



Press release
20 December 2022

Main impacts related to the implementation of inframarginal rent caps in Europe

- **Legislation passed in several European countries to address inframarginal rent in relation to power prices**
- **ENGIE estimates impact on EBIT in the range of €0.7-0.9 billion in 2022 and €1.2-1.5 billion in 2023**
- **Guidance 2022 confirmed**

On 6 October 2022, the Council of the European Union adopted a regulation on an emergency intervention to address high energy prices, including the application of an inframarginal rent cap, enforceable by all Member States from 1 December 2022 until 30 June 2023, with a potential extension. Transcription proceedings are underway in the Member States with material adjustments to the EU mechanism notably in terms of duration, scope, level of the cap and computation of the revenues. The main impacts for ENGIE should occur in Belgium, France, and Italy (in addition to the existing extraordinary contribution enacted before the adoption of the EU regulation). The Parliaments of Belgium and France, ENGIE's two most significant power generation countries in the EU, have now passed new measures into Law.

Belgium: cap introduced with retroactive impact and an articulation with the current nuclear taxes

In Belgium, an inframarginal rent cap is implemented retroactively, from 1 August 2022 to 30 June 2023, at a level depending on the power production's technology. A possible extension of this period is to be evaluated next April. ENGIE's nuclear assets, owned and operated via its subsidiary Electrabel, fall into the scope of this measure: the normative revenues computed, as for the existing nuclear taxes, exceeding €130/MWh are subject to the new levy but with a mechanism limiting potential double taxation with the existing nuclear taxes. ENGIE nuclear output in Belgium, taking in account closure of Doel 3 in September 2022 and Tihange 2 in February 2023 is expected to be 35TWh in 2022 and 24TWh in 2023 (assuming an availability rate of 85%).

France: cap on all merchant power production including gas power plants with a retroactive and extended implementation period

In France, the Finance bill for 2023 provides for a rent cap applicable over a period of eighteen months, (from 1 July 2022 until 31 December 2023). The cap ranges from €40/MWh to €175/MWh (plus fuels and CO₂ costs) depending on the power production's technology. The excess revenue is subject to a tax rate of 90%. ENGIE is mainly impacted through its drawing rights on two EDF nuclear power plants (Chooz B and Tricastin, 1.2 GW, 9 TWh of annual output at an availability rate of 85%) subject to a €90/MWh cap, its gas power plants (1.4 GW capacity) subject to a €40/MWh cap and its cogeneration plants subject to a €110 or €60/MWh cap. Renewable assets would be less impacted due either to

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existing contributions levied on hydropower plants (“redevance hydraulique”) or to the application of a regulated price mechanism (wind and solar for example).

Italy: extraordinary solidarity levies on energy companies

In Italy, the Government has already enacted an “extraordinary solidarity contribution” on energy companies computed on a variation of VAT taxable basis between October 2021 and April 2022 versus the same duration a year earlier, at a rate of 25%. ENGIE has been significantly and adversely impacted, as reported in June-end accounts, with a payment of €309 million due to an ill-designed contribution, not representative of the excess revenues over the period.

In addition, in its draft Budget Law 2023, the Italian government intends to levy an additional temporary contribution, designed by reference to the “temporary solidarity contribution” provided in the above mentioned EU regulation but which scope is extended to all energy companies and which detailed rules are adjusted. The draft is expected to be enacted by year end. The applicable tax law in 2022 and 2023 is therefore still uncertain.

Estimated impacts

ENGIE estimates the impact of these measures on Group EBIT at €0.7-0.9 billion in 2022 and €1.2-1.5 billion in 2023, with most of the increase year-on-year related to nuclear operations in France and Belgium. At net recurring income Group share level, impacts are estimated at €0.8-1.0 billion in 2022 and €1.1-1.4 billion in 2023.

These estimates are based on forward prices and available information to date regarding new tax measures on energy companies (drafts in countries where legislative proceedings are still pending like Italy) and include limited impacts for the other European States. It does not include any potential extension of enacted measures. Guidance for 2022 is confirmed.

ENGIE retains the possibility of contesting taxes that, in its view, do not comply with the legal framework and introduce unjustified discrimination between operators or energy sources, in particular in Belgium and Italy.

ENGIE continuing to support energy affordability

ENGIE has demonstrated since the beginning of the energy crisis its capacity to contribute to security of supply in each and every market it operates with the strength of an integrated and diversified portfolio of assets. The business model has shown its resilience throughout the period and, while enabled to capture market upsides, is based on stable returns. Notwithstanding these price caps on its power production, ENGIE is equally acting to support clients with energy affordability. In Europe, the Group engaged with local authorities to provide support through payment facilities of more than €1.1 billion to enable price protection mechanisms, as well as through profit sharing mechanisms such as in Belgium and in France, representing €0.9 billion for the first nine months 2022.

In France, where a tariff shield mechanism has been implemented to protect most of B2C gas and electricity customers from sharp price increases, ENGIE is providing €90 million of support to its most vulnerable customers; has set up a fund to help industrial and commercial customers contract their energy; and is providing working capital to support gas storage levels. Elsewhere, ENGIE is supporting the implementation of social tariffs in Belgium and a price cap mechanism in Romania. Wherever it is present, ENGIE is more focused than ever to work collaboratively with clients on energy efficiency to reduce their energy bill and achieve their decarbonisation goals.

ENGIE is also recognising the engagement of its employees around the world with an exceptional bonus of €1,500 awarded to each employee, subject to the approval by the governance of the various entities.



It is both to recognize the special efforts made by all employees in an unprecedented energy situation and supporting them in a high inflation environment.

About ENGIE

Our group is a global reference in low-carbon energy and services. Together with our 101,500 employees, our customers, partners and stakeholders, we are committed to accelerate the transition towards a carbon-neutral world, through reduced energy consumption and more environmentally-friendly solutions. Inspired by our purpose ("raison d'être"), we reconcile economic performance with a positive impact on people and the planet, building on our key businesses (gas, renewable energy, services) to offer competitive solutions to our customers. Turnover in 2021: 57.9 billion Euros. The Group is listed on the Paris and Brussels stock exchanges (ENGI) and is represented in the main financial indices (CAC 40, Euronext 100, FTSE Eurotop 100, MSCI Europe) and non-financial indices (DJSI World, DJSI Europe, Euronext Vigeo Eiris - Eurozone 120/ Europe 120/ France 20, MSCI EMU ESG screened, MSCI EUROPE ESG Universal Select, Stoxx Europe 600 ESG, and Stoxx Global 1800 ESG).

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