Copenhagen Infrastructure Partners

Key commercial and political challenges for transitioning the UK

Opportunities to accelerate energy investments vs. potential Derailment Risks




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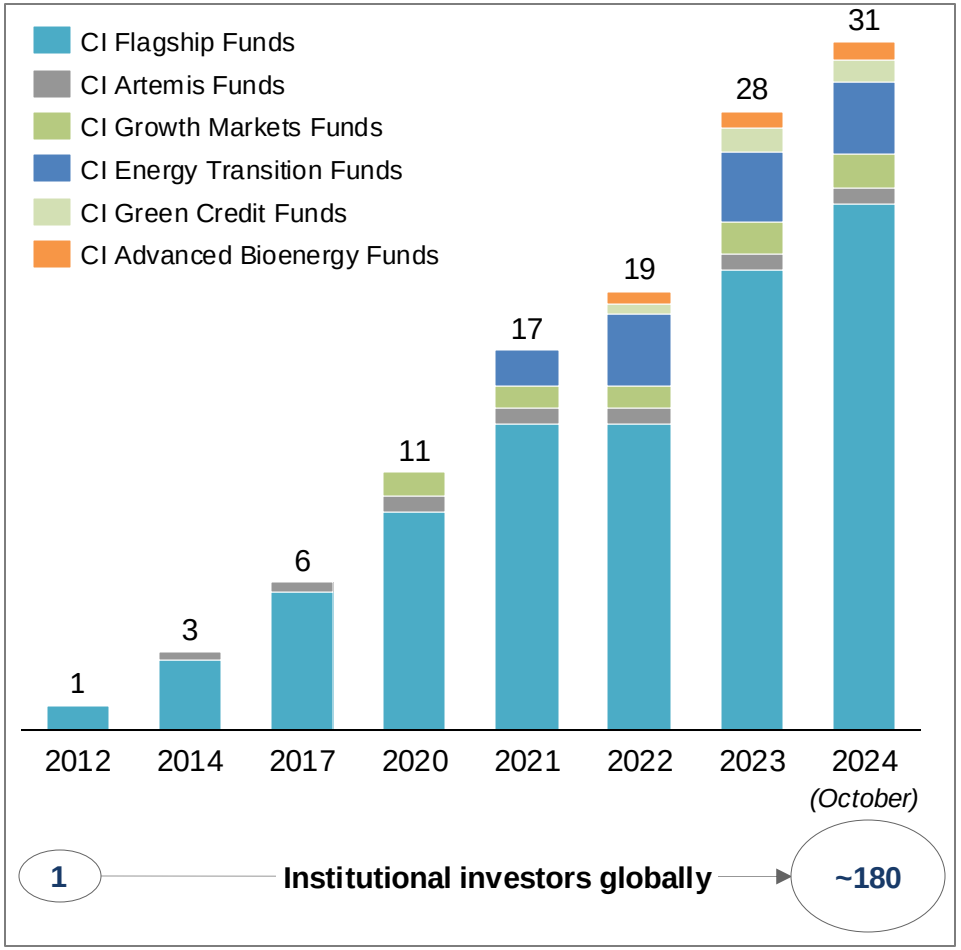
Today, CIP is the world's leading fund manager dedicated to greenfield renewables.

With over €30 billion currently under management*, CIP seeks to grow cumulative funds to over €100 billion by 2030.

Accumulated raised capital, EURbn



Strong returns and impact on climate and society[1]

45+ investments globally in large-scale greenfield renewables

10-13% financial net return expected across equity funds

16 GW in operation or construction

160 GW in development across technologies

2,100 people in the global CIP platform represented in more than **30 markets**

17m tons CO_2e avoided each year
(equivalent to more than ~60% of total Denmark's CO_2e)

