



**ENN 新奥**

ENN Energy Holdings Limited



# 9M21 Operational Update

## Company Presentation

28 October 2021

# 1Q-3Q Highlights

MSCI ESG Rating Upgraded to **A**

Retail Gas Sales Volume Up **20%**

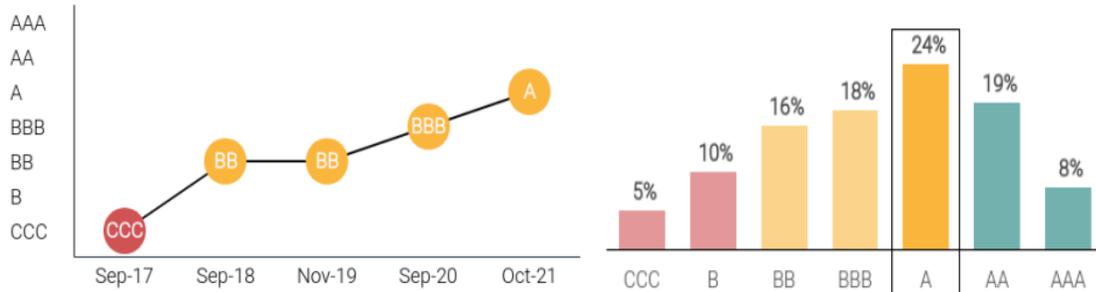
Dollar Margin Slightly Down to **0.55/m<sup>3</sup>**

C/I and Residential Development Up **46%** & **17%**

Integrated Energy Sales Volume Up **61%**

# Continue to improve ESG performance

## MSCI ESG rating upgraded to A



## Hang Seng Sustainability Index ESG Rating



恒生指數  
HANG SENG INDEXES



Hang Seng Corporate Sustainability Index

Overall ESG rating



## Published "Decarbonisation Action 2030 - Journey to Net Zero"

**ENN Energy's Net-zero Roadmap**  
The 2030 target covers emissions from city gas business, IEB energy generating facilities and office operations

**2021 Decarbonisation Action 2030**

**City Gas Business Operations**

- ME Management
  - International transparency standard
  - Completed ME policy and actions
  - Onsite detection technologies
  - Co-reduction with eco-partner
- Energy Transportation Decarbonisation
  - Clean energy vehicle
  - Intelligent measures improving reduction efficiency
  - Co-operation with eco-partners
- Green Office
  - Energy conservation in office building
    - Renewable energy use
    - Smart energy management in office
  - Lighting and air-conditioning system upgrading
  - Green building standard
  - Low-carbon Travel

**IEB Energy Generating Facilities**

- Target to reduce GHG emission intensity by 48% by 2030 compared to 2019
  - Increase the proportion of renewable and zero-carbon energy used to 36% by 2030
  - Improve energy generating efficiency by 5% by 2030
  - Establish CCUS pilot projects for IEB around 2025, which is expected to neutralise 5% carbon emissions generated from natural gas consumption

**2030 Intensive Action**

- Become a leading low-carbon IE eco-operator in China
- Scale up renewable energy consumption
- Higher net-zero energy consumption ratio
- Wider use of green, carbon-negative technologies.

**2050 Our Target**

- Net-zero Emission**
- Self-operation coverage (scope1&2)
- Significant emission reduction
- Neutralise unavoidable emissions with advanced technologies and nature-based solutions
- Not rely on purchased carbon offset

**Serve and Progress Low-carbon and Clean Development of the Society**

- Low-carbon Industrial Parks and Green Factories**
  - To help our customers build 50 green factories and 50 low-carbon industrial parks by 2025
  - The number of green factories and low-carbon industrial parks we served for customers will increase to 200 respectively by 2030
- Green Buildings**
  - Leveraging on our IE technologies and experiences of energy management for customers, we provide green buildings solutions and building energy-saving services for architectural customers
- Green Households**
  - We have identified household customers' pursuit of smart energy usage, safety and low-carbon life, and served them with digital and intelligent technologies such as LoRa, LoT, big data, etc.
- Green Technology**
  - Pay attention to the development and progress of biomass, geothermal, energy storage, hydrogen energy and CCUS technology

