



Enel Group and Carbon Pricing

Views on Carbon Pricing, the EU ETS and the proposed reforms

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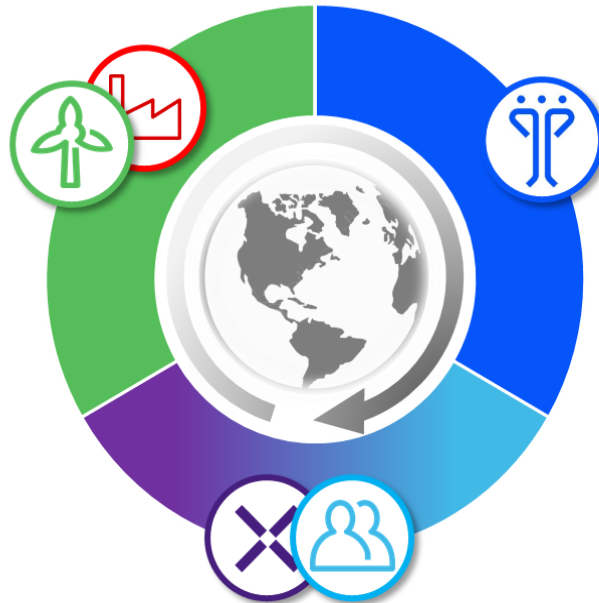
The Enel Group today

A global green energy player active along the full electricity value chain



Global Power Generation

Accelerates a sustainable energy transition, increasing **renewables** capacity growth and **decarbonizing** our fleet



Enel X

Enables the energy transition boosting electrification and decarbonization of customers, by providing **innovative services** and **system flexibility**

Global Infrastructure & Networks

Guarantees reliability and quality of service in the energy supply, through **efficient**, **resilient** and **digital** networks

Global Energy & Commodity Management

Optimizes the Group margin as a single portfolio, finding its **best balance**

Retail

Increases customer value through commodities and “beyond commodities” services also thanks to **customer satisfaction and experience** improvement

Active in 5 continents



32 countries

RES Capacity



49 GW¹ capacity

Grid Customers



74 mn end users

Electricity sold²



~ 430 TWh

¹ Out of which 45 GW Ownership model and ~4 GW Stewardship model

² Power free + regulated + wholesales + PPAs

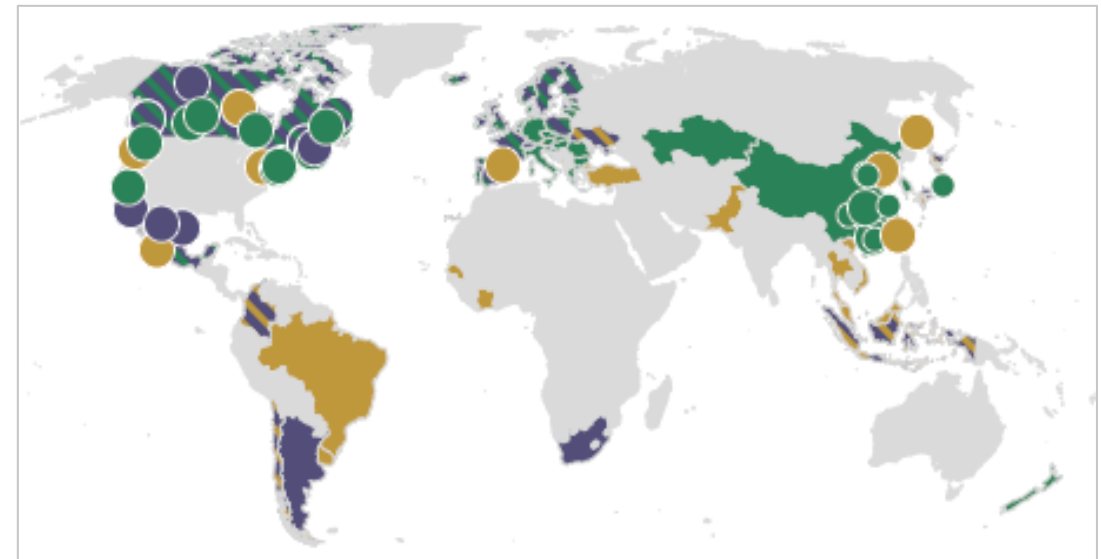
Enel's Position on Carbon Pricing



Carbon pricing is one of the most effective means to pursue decarbonization

- **Putting a price on carbon is one of the central pillars** of an effective, efficient and credible climate policy
- **The Carbon Tax vs Cap and Trade debate has to carefully consider the local context** especially in terms of:
 - Political acceptability
 - Market structure
 - Policy interaction
 - Institutional capacity
- **Cap-and-trade systems are generally the most efficient mechanism to reduce emissions**, especially in industrialized economies, as they ensure environmental effectiveness and economic efficiency through cost minimization
- **Carbon taxation is better suited for specific contexts** including the initial phase of carbon pricing implementation, weaker institutional frameworks, sectors characterized by distributed emission sources.

