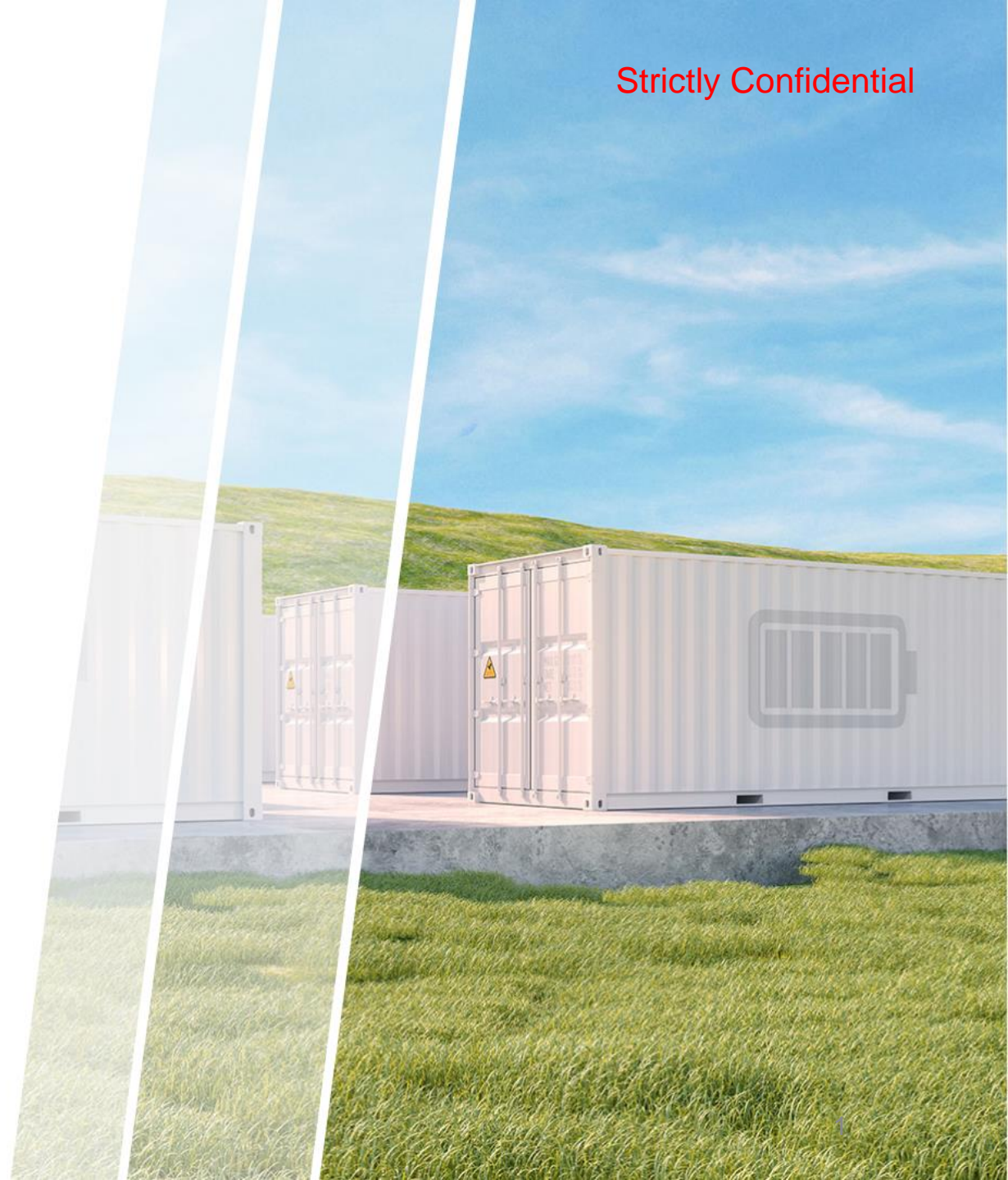


Landscape of Utility-Scale BESS Investing

VIENNA: get enspired! 2023