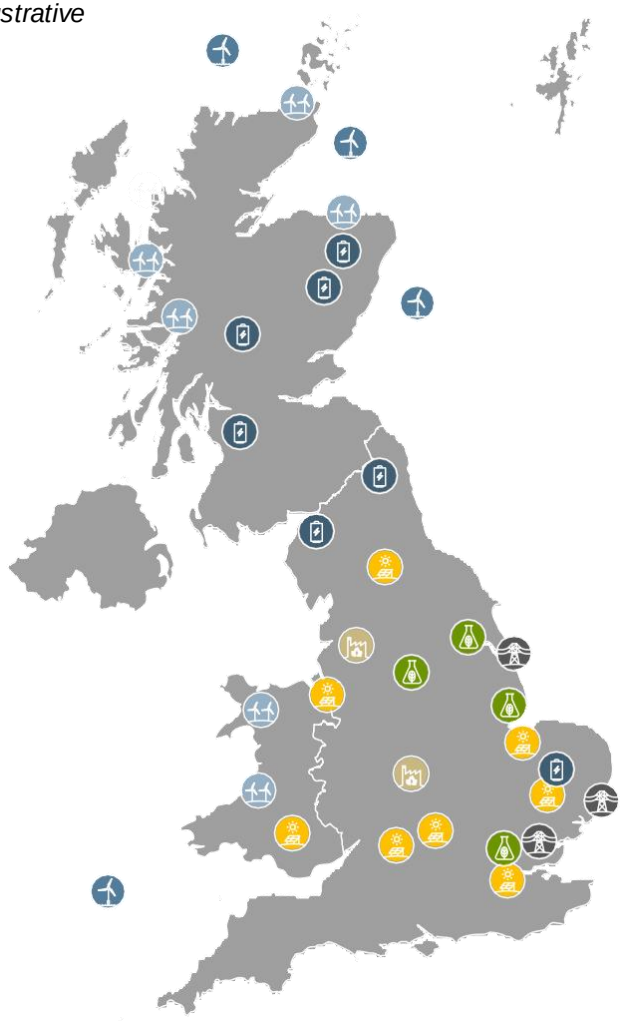
Important information: Past performance is not indicative of future performance and there can be no assurance that other investments in CIP's funds will achieve similar results or that any estimated returns will actually be achieved.
Notes: 1) As of 1 June 2024 unless otherwise stated. Including divested assets. * Correct as of October 2024

Onshore wind | Offshore wind | Battery storage | Solar PV | Waste to Energy | Biomass | Transmission

Overview: CIP is investing in UK project pipeline of >25GW, across 8 renewable techs.

Overview of CIP investments in the UK[1]

Illustrative



CIP Project	Capacity	Stage
Borea	273 MW	Divested
Bute	2,200 MW	Development
Beatrice	588 MW	Divested
Pentland	100 MW	Development
Celtic Sea	1,500 MW	Development
Ossian	3,600 MW	Development
Alcemi	4,300 MW	Development[3]
Rye[2]	2,000 MW	Development
Elgin[2]	8,500 MW	Development
Slough	50 MW	Construction
Lostock	60 MW	Construction
Brigg	40 MW	Divested
Brite	42 MW	Divested
Snetterton	44 MW	Divested
Kent	28 MW	Operations
Tarchon	1,400 MW	Development
Cronos	1,400 MW	Development

Highlights of CIP in the UK

High priority market for CIP as UK is leading the energy transition on many fronts

>25 GW capacity in operations, construction and development stage currently in the UK across power generation, storage and transmission

Renewable power generation capacity across current CIP investments enough to power more than **10m British homes**

CIP contacts for UK

Nischal Agarwal
Partner, Head of Flagship Investment Team in Europe.

Rowan Parkhouse
Director, Flagship Investment Team in UK

Alex Murley
Head of Government Affairs & Communications (UK/Ireland)

Rhys Jones
VP of Government Affairs & Communications (UK/Ireland)

Notes: 1) Includes both current and historical (divested) investments and development interests; **2)** Portfolio of projects covering both solar PV and battery storage technology; **3)** Consists of multiple projects, two of which have recently taken FID / NTP

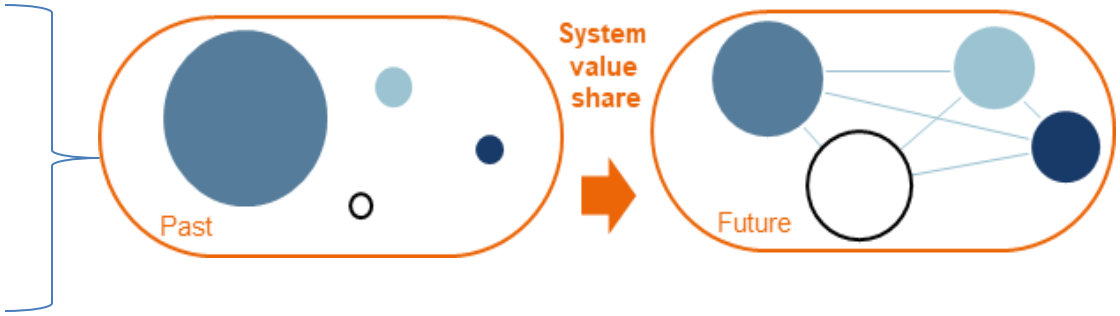
Market characteristics

Increasing market penetration of renewables is driving a reshaping of traditional market structures, and their coordination.

