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Oggetto : 2023-2027 Strategic Plan: 11.5 billion euros investment for a multi-molecule infrastructure supporting the energy transition

Testo del comunicato

Vedi allegato



2023-2027 Strategic Plan: 11.5 billion euros investment for a multi-molecule infrastructure supporting the energy transition. Net zero across all emissions by 2050 and growth for all stakeholders

Investments and main targets through 2027

- **2023-2027 total investment: 11.5 billion euros, +15% compared with the 2022-2026 plan, focused on strengthening transport, storage and LNG infrastructure and on energy transition businesses (biomethane, CCS, hydrogen and energy efficiency). 58% of net investment aligned with the UN Sustainable Development Goals (SDGs) and 37% with the European Taxonomy**
- **RAB (Regulatory Asset Base): average growth above 6% per year (5% in the previous plan)**
- **Adjusted EBITDA: average annual increase of 7.4% (around 7% in the previous plan) reflecting growth in investment, regulatory items and the contribution of the energy transition businesses**
- **Adjusted net income: average annual growth of about 4% (3% in the previous plan), despite higher interest rates**
- **Dividend policy: minimum growth raised to 3% (compared with previous 2.5%)**
- **Sustainable finance up to 85% of total funding by 2027 (80% in the previous plan)**
- **Reinforced commitment to sustainability: net zero for all emissions (Scope 1, 2 and 3) by 2050 and new target for biodiversity, with zero net conversion in 2024 shifting to net positive from 2027**

TARGETS	2023-2027
RAB	>6% CAGR ¹
Adjusted EBITDA	>7% CAGR
Adjusted net income	About 4% CAGR
Dividend policy	+2.5% in 2023 and minimum +3% annually to 2027

Vision to 2032

- **Investment opportunities of up to 26 billion euros in the 2023-2032 period, focusing on strengthening system security and flexibility while supporting the energy transition with the development of the hydrogen backbone**

¹ Compound Annual Growth Rate



San Donato Milanese (Milan), January 25th, 2024 – Snam Board of Directors, chaired by Monica de Virgiliis, approved the 2023-2027 Strategic Plan that the CEO Stefano Venier will present to the financial community today.

*“In a global energy scenario that remains challenging and volatile,” said **Stefano Venier, CEO of Snam**, “we will invest 11.5 billion euros to develop an increasingly flexible infrastructure capable of handling a multiplicity of molecules, thus supporting the carbon neutrality pathway for Italy. Our energy security commitment continues, developing infrastructure for diversified and sustainable supply in the long term and supporting the transition process, also through strategic projects at the European level. We will achieve this while generating growing returns for all our stakeholders, with a comprehensive sustainability approach that combines our emissions reduction commitment with other key areas such as biodiversity and territorial regeneration”.*

The objective over the plan period is to continue to respond to the challenges of the energy trilemma in a balanced manner, providing the infrastructures underpinning the security, sustainability and competitiveness of energy supply.

From this perspective, Snam's ambition is to develop an energy infrastructure for a sustainable future, by repurposing and enhancing the network to accommodate growing volumes of green molecules.

The plan envisages investments to improve energy system flexibility through a pan-European multi-molecule infrastructure network that will be modular, flexible and innovative, thanks to sensor systems and Artificial Intelligence.

Complementing the above, the development of the energy transition platform will focus on decarbonization technologies, with sustainability and innovation as strategic enablers.



2023-2027 plan: 11.5 billion euros investment (+15% on the previous plan)

To achieve these objectives, the **2023-2027 plan provides for 11.5 billion euros in total investment** (net of public grants of about 900 million), an increase of 15% compared with the 2022-2026 plan, **which will focus on two main areas:**

- **investment in infrastructure** along the entire value chain (construction of the Adriatic backbone and dual-fuel compressor stations, the strengthening and optimization of the storage and export system, the commissioning of the Ravenna FSRU, small-scale LNG development and the expansion of LNG-bioLNG station networks and, in the future, hydrogen stations);
- **investment in various decarbonization levers**, through the energy transition platform, with the development of green gases (hydrogen and biomethane), the launch of the Italian and European hydrogen backbone project (South2 Corridor), the development of infrastructure for Carbon Capture and Storage (CCS) and the further expansion of energy efficiency activities.