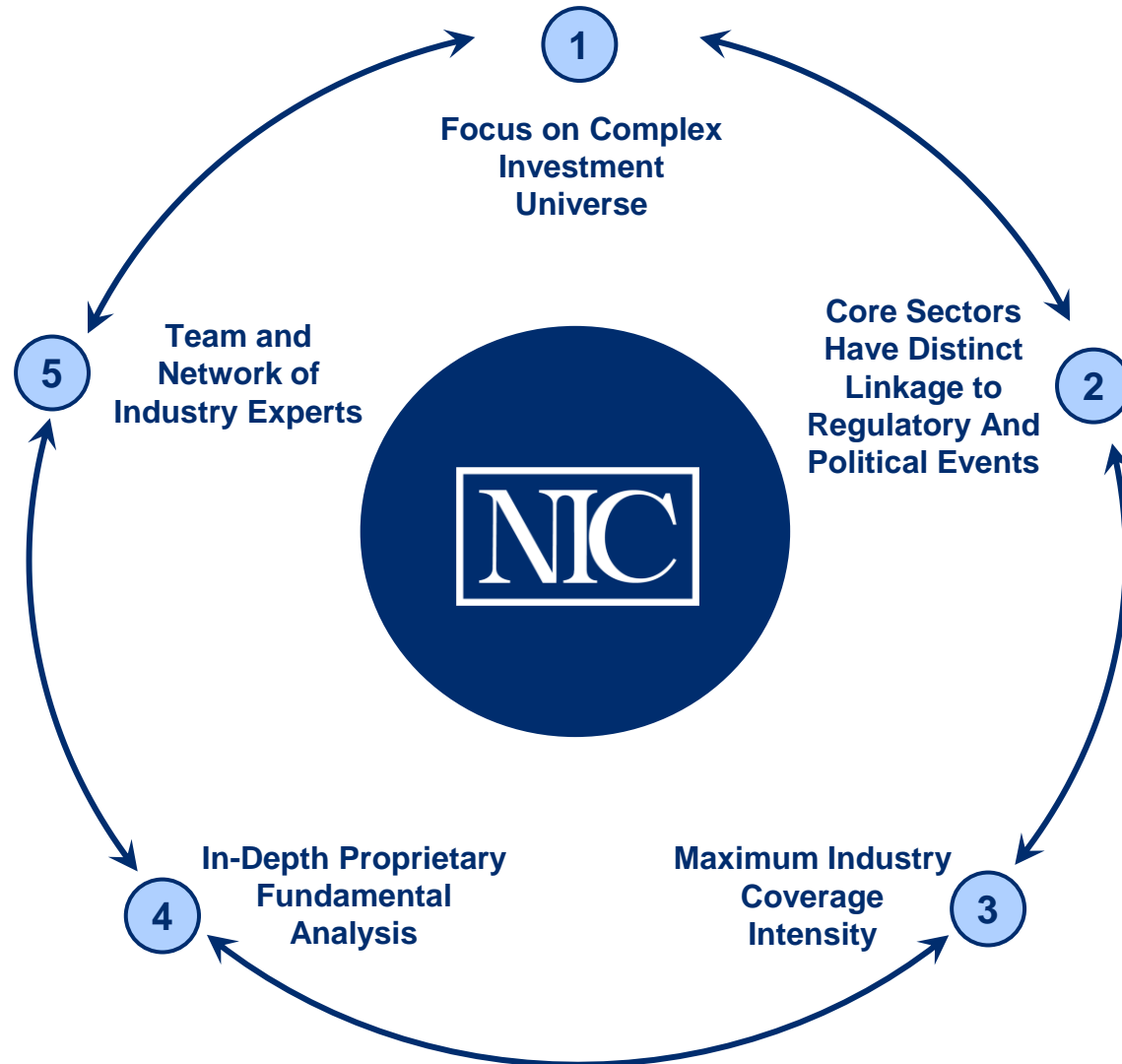
19 September 2023



Introduction to Nature Infrastructure Capital (NIC)