Carbon Pricing Around the World



Why we like emission trading

It's about transparency, flexibility and efficiency

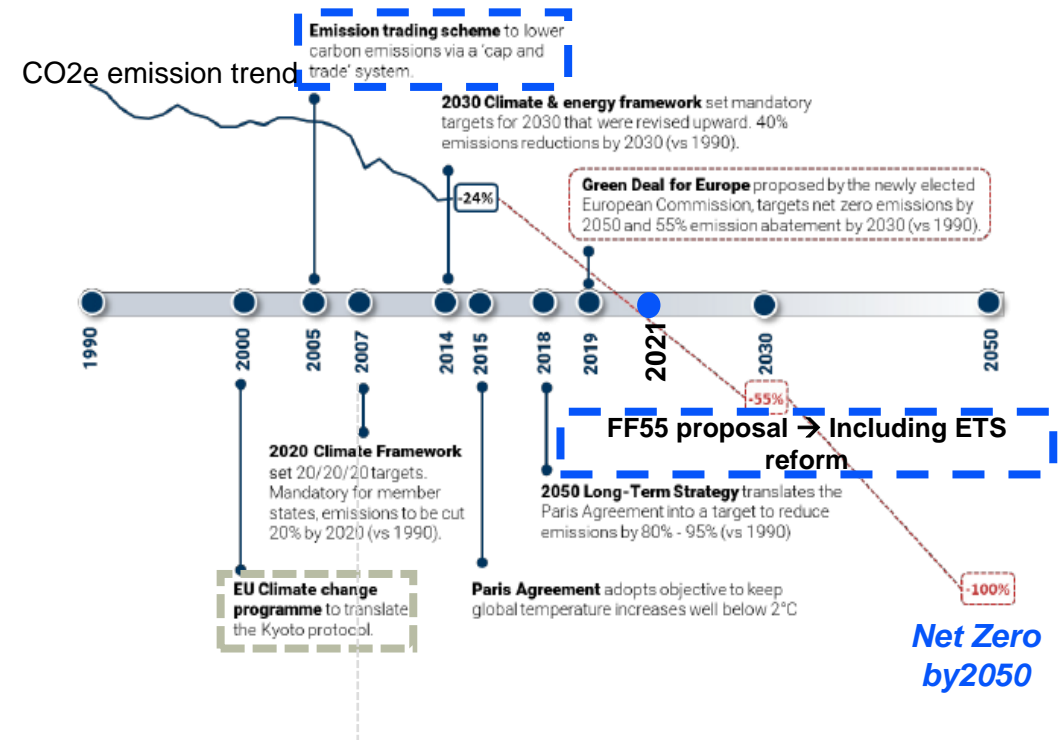


Vis a vis its Command & Control alternatives, Emission Trading Systems (ETS) ensure:

- **Environmental Transparency** – There is a cap, the path is clear, the environmental outcome guaranteed
- **Technological Flexibility** – There is full flexibility to choose how to decarbonize in terms of operational vs investment decisions and technological choices
- **Temporal Flexibility** – The flexibility to choose when to decarbonize, adjusting to asset lifetimes and economic cycles
- **Economic Transparency** – There is a value for emissions and it is clear to all, while the forward curve reflects expectations and state of the art knowledge
- **Harmonization** – It ensures a level playing field among industrial operators and, through linking, across national borders.

Through effective management of policy overlap, the ETS can be a central pillar of an effective wider set of climate policies.