About **10.3 billion euros** are earmarked for the sustainable development of infrastructure:

- **7.4 billion euros** dedicated to transport (compared with 6.3 billion in the previous plan), including investments in upgrading the Adriatic backbone, the replacement of about 900 km of pipelines, construction of dual-fuel compressor stations and connection works with the FSRUs and biomethane plants;
- **1.4 billion euros** (compared with 1.3 billion in the previous plan) for storage sites expansion and upgrading;
- **1.5 billion euros** (compared with 1.4 billion in the previous plan) allocated to LNG, with an increase attributable to the Ravenna FSRU commissioning, the Piombino FSRU relocation, the related infrastructure investment and the construction of small-scale infrastructures (Panigaglia and Pignataro) in Northern and Southern Italy.



Investment in the energy transition businesses amounts to 1.2 billion euros, broken down as follows:

- **Biomethane: 400 million euros**

Acting through the Bioenergys subsidiary, **some 400 million euros of investment will be dedicated to commissioning plants to reach an overall capacity of 80 MW** and an expected output of about 135 million cubic meters per year by 2027. In this business segment, the Group plays a twofold role: on the one hand, it facilitates the interconnection of plants to the network, while on the other it builds and develops plants in areas ranging from exploiting the organic fraction of municipal solid waste to the increasingly strategic agricultural raw materials business. At the end of 2023, the Group could already boast a solid platform of 40 plants in operation with approximately 41 MW of biomethane and biogas capacity, strengthening its role as a leading industrial-scale operator.

- **Carbon Capture and Storage: 350 million euros**

One of the most effective technologies for achieving decarbonization targets in the short and medium term is Carbon Capture and Storage (CCS). About **350 million euros** will be invested over the course of the plan in developing the transport and storage of CO₂ infrastructure, leveraging Snam's role as a leading European operator in the transport and the storage of molecules. In December 2022, Snam signed an agreement with Eni to launch the first CCS project in Italy, whose phase 1 – starting in the coming months – will involve the capture of CO₂ from the Eni Casalborgorsetti plant near Ravenna and its injection into a depleted gas field in the Adriatic Sea. With the development of phase 2, open to industrial emitters, the Ravenna CCS project will become the most important in the Mediterranean, with a potential total capacity of 500 million metric tons. Included in the most recent PCI (projects of common interest) list published by the European Commission, Ravenna CCS will be able to decarbonize a significant portion of the hard-to-abate industries in Italy by 2030.

- **Hydrogen: 100 million euros**

Over the course of the plan, **100 million euros** are scheduled to be **invested in the hydrogen business, of which 20 million in the engineering phase of the SouthH2 Corridor**. With this project, which is also included in the PCI list of the European Commission, Snam will be an enabler of the development of a cross-border hydrogen market, in partnership with other European TSOs (TAG, GCA and bayernets). The project involves the construction of a 3,300 km hydrogen backbone, largely repurposed, that will connect North Africa, Italy, Austria and Germany to supply renewable hydrogen to Italian and European demand clusters at a



competitive price. Snam is also actively involved in initiatives such as the Hydrogen Valleys of Modena and Puglia, hydrogen refueling stations and the Gigafactory with De Nora, which will support the hydrogen readiness of Italy's energy system.

- **Energy efficiency: 300 million euros**

In the **energy efficiency and distributed generation** space, where Snam operates through Renovit, **about 300 million euros** of investment are planned for the 2023-2027 period. Snam has gained a leading role in the energy efficiency services industry, developing a solid pipeline of energy performance contracts and energy renovation projects with businesses, residential buildings and public administration. Over the course of the plan, Snam expects to reposition its portfolio towards customers in the public and industrial sectors, leveraging its distinctive technical skills to expand its backlog from a total of around 2 billion euros in 2022 to approximately 3 billion euros by 2027, of which more than 60% in the public sector, with long-term contracts of between 7 and 12 years.

Two strategic and enabling levers supporting the plan: sustainability and innovation.

Sustainability

Snam's new sustainability strategy adopts an all-round approach, fully integrated into the Group's operations and corporate strategy, which includes a commitment based on seven pillars:

- Development of a multi-molecule infrastructure
- Green transition
- Carbon neutrality
- Biodiversity and regeneration
- People
- Local communities
- Transformative innovation

Based on this new all-round approach, the ESG scorecard has been updated and relevant key performance indicators (KPIs) have been introduced to measure progress in all the pillars through 2027.

Under the Carbon neutrality pillar, Snam's commitment to achieving its targets has never ceased, despite the challenging global context.