- 1 **Nature Infrastructure Capital (NIC)** was incorporated in 2016. Together with its associated businesses NIC manages c.\$2bn in capital across both private and public equities, spanning hedged and directional strategies. The group has 60 staff incl. 30 dedicated investment professionals and has a global presence
- 2 **Sector Focused.** With a singular focus on core sectors, NIC's investment approach is applied across public and private equity, providing a differentiated perspective and enhanced emphasis on fundamentals
 - Dedicated research team generating an analytical edge with specific deep expertise in regulatory and legislative processes across public and private markets
 - Access to extensive network with management teams, industrial and operational specialists and sector investors, dedicatedly built over 15+ years driving insight and intelligence that underpins NIC's investment thesis in both public and private investment opportunities
- 3 **Stage-Agnostic.** NIC believes businesses should be analysed based on fundamentals, not on their stage of development or financing structure
 - NIC invests across the various stages of growth of a company's lifecycle
 - Given NIC's sector focus, deep knowledge of the ever-evolving policy/ regulatory landscape in key markets and significant relationships with top management teams
 - NIC's investments and relationships with management teams of target companies are driven by a set of key governing principles (partnership approach for full alignment, flexibility of capital and long-term 'industrial approach' to asset management)
- 4 **ESG.** NIC fully integrates ESG metrics into investment decisions with the support of a team of dedicated professionals managing proprietary impact models




NIC Investment Strategy & Approach



- 1 Focus on Complex Investment Universe:** Complex and large investment universe (Energy, Utilities & Infrastructure) with multiple drivers (macroeconomic, political, regulatory & commodity-linked) serves as a barrier to new entrants and creates competitive advantage for detailed research-intensive strategy
- 2 Core Sectors have distinct linkage to Regulatory and Political Events:** Understanding intricacies of each regulatory system as well as the entire value chain of each sub sector on a global basis gives rise to opportunities in a dynamic environment
- 3 Maximum Industry Coverage Intensity:** Maximal coverage intensity for publicly-listed peer universe on a daily basis, supported by a large research team, provides high-level insights to make educated investment decisions
- 4 In-Depth Proprietary Fundamental Analysis:** Fundamental analysis approach leads to unique ideas/ angles on deal situations
- 5 Unparalleled Team & Network of Industry Experts:** Powerful combination of a dedicated team with broad sector expertise, network of industry experts and access to key decision makers

The Obvious Stuff...