## Initiated the city gas industry to sign "China City Gas Enterprise Methane Control Initiative"



# Analysis of Financial Impact due to Climate Change based on TCFD Framework – ENN’s Henan Provincial Company

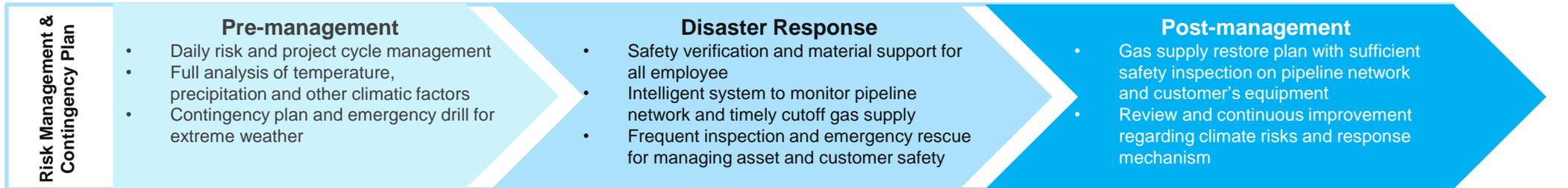
**Climate Risk – financial impact was around RMB33.75 million under extreme condition**

<b>Transition Risk</b>	Low Risk	Technology – fail to invest in new technologies		
		Market – disrupt product supply		
		Market – increase gas cost		
	<b>Physical Risk</b>	Low Risk	Acute – impacts on operation caused by typhoon	
			Acute – impacts on operation caused by extreme heat/cold	
			Chronic – impacts on operation caused by sea level rise	
	<b>High Risk</b>	Acute – extreme precipitation and flood	Additional expenditure: RMB2.88 million Assets loss: RMB30.87 million (excl. insurance) Additional financing cost: RMB0	

Assets loss (74% are insured) accounted for 0.5% of Henan Provincial Company’s total assets. The affected gas sales volume accounted for only 0.8% of its annual gas supply. **There was no significant financial impact identified.**