With regard to Scope 1 and 2 emissions, the aim is to achieve carbon neutrality by 2040. Starting with the 8% decline in emissions recorded in 2023 on the new



baseline of the regulated business perimeter, which brings the overall reduction since 2018 to 16%, and the 4% decrease in the Group total, Snam has set new medium-term reduction targets of 25% by 2027, 40% by 2030 and 50% by 2032. **Snam has added to these targets a new long-term commitment: to achieve net zero across all emissions (including Scope 3) by 2050.**

All the targets are aligned with the general methodology of the SBTi (Science Based Targets initiative). Snam confirms its commitment to submit relevant targets for certification as soon as the sector-specific methodology adopted by SBTi is available.

In 2023, Snam registered a decrease of 55% in methane emissions compared with 2015 and set a target reduction of 64% by 2027. These results exceeded the targets recommended by the United Nations Environment Programme (UNEP), which once again conferred its Gold Standard award to Snam in 2023.

With regard to biodiversity and regeneration, Snam has set the objective of upgrading its impact on nature from neutral to positive by 2027, in accordance with the guidelines of the Science Based Target for Nature (SBTN) framework.

Snam is the first global infrastructure operator to have joined the SBTN Corporate Engagement Program and has completed an initial quantitative analysis of its operations. The results highlight the restorative and regenerative approach currently in place for construction and maintenance activities is already aligned with the principles of respect for nature.

Innovation

Snam pursues the technological development of infrastructures through the digitalization and optimization of management systems for its assets and industrial processes, with the aim of fostering operational excellence through increased digitalization, the use of Artificial Intelligence and innovative technologies for the development of decarbonized molecules.

Adopting a dual track approach, Snam leverages on recognized technologies (proven innovation), while experimenting with new ones (open innovation). In the former case, the **SnamTEC (Tomorrow's Energy Company)** program is continuing – with an investment of about 350 million euros over the plan period – **with a total of 50 projects involving over 200 employees.** To date, the company has digitalized 100% of its operational processes, including the introduction of AI-based predictive maintenance systems for turbochargers, and has re-engineered 70% of those processes.



Regarding open innovation, Snam will invest around 50 million euros, including around 10 million euros in grants already awarded. Snam has been running the SnamInnova and HyAccelerator programs since 2021 focused on energy transition, engaging more than 400 employees, generating about 300 ideas and scouting more than 2,500 startups, out of which one focusing on capture, use and storage of biogenic CO₂ has been funded.

Finally, Snam also participates in the venture capital fund of CDP, which invests in post-seed clean energy and technologies, and in the Hy24 fund dedicated to scaling up the hydrogen economy.

Associates

With regards to Snam's associates portfolio, last year's clustering has been confirmed: *value enhancers* include industrial assets connected to the Italian infrastructure, *enablers of business optionalities* comprise associated companies without physical connections to Snam assets and *opportunistic assets* include investments that can generate greater opportunities for value creation.

Snam can also benefit from greater visibility regarding the contribution of its associates, thanks in part to the positive outcome of the regulatory review of DESFA and Teréga, whose WACC² has been updated for the 2024-2027 regulatory period.

As regards TAG and GCA, dialogue continues with the regulator to neutralize volume risk associated with the change in inward gas flows. The new regulatory framework is expected to enter into force in 2025.

The Group's European associates have also recorded progress in the energy transition, specifically in the activities concerning the hydrogen readiness of their infrastructures.

Finally, the main hydrogen and CCS projects of Teréga, DESFA, TAG and GCA have been included in the PCI list, confirming the strategic role of Snam's equity portfolio within the framework of European energy infrastructures.

The overall contribution from the associates is expected to amount to approximately 320 million euros through 2027, compared to approximately 300 million euros expected in 2023.

² *Weighted Average Cost of Capital*



Plan targets for 2027³

In the 2023-2027 period Snam expects significant growth in its key financial performance indicators, while preserving its financial solidity and flexibility.

Over the plan horizon, the following indicators are expected to register the average annual growth rates (CAGR) indicated below:

- **RAB: more than 6%**, while the forecast in the previous plan (2022-2026) envisaged 5% growth, reflecting greater investment and the contribution of the deflator;
- **Adjusted EBITDA: 7.4%**, mainly due to RAB growth, the updating of the WACC, the introduction of the ROSS⁴ regulation for transport and the contribution of the energy transition businesses. These factors will contribute to the expected growth of **Group EBITDA to about 3.2 billion euros in 2027**, of which around 140 million from the energy transition businesses;
- **Adjusted net income: 4%**, based on the solid EBITDA contribution, partially offset by an increase in D&A and financial expense.