History and Ambitions of the EU ETS

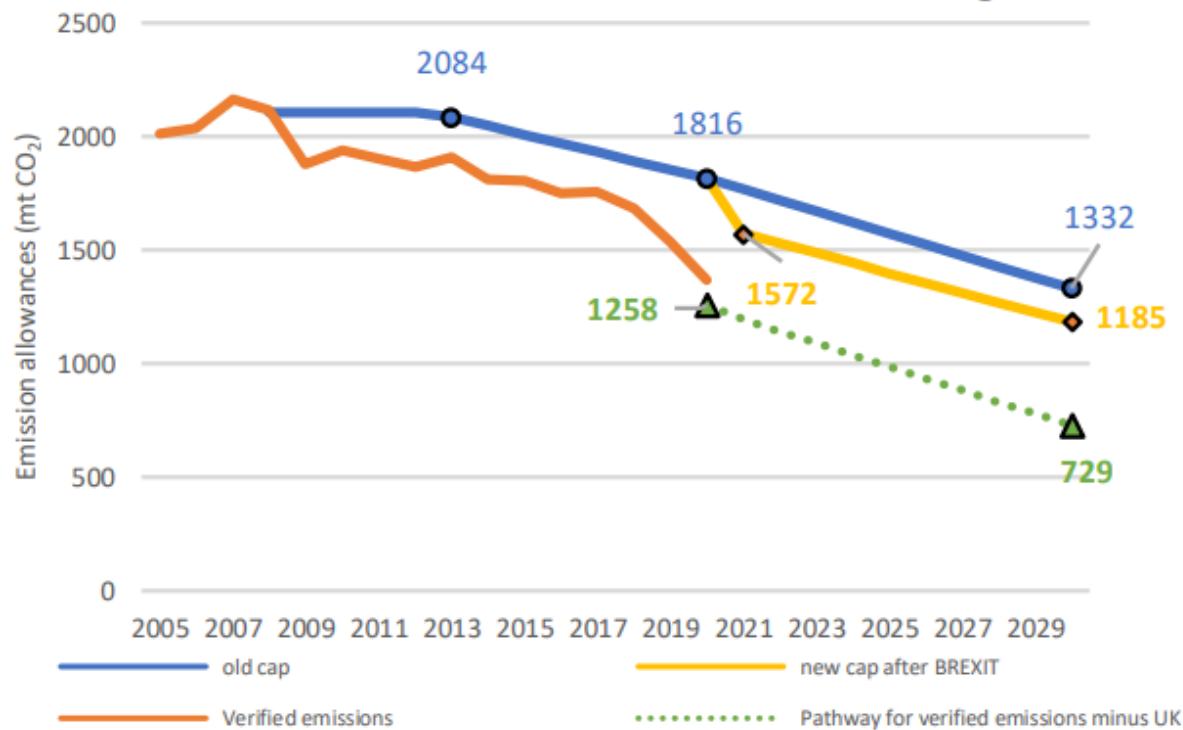


The two dimensions of Cap&Trade

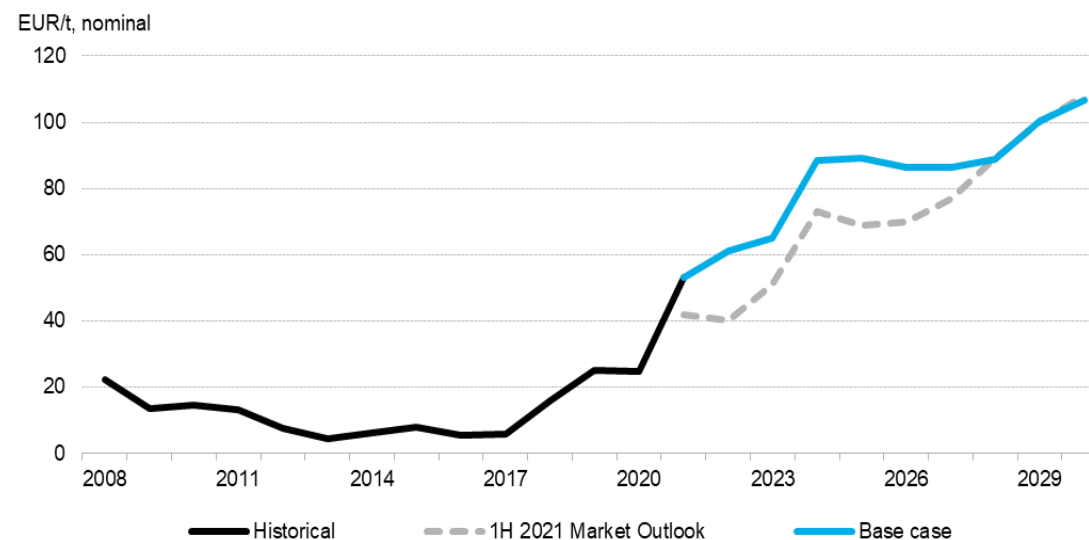
The cap drives investment decisions, the price drives operational decisions



Verified emissions and EU ETS cap (2005-30)



Historic and forecast EUA price (€/t)



Source: ERCST: 2021 State of the EU ETS Report; BNEF: 2H 2021 EU ETS Market Outlook