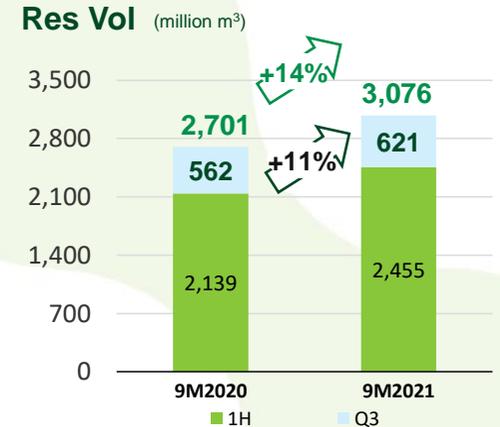
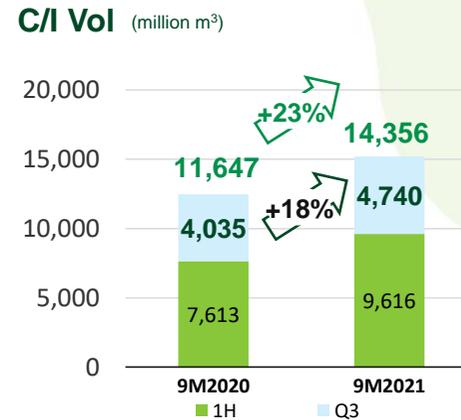
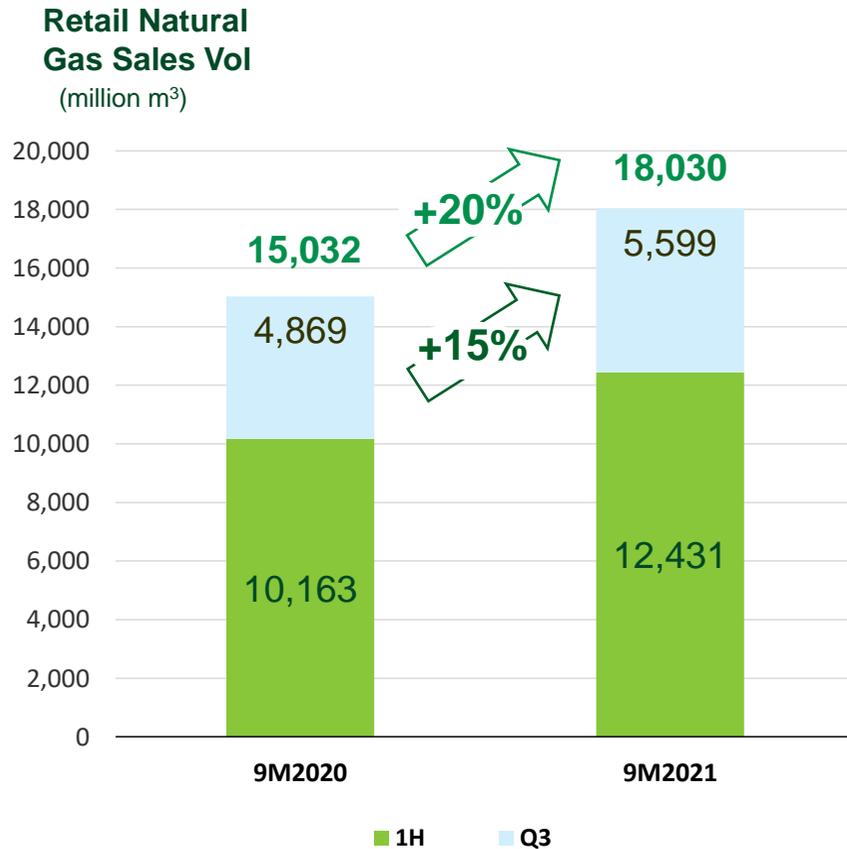
**Climate Opportunity – gain of RMB 170 million to RMB440 million per year over the next five years**

<b>Energy Source</b>	<b>Significant Opportunity</b>	Low-emission energy needs – growth potential for clean energy business	Needs of renewable energy including solar, biomass and geothermal energy could boost revenue growth: RMB90 million to RMB290 million
	<b>Opportunity</b>	Needs of low-carbon products and services	Annual revenue forecast: RMB 60 million to RMB120 million
Supportive policies and incentives		Annual revenue forecast: RMB20 million to RMB30 million	
<b>Adaptability</b>		Diversified business portfolios with clean and low-carbon energy replacing high-emission fuels, enhance our resilience and adaptability towards climate change	



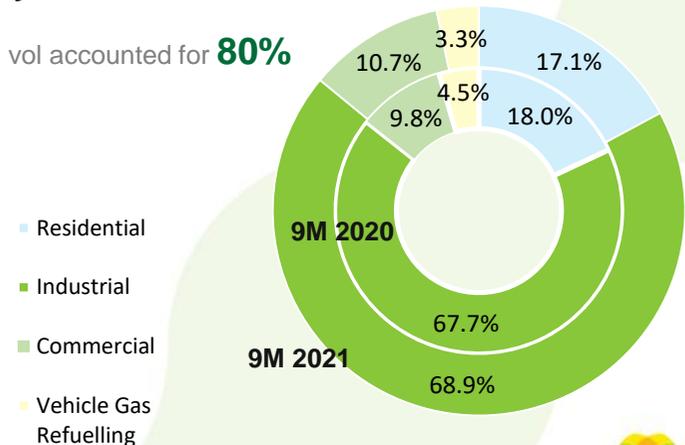
# Rapid Volume Growth

With a flexible pricing strategy and resources planning, ENN Energy seized the opportunities of coal-to-gas conversion, the carbon peak & neutrality targets and clean heating to continuously expand gas sales volume, achieving a yoy increase of 20% in retail gas sales volume.



