved security of supply". Specifically, this means Alpiq always considers the three criteria of *profit, security of supply and sustainability* when making strategic decisions. A good example of this is Alpiq's renewed contribution to the hydropower reserve for winter 2023/24. Instead of trying to maximise the profit Alpiq again submitted fair, price- and risk-based offers – showing that contributing to the security of supply is not just part of our

purpose, but also reflected in our daily actions. By doing this, Alpiq is taking responsibility for the security of the electricity supply.

**How does Alpiq plan to embed its sustainability objectives into the company in the long term?**

“Sustainability” is one of our guiding principles stemming from our purpose and we discuss the implementation of targeted decarbonisation strategies and investments in innovative projects and technologies. We also plan to expand our internal sustainability organisation and better connect the many experts we already have in our company. Our aim is to ensure that sustainability isn’t just a strategic consideration but is integrated into all our management and operational processes by using sustainability criteria.

**What kind of role does our sustainability reporting play?**

We can say that sustainability reporting involves a great deal of effort for a company. However, it’s an excellent instrument to create transparency both internally and externally – for example, towards investors and banks – about our sustainability activities. At Alpiq, we see it as essential to communicate openly and provide details about incidents, initiatives and activities that take place in a reporting year and to identify potential for further development. Taking a critical look at what we have achieved so far gives us a basis to continue developing our approach towards a sustainable business. It’s also extremely important for Alpiq to create trust with our stakeholders by providing comprehensive transparency and comparability with other companies.

**The European Union has recently introduced a directive on corporate sustainability reporting (CSRD). What does that mean for Alpiq?**

The new law means that Alpiq, with its sizeable subsidiaries in the EU, will have to fulfil the CSRD reporting requirements for the first time in 2025 and publish the corresponding report in early 2026. We plan to publish a report at Group level that covers all the reporting obligations of our subsidiaries in the EU. Because the complexity and scope of CSRD reporting goes far beyond previous requirements, we launched a project last year to develop our CSRD reporting. We’ll also fulfil the requirements both of the “Task Force on Climate-Related Financial Disclosures”, which examines the impact of climate change on a company’s financials, and of the EU Taxonomy Regulation.

**CSRD compliance also requires that suppliers or internal processes comply with European sustainability standards. What challenges does this bring for an energy company like Alpiq?**

Extending the reporting obligation to a company’s entire value chain is a huge challenge, not only for Alpiq. We rely on the global supply chains when it comes to the components used in our energy production plants. At the moment, it’s simply not possible to prove where and how all the raw materials were mined or the components of a turbine were produced. The increasing importance of the directives on due diligence in the supply chain is certainly helpful. The more detail companies are required to report about their supply chain, the easier it is to provide information about a direct supplier. In this way, international directives and standardised reporting frameworks are crucial for sustainability reporting.

**Thank you very much for these insights on the development of reporting about sustainability, Karin.**

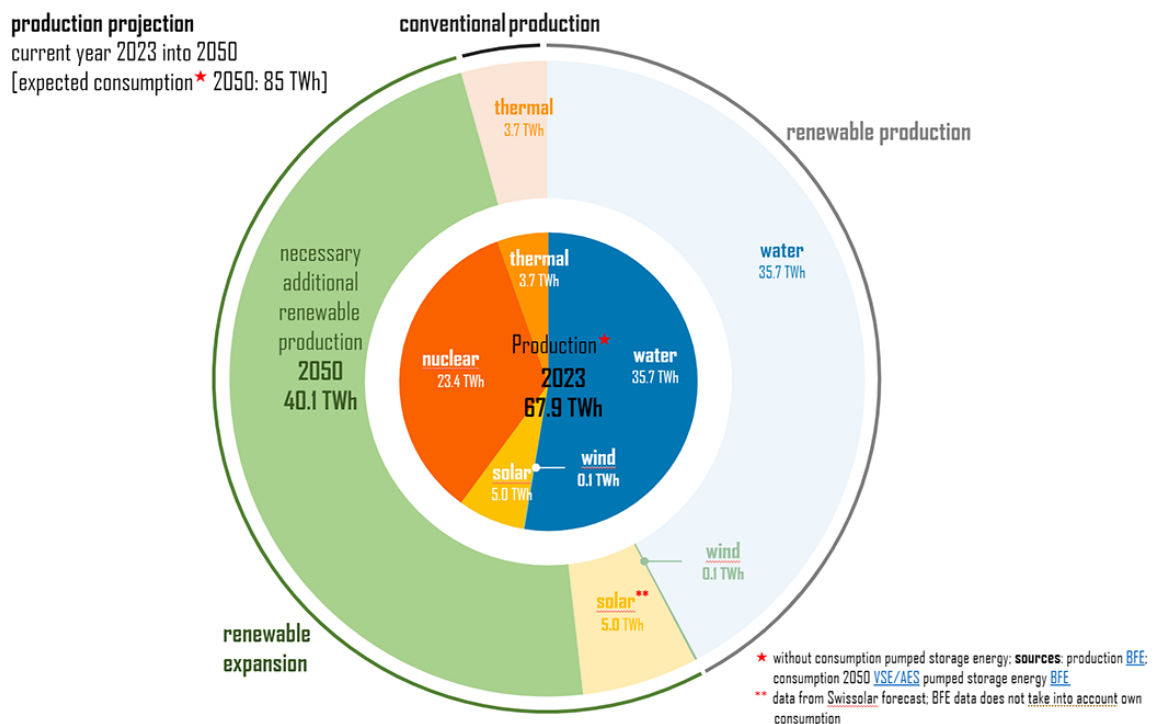
Security of supply, like sustainability, is one of the guiding principles Alpiq considers when making strategic decisions (both are anchored in Alpiq’s purpose). That’s why, starting in this edition, we’re introducing a new section in which we continuously check the development of renewable energy capacities in Switzerland. The focus will be on storage capacities and winter