Guidance for 2023 adjusted net income has been raised to about 1.14 billion euros, compared with the previous forecast of at least 1.1 billion euros, while the projection at the **end of 2027 is around 1.33 billion euros**.

Improved Dividend Policy:

- **the 2023 dividend of 0.2820 euros has been confirmed and the minimum annual dividend growth expected in the dividend policy has been increased to 3% through 2027 (compared with the previous minimum 2.5%)**

Snam expects a total dividend of 0.2820 euros per share for the 2023 financial year to be distributed in 2024, of which 40% as an interim dividend already distributed on January 24th, 2024 (record date of January 23rd, 2024 and ex-dividend date of January 22nd, 2024). The remaining 60% (to be submitted to the Shareholders' Meeting called to approve the 2023 financial statements) will be paid on June 26th, 2024 (record date of June 25th, 2024 and ex-dividend date of June 24th, 2024).

The dividend policy has been improved in view of the 4% average annual growth in adjusted net income and provides for a minimum annual increase of 3%

³ Macro assumptions: 2023-2027 average deflator of 3.1% for transport. Pursuant to Arera Resolution 556/2023/R/COM, WACC for 2024 equal to 5.9% for transport, 6.6% for storage and 6.7% for LNG. From 2025 to 2027 WACC equal to 5.7% for transport, 6.3% for storage and 6.4% for LNG.

⁴ Regolazione per Obiettivi di Spesa e di Servizio [Regulation for Expenditure and Service Objectives].



through 2027, starting with the 2024 dividend. This represents an improvement on the previous policy, which provided for a minimum increase of 2.5%.

Financial structure and cost of debt

Over the course of the plan, Snam intends to maintain a sound financial structure, leveraging the natural hedging implicit in the tariff system.

In a global context that remains volatile and characterized by high interest rates, the main levers of the financial strategy will be greater diversification of funding sources and instruments, working capital optimization and dynamic management of treasury flows. Over the plan horizon, the average cost of debt is expected to be 2.6%, 60 basis points higher than in the previous plan, an increase that reflects current interest rate and financing conditions.

Given expected debt of around 19 billion euros in 2027, partly reflecting the increase in investment, Snam maintains ample financial flexibility in its credit metrics with respect to the thresholds established by the rating agencies Moody's, Standard and Poor's and Fitch for their current rating positioning.

The proportion of sustainable finance is growing, with a target of 85% of overall funding by 2027, an improvement compared with the 80% set out in the previous plan period and one of the highest in the industry.

Guidance

	<i>FY 2023 Guidance</i>	<i>FY 2024 Guidance</i>
Investment	2.1 billion euros , of which - 1.9 billion in gas infrastructure ⁵ - 0.2 billion for the energy transition	2.9 billion euros , - 2.7 billion in gas infrastructure - 0.2 billion for the energy transition
Tariff RAB	22.4 billion euros	23.8 billion euros
Adjusted EBITDA	~ 2.4 billion euros	~ 2.7 billion euros
Adjusted net income	~ 1.14 billion euros	~ 1.18 billion euros
Net debt	15.5 billion euros	~ 17.6 billion euros

Ambition to 2032

Snam is a leader on the global energy stage, supporting the pathway towards decarbonization, while at the same time ensuring Italy's energy security. Based on the expected evolution of the industry, which envisages a growing need for transport not only of natural gas, but also biomethane, CO₂ and hydrogen,

⁵ Includes 0.5 billion euros for the acquisition of BW Singapore and other investments in LNG infrastructure



Snam's clear ambition is to be the pan-European energy operator in the construction and operation of multi-molecule infrastructure for a sustainable, secure, digital, connected and inclusive future.

Investment opportunities of up to 14.5 billion are expected for the 2028-2032 period, in addition to the forecast total investment of 11.5 billion over the plan period, **reaching an overall total of about 26 billion for 2023-2032**, focusing on:

- **maintaining asset reliability and resilience**, while reducing the carbon footprint;
- **completing investments to enhance energy system security and flexibility**;
- **building the hydrogen backbone infrastructure and the CCS project expansion**, which will be evaluated on the basis of the evolution of the regulatory framework and the availability of grants at the national and European levels.

The 2023-2027 Strategic Plan will be presented to the financial community today at 10 am CET. The event can also be followed through the webcast available at https://channel.royalcast.com/landingpage/snam/20240125_6/

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