## High Quality Gas Vol Structure

C/I gas sales vol accounted for **80%**



# Dollar Margin

ASP & Gas Cost (RMB/m <sup>3</sup> )	9M 2021	9M 2020	1H 2021
Residential	2.98	2.84	2.93
C/I	3.01	2.73	2.93
Vehicle Gas Refuelling	3.88	3.40	3.78
<b>ASP</b>	<b>3.03</b>	<b>2.78</b>	<b>2.95</b>
<b>Average Cost</b>	<b>2.43</b>	<b>2.11</b>	<b>2.34</b>
<b>Dollar Margin (ex. VAT)</b>	<b>0.55</b>	<b>0.61</b>	<b>0.56</b>

- ✓ In July, the city gate price rose by another 5% on the basis of April (i.e. 10% hike over benchmark level), and Sinopec raised gas price by 15-25% in September
- ✓ Surge in LNG input cost yoy
- ✓ Most of the res vol in Hebei, Shandong, Henan, and Guangxi affected by price hike completed pass-through

# Coordinate and Optimize Resource Procurement

Optimize resources procurement via diversified channels to ensure stable supply during the heating season and reduce gas costs. Guide resources procurement based on precise demand, and dynamically optimize customer supply models and price packages with resources, to achieve the best matching between customers and resources.

## Pool of Resources

- Deepen strategic cooperation with three oil majors to ensure stable gas supply
- 1.44 mil tons of long-term LNG contracts, with measures taken to control the cost of import
- Over 1.5 mil m<sup>3</sup>/day of unconventional resources from Shanxi, Shaanxi and Sichuan
- 100 mil m<sup>3</sup> of gas storage capacity
- 1 mil m<sup>3</sup>/day of LNG from local LNG plants locked-in in advance

## Customers

- Guide resources procurement according to customers' gas demand and affordability
- Carry out customer-resource optimal matching, ensure low-cost resource procurement and maximize the value of resources and customers
- Based on carbon peak and neutrality requirements, we provide personalized package products such as "gas + multiple energy + low-carbon services" to meet the needs of customers

## Products

Customer Awareness Products

Resource awareness and resource forecasting products

Demand forecast and products matching by customer tiers

Natural gas + multi-energy/service package products

# Actively Promote Market-based Pricing Mechanism

## Favorable policy

### Upstream and downstream price linkage mechanism

- Hebei "Notice on Further Regulating Natural Gas Price Policy" Sep. 2021
- Hunan "Notice on Establishing the Price Linkage Mechanism of Natural Gas Upstream and Downstream in Hunan Province" Oct. 2021
- Gansu "Notice on further clarifying the price linkage mechanism between the up-and-down-stream of pipeline gas" Sep. 2021
- Guangxi, Ningxia, Shanghai

### LNG cost pass-through

- Shandong "Notice on the liberalization of LNG sales prices" - LNG can be sold to C/I users with cost pass-through, i.e. high-in-high-out is implemented Oct. 2021

## Pricing models

### ① Non-residential price adjustment mechanism

- Main Region : Luoyang, Yantai, Guilin
- Adjustment method: Gas distributors can fully pass on upstream price hike simultaneously, and only need to report and file to the local government

### ② LNG cost pass-through for citygas projects

- Main Region: Shandong
- Adjustment method: Gas distributors can pass on increased LNG cost to C/I users, high-in-high-out.