Selection of Current Observations of Battery Storage Investment Around the World

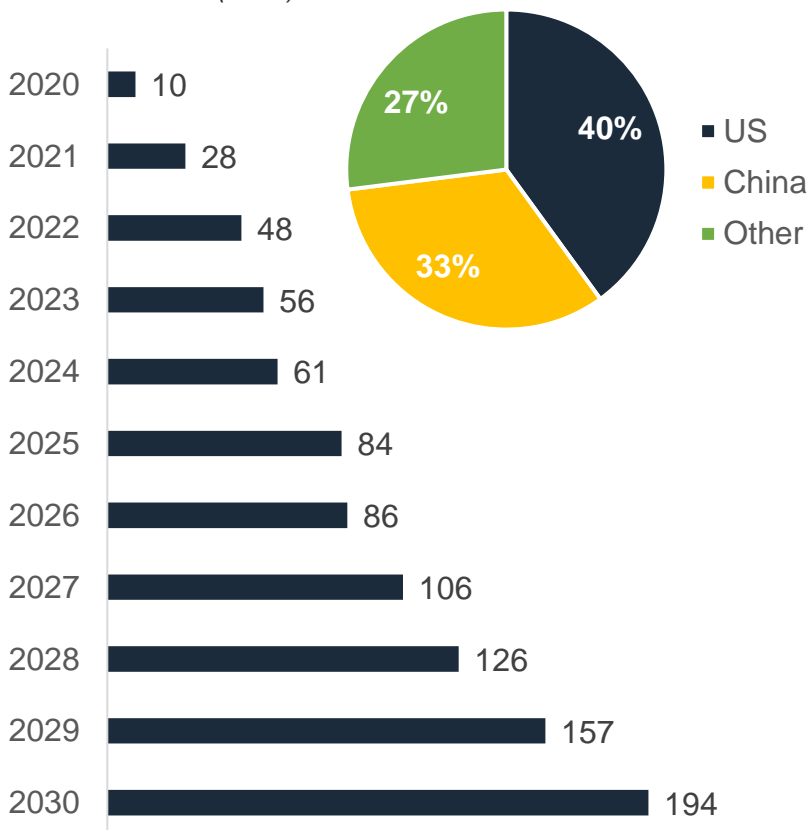
 <p>Need for Flexibility is Everywhere</p>	<ul style="list-style-type: none"> • Race to Net-Zero with renewables contributing the most to decarbonising electricity: generation from renewables expected to nearly triple by 2030 and grow eightfold by 2050 • Will result in massive need for more network capacity and flexibility – battery storage will play key role • IEA expects global battery storage capacity to increase from ~18GW in 2020 to 585GW in 2030 and ~3,100GW in 2050
 <p>Geographical and Regulatory Landscape Supportive</p>	<ul style="list-style-type: none"> • Utility-scale BESS investments advanced in only a few geographies: USA, Australia, UK • In Europe, UK had dominated BESS investments so far thanks to clear policy framework and viable revenue stack • Rest of EU has lagged – catch-up underway with strong acceleration expected • Financing and R2M offerings developing on a day-by-day basis
 <p>Investment Dynamics are Constantly Changing</p>	<ul style="list-style-type: none"> • Changes in regulatory environment and revenue stack will have significant impact on returns • Uncertainty of price forecasts remains high - how revenue streams develop is intrinsically linked to build-out expectations • Recent price drops in battery systems have pushed down initial investment costs – will price decreases continue? • Value of partnerships for investment opportunities?