Note: in the curve the 2030 “new cap” assumes a 65% reduction in ETS emissions as the ERCST study was published before the release of the “Fit for 55” Package proposing a 61% reduction target

Managing the short term price uncertainty

Trading, hedging and diversification support a utility's winning strategy



Carbon price uncertainty may be determined by a number of drivers including:

- **Economics** – Growth in the wider economic contexts, commodity prices, competitiveness within the ETS sectors
- **Regulatory** – Carbon regulation but also wider energy, climate and environmental policies affecting abatement patterns
- **Weather** – Temperature affecting demand for heating and cooling, rainfall influencing hydraulicity, in the long-term wind and solar regimes

Utility's strategy in managing the uncertainty may include:

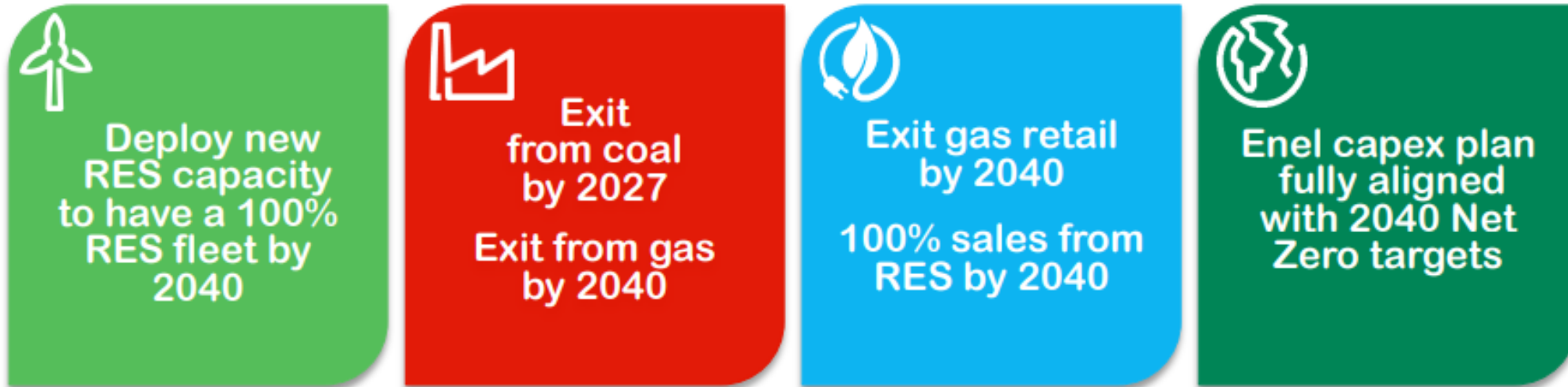
- **Hedging** the portfolio of forward sales in order to lock-in the margins
- **Decarbonizing** the asset base reducing exposure to the carbon price
- **Diversifying** geographically in order to hedge against the different drivers of uncertainty

European Gas, Coal and CO2 (% , Jan-Sep 2021)



Looking at the long-term strategic decisions

Enel's milestones on the Road to Net Zero by 2040 across scope 1, 2 and 3



Engaging in the policy debate

The proposed EU ETS reform will contribute to the increased ambition and resilience



Within the EU's "Fit for 55" Package, Enel's key views on the revision of the EU ETS include:

1. **Ambition** -The EU ETS **strengthened cap** is welcome. The increase in ambition needs to be fully transparent
2. **Market Functioning** - **Support** to the revised **MSR regulation**. The mechanism plays a key role in ensuring the system's resilience
3. **Scope** - **Support for the proposed EU ETS scope expansion to maritime and H2 production**, but eligibility thresholds for the latter need revision. Scope expansion expand liquidity and reinforce environmental ambition
4. **Competitiveness** - **More EU ETS auction revenues** should be **invested** to support **ETS sectors decarbonization**. The effectiveness and robustness of the financing mechanism needs to be ensured.
5. **Just Transition** - **Ensure a Just Transition**, safeguarding employment and industrial transition while avoiding unfair costs redistribution and safeguarding customers is paramount. More focus is needed in the social dimension

Ambition



Mkt Functioning



Scope expansion – Maritime & H2



Competitiveness



Just Transition



Conclusions



- Carbon pricing offers the opportunity to support the energy transition in a flexible and transparent way delivering the environmental outcome and ensuring economic efficiency
- The price drives short term change but on the long term the cap perspective plays an increasingly important role
- The utility's actions involve:
 - Short to medium term operational measures aimed at decreasing emissions and reducing exposure
 - Medium to long term strategic decisions ensuring long term decarbonization
 - Stakeholder engagement to increase the effectiveness of the carbon pricing policy