### ③ Sales and purchase agency mechanism

- Main Region: Jiangsu
- Applicable business: Incremental vol and additional gas purchase for non-residential users; gas supply agreement
- Pricing formula: Selling price = actual purchasing cost + gas distribution margin

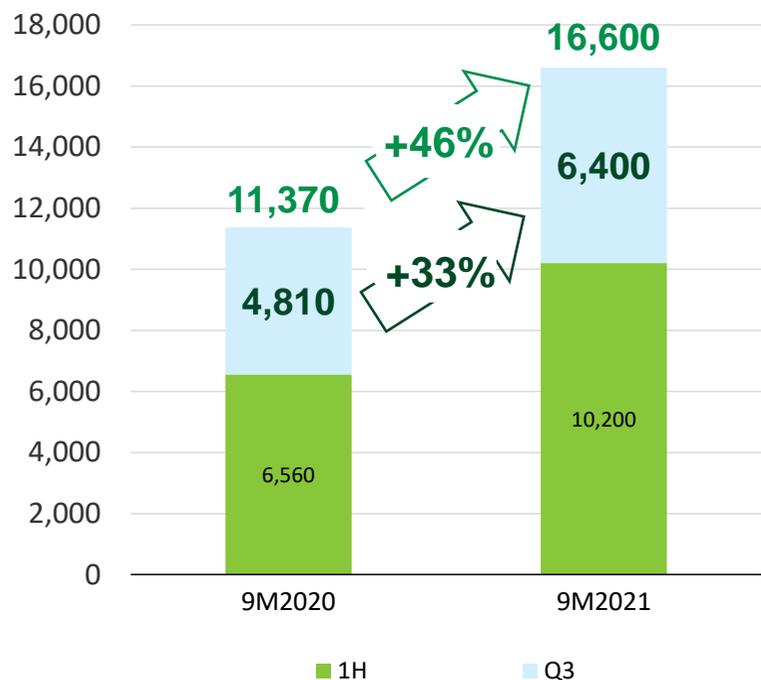
### ④ Monthly selling price adjustment system

- Price: Selling price based on weighted average cost of contract vol and incremental vol
- Pricing cycle: Monthly basis

# New Users Development Accelerated, FY21 Target on Track

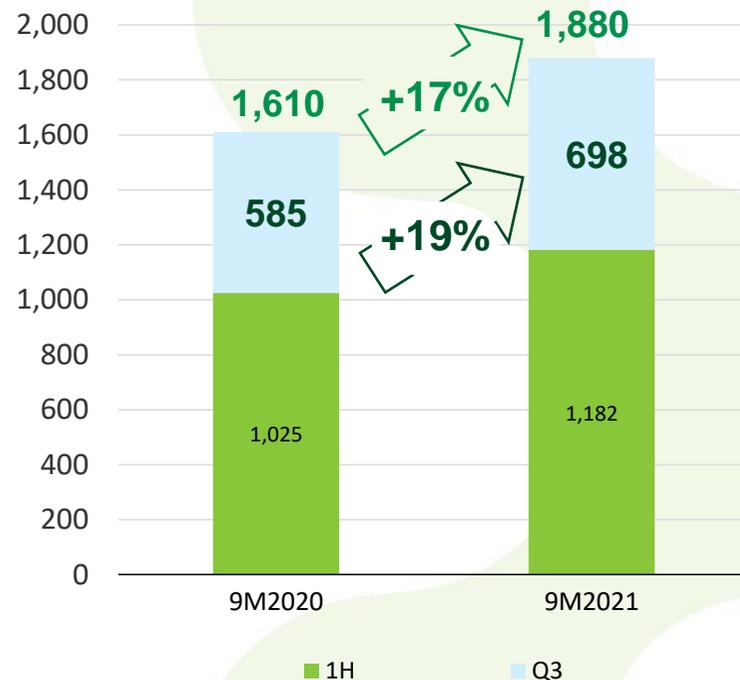
**New C/I Installed Designed Daily Capacity**  
(‘000 m<sup>3</sup>/day)

FY21 Guidance: 20mil m<sup>3</sup>



**New Residential Household**  
(‘000 household)

FY21 Guidance: 2.4mil households



# Provide Low/Zero-Carbon Integrated Energy Solutions

Assist our customers achieve low/zero carbon development through our demand-driven integrated energy solutions and services, which prioritise the use of renewable energy sources based on local conditions.