We Need a Lot of Flexibility, and Flexibility is Going to Get Cheaper

Supported by Significant Cost Reduction

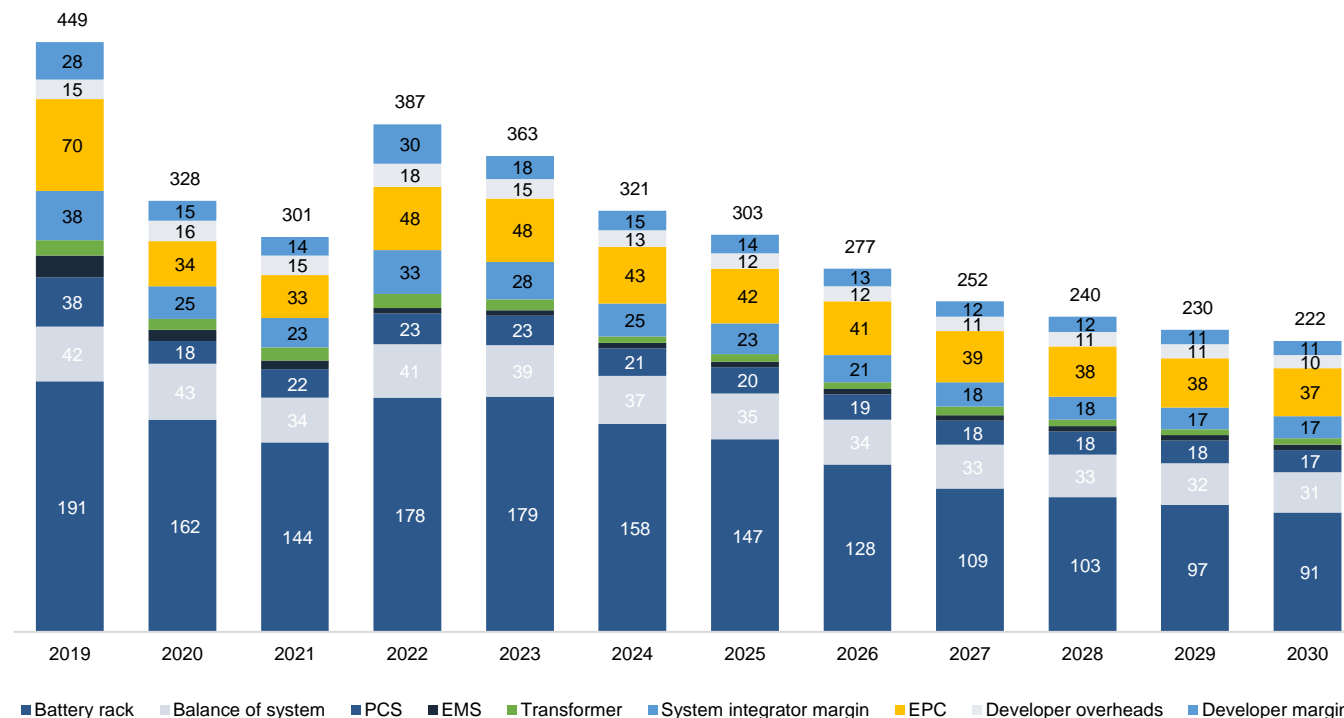
Global Energy Storage Annual Capacity

Annual Additions (GWh)



Global Average Costs for a 2H BESS - (Real 2022, £/kWh)

Real 2022, £/kWh



UK Leading in Terms of Market Maturity in Europe – Rest Lagging Behind

Significant Growth Potential Across Europe for Battery Storage – Policy Frameworks Key to Support Growth

BESS Market Landscape in Europe

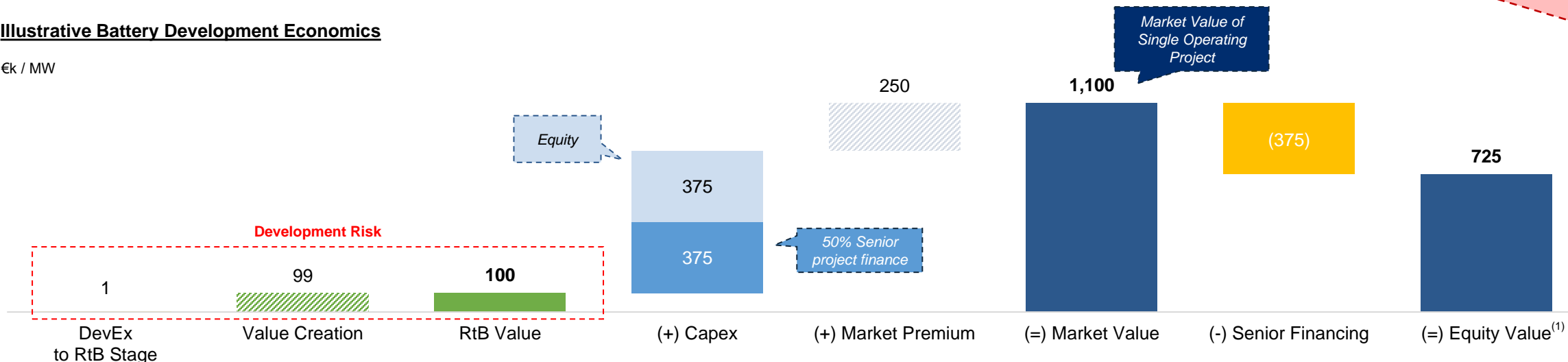
<p>UK</p>	<ul style="list-style-type: none"> • Global leadership • Attractive revenue stack, but strong competition very high prices
<p>Italy and Germany</p>	<ul style="list-style-type: none"> • Development process challenging, policy framework appears supportive • Germany has large potential, needs further development
<p>Rest of EU</p>	<ul style="list-style-type: none"> • Opportunistic investments in other jurisdictions • Combination of supportive policy and attractive fundamentals remains rare
<p>Global Acceleration</p>	<ul style="list-style-type: none"> • Energy crisis and increased build-out of intermittent renewables driving need for flexibility • Expect strong support for BESS investments