energy because these are the most critical topics for Switzerland and where we need to push for progress – all in line with the “Manterlass”, the new energy decree due to come into force by the end of 2024 covering the 16 projects from the Hydropower Roundtable, alpine photovoltaics (PV) and wind power.



Looking at the **progress** in Switzerland, we saw a record increase in installed photovoltaic capacity in 2023. Based on various factors, the industry association Swissolar estimates that around 1,500 MW of new PV capacity was installed in 2023. This corresponds to market growth of almost 40% compared to the previous year. The installed capacity at the end of 2023 was more than 6,200 MW.

## Production Switzerland

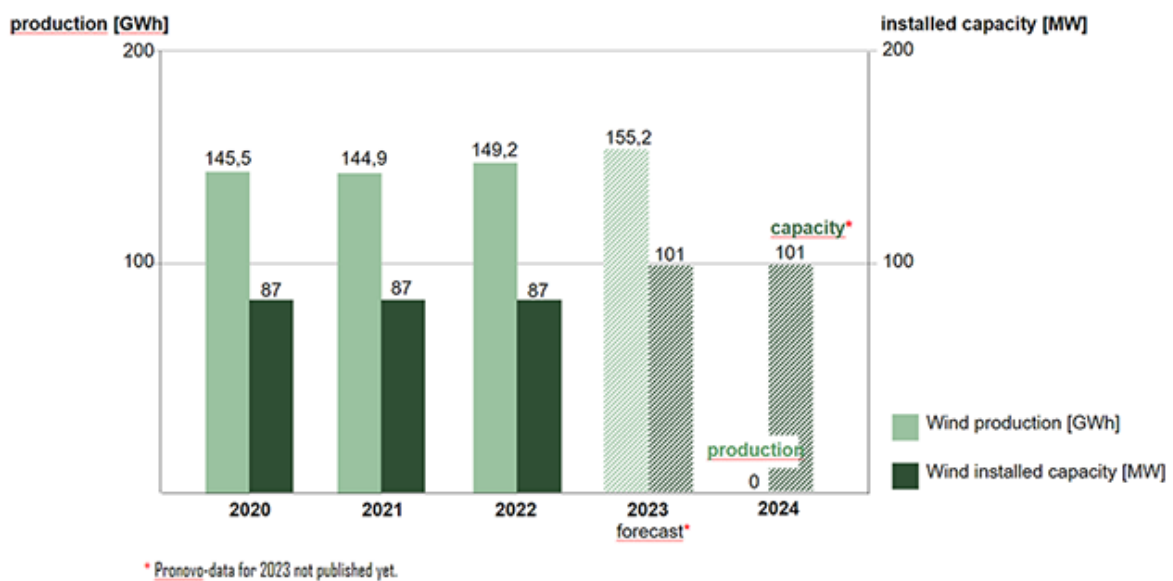


Sources:

production [BFE](#); consumption 2050 [VSE/AES](#) pumped storage energy [BFE](#)