## Favorable Policies

*“Proposal of Modifying the Mechanism of Double Control on Energy Consumption Intensity and Volume” Sep. 2021*

- Each region was allocated its respective target to reduce energy consumption intensity and volume, and local governments will be evaluated by NDRC on a regular basis

*“Opinions on the Complete Implementation of the New Development Concept to Accomplish Carbon Peak & Neutrality” Sep. 2021*

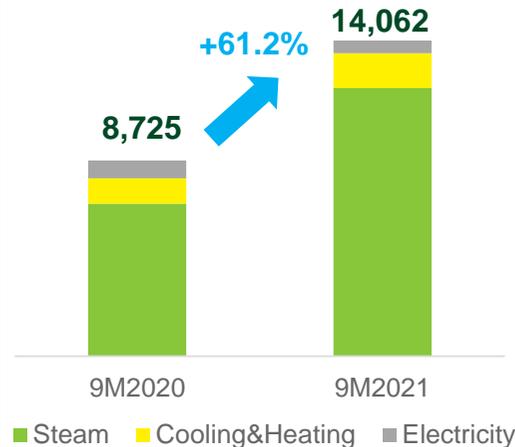
- Build a green & low-carbon circular development economic system
- Improve energy efficiency
- Increase the proportion of non-fossil energy consumption
- Reduce the level of carbon dioxide emissions
- Enhance the carbon sink capacity of the ecosystem

*“Implementation Opinions on Deepening the Reform of ‘Decentralization, Administration, Servicing’ in the Energy Sector to Optimize the Business Environment ” Sep. 2021*

- Promote the construction of distributed power generation market & implementation of guidelines allowing electricity to be sold to different users directly by distributed power generators

## 1Q-3Q Performance

### Integrated Energy Sales Vol (mil kWh)



### Operating projects



139

### Under Construction

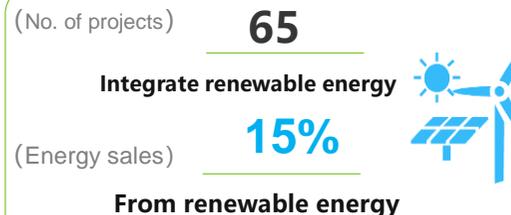


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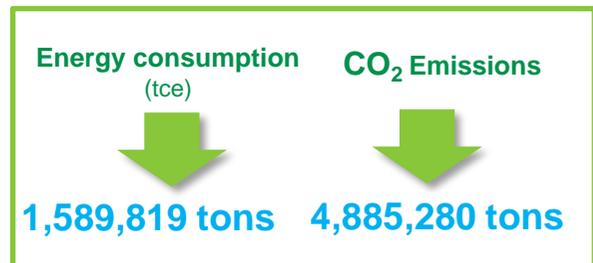
Energy sales potential