Understanding Battery Project Economics

Illustrative Unit Economics for a Battery Asset

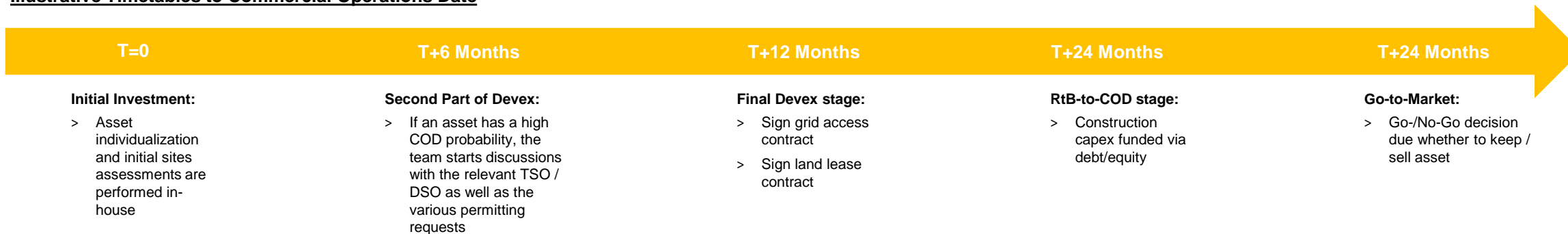
Illustrative Battery Development Economics

€k / MW



Illustrative

Illustrative Timetables to Commercial Operations Date



Note: (1) Assuming no taxes.

Thoughts on Investing in Flexibility (1/2)

Significant challenges in the investing environment

Investment Questions

<p>Importance of Batteries for Utilities</p>	<ul style="list-style-type: none"> • Hedge with renewables generation fleet • Battery targets are getting aggregated into capex programs
<p>Future of Historical Generation</p>	<ul style="list-style-type: none"> • Importance and support to historical generation fleet • Technology providing flexibility still to be determined
<p>Trapped Assets</p>	<ul style="list-style-type: none"> • The vast majority of BESS is the system • Additional systems will be added until cost of capital is reached
<p>Development Premium</p>	<ul style="list-style-type: none"> • Historical industry focus on technology and monetisation, but significant amount of value is from development process
<p>Value of Platforms</p>	<ul style="list-style-type: none"> • Renewables platform value lie in the hard renewable development process
<p>Senior Financing</p>	<ul style="list-style-type: none"> • Ecosystem requires significant development

Thoughts on Investing in Flexibility (2/2)

Significant challenges in the investing environment

Investment Questions

Valuation Challenges	<ul style="list-style-type: none"> • Intrinsic value of flexibility is hard to translate into underwriting case • E.g. conceptual understanding that there will be increased number of extreme weather events, but difficult to translate into value
Macro Environment	<ul style="list-style-type: none"> • Rates / economic environment changes at the point where the industry is taking off and in need of financing
Potential Changes in Market Structure	<ul style="list-style-type: none"> • Energy markets across the world are undergoing transformation
Market Uncertainty	<ul style="list-style-type: none"> • Support schemes for batteries are at infancy and subject to changes
Critical Infrastructure / Onshoring	<ul style="list-style-type: none"> • China/Asia supremacy in batteries and increased focus on potential geopolitical tensions

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