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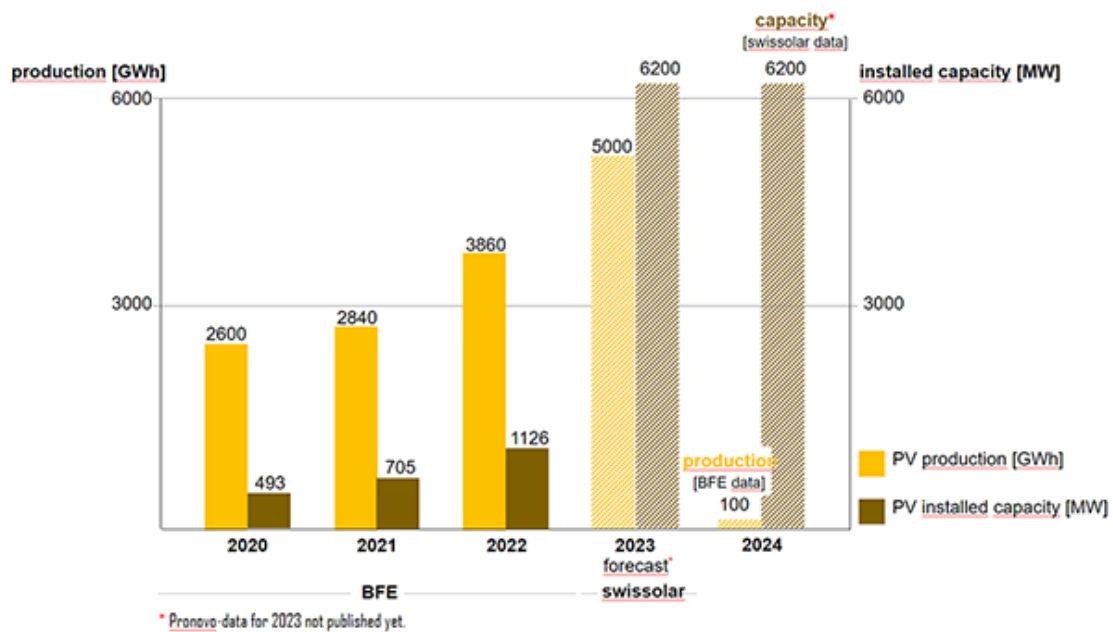
## Development of wind energy



Source: BFE

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## Development of photovoltaics



Source: BFE/Swissolar

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Progress has also been achieved in building up renewable capacities – but only when it comes to rooftop solar. This means that the vast majority of the energy is produced during the summer months. Unfortunately, the “Solar Express” pushed by the Swiss Parliament to promote winter electricity production is not yet bearing fruit. Alpine PV systems have a significantly higher proportion of winter electricity than comparable systems on the Central Plateau. They are located above the fog cover – in addition, solar radiation (thinner air) and the reflecting snow have a positive effect on the yield. And this is important because due to that fact, they can contribute a significant amount of electricity for the winter months. However, many of the projects planned in the alpine regions have already been cancelled or face fierce opposition. There was more positive news in terms of the Gondosolar project, however: the “Solar Tree” test installation was mounted before Christmas and the project team submitted the application for the building permit in December 2023.

When it comes to wind power, no progress has been observed in the past two months. The importance of wind power is shown by Alpiq’s Peuchapatte wind farm, whose three turbines achieved a new production record in 2023 and produced roughly 70 percent of their energy during the winter months.

Turning to hydropower, the Federal Council has approved the “Kantonaler Richtplan” (Cantonal Structure Plan) submitted by the Valais. This means that Alpiq can push ahead with the processes for the [project](#) in the Zermatt area. Gornerli is the biggest storage project among the projects that form part of the Hydropower Roundtable. One relatively small dam would enable the storage of 150 million m<sup>3</sup> of water each year during the winter months, which could be used to generate 650 GWh of electricity – especially at those times when electricity is needed.

So, there is progress, but we need to continue pushing – and vote in favour of the new energy decree!

Well, that’s all for this edition, folks. The next edition of **Watt’s the story** is scheduled for the **end of March 2024**. On 28 February, we will publish our Annual Report and results for the business year 2023. Stay tuned!

Best regards,  
Your Investor Relations Team @Alpiq

PS: Please feel free to forward this newsletter to other interested parties, who can also sign up to receive it directly [HERE](#). All previous editions, including our deep dives, are also available [HERE](#).

PPS: Please send us your feedback, thoughts, and requests for future deep-dive topics to [investors@alpiq.com](mailto:investors@alpiq.com). Thank you!

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