Market trends

Two "mega" trends currently redefining UK power market:

1 - Rise of central planning



2 - Market fragmentation

Key conclusions

New nature of competition

- **Government (not markets) increasingly picking winners…**
- **This is driving**

- **(a)** anticipatory network development
  - **(b)** alignment on sequencing/location of seabed leasing / spatial planning
    - **(c)** subsidy auctions.

New institutions

- In Autumn 24 the UK launched a **new independent National Energy System Operator** (NESO).
- NESO, supported by ~10 Regional Energy Strategic Planners (RESPs), will establish **a new influential force in coordinating the UK market's development**.

New market dynamics

- Relative value share of wholesale market is declining, with market value increasingly spread across a series of interconnected sub-markets (inc. Balancing & Ancillary markets).
- Traditional policy silos are breaking down, with **policymakers increasingly taking over-arching system perspectives**.

CIP is eager to collaborate with Governments through sharing market experience and optimising value

Note: 1) Review of Electricity Market Arrangement, 1st consulted on in July 2022, and again in March 2024. We now await new Gov. determination on how to progress a wide range of policy reform proposals.
Wholesale market = Half hourly trading periods, with 1 hour gate closure where Retail suppliers incentivized to self balance contracted generation with respective customer demands via either bilateral contracting or power exchanges, CfD market = Annual auctions to secure renewable new build, via separate technology pots, Cap. Market (CM) = Annual T-1 and T-4 yrs auctions to secure existing and new (peaking) capacity, Balancing market = Bid/Offer to change production made at gate closure, Balancing actions based on price merit and system need, with limited direct SO action, Ancillary Services market = Either directly procured by SO on availability grounds or marketized ahead of gate closure. *Assumed to be cheaper than Gas CCGT LCoE.

Accelerating investment / Opportunity

Policy mis-steps will undermine investor confidence at the precise moment the UK is required to dramatically accelerate procurement of clean power.

Element	KPIs	CIP insight
AR7 + wider reform	• AR7 & 8 'heavy lifting' • Establish UK lead for FLOW • Innovative reform which reflects market dynamics	• Establish a budget to progress eligible test and demonstration scale projects up to 100MW at AR6 ASP ✓ • Extend the CfD tenor to 20-years to provide increased confidence and to extract greater value form budget allocations ✓ • De-coupling of grid and array consenting such that consented projects may bid for CfD, thereby enabling acceleration ✓
REMA	• Evolution not revolution • Cost of capital minimisation • Whole system cost minimisation • Risk/cost allocation • Safeguard investor confidence • Speed of essence!	• Zonal will impose an unmanageable step-up in material risk for investors × • Short and long-terms risk due to large gaps in policy development (e.g. grandfathering rights) and the inherent risk of a zonal regime (e.g. balance of constraint payment reduction vs. increased cost of capital) × • Planned generation / network capacity aligned to connection reforms reduces the need for locational price signal ✓ • Granular investment signals can be given through network charging or, more directly, via regional energy system planning (RESP), leasing and planning permissions ✓ • Battery storage costs are falling:- locational differences can be managed through more storage very efficiently ✓ • Generation investment driven by CfD. Zonal would not change where assets are built as costs get equalized through CFDs ✓
Supply chain	• Successful implementation of CIB / IGP and coherent interaction between the two • Alleviation of HVDC constraint central to green industrial strategy	• UK increasing reliance on HVDC orders for delivery of more complex / further from shore projects × • HVDC Supply chain tightness is negatively affecting development of (a) offshore projects, (b) Offshore/onshore network, and (c) Interconnectors…. causing (a) longer lead times, (b) upfront CRA fees / commitments which are increasing pre-FID exposure / risk, and (c) increasing capex overall. × • Critical for regulators / Government to work proactively with industry to solve HVDC supply chain constraints. ✓
Innovation	• FOAK delivery • Regulatory flexibility • Policy adaptability • Long-termism and bi-lateralism	• There are currently no UK ports which have been used for or are prepared for FLOW. × • Need to establish CfD pathways for technologies in transitional water depths ✓ • Network planning needs to bake in potential for innovative infrastructure such as UK energy hub, which can support development of local HVDC supply chain, enable / anticipate future hydrogen infrastructure and reduce construction complexity, risk and cost for future interconnectors ✓