>35 bil kwh

### Clean energy solutions for customers



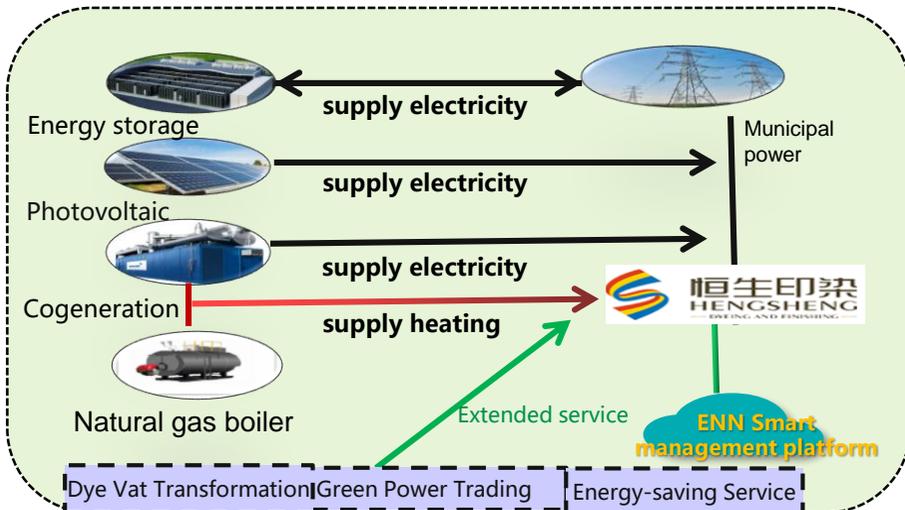
### Positive environmental impact for customers



# Carbon Peak & Neutrality promotes the Development of IEB

The exclusion of green and low-carbon factories from the double control policy stimulated customer demands on energy conservation and emission reduction, providing huge development opportunities for IEB.

## Hengsheng Dyeing & Finishing Low-Carbon Factory



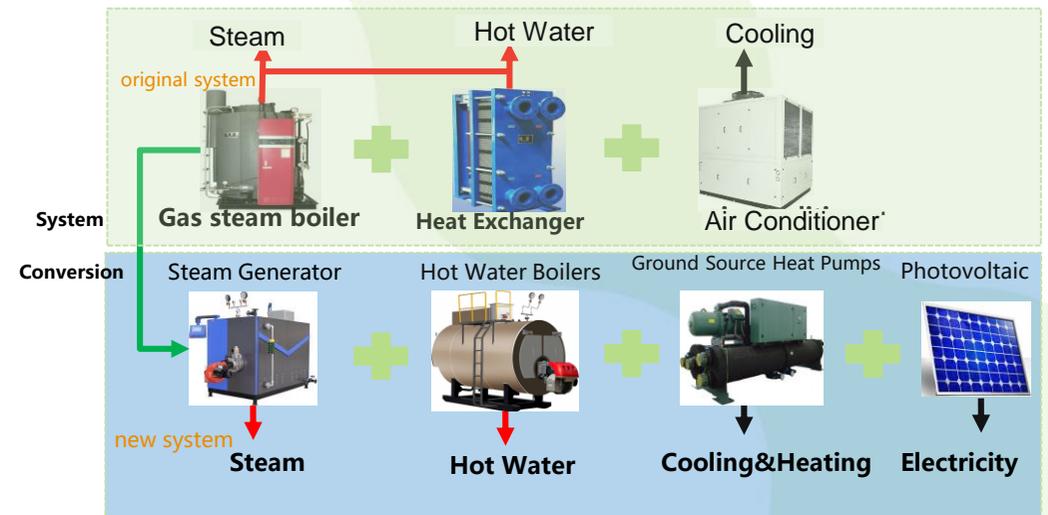
### Customer pain points:

- High-energy-consuming, with an annual electricity and steam consumption of 90 mil kWh and 300,000 tons respectively
- Since power curtailment, they have been short of 225,000 kWh/day
- The coal water slurry boiler was shut down, leading to a shortage of steam of 40-60 tons/hour

### Low-carbon integrated energy solutions:

- Photovoltaic 2MW + internal engine 6MW + residual boiler + energy storage 2MW + natural gas boiler 2 sets of 20 tons + dye vat steam to gas + green electricity transaction + sewage source heat pump + energy saving service

## Green Building of the First People's Hospital in Chuzhou City



### Customer pain points:

- Obligation to reduce carbon as a municipal public institution
- The two boilers were obsolete, high energy consuming and high emissions
- The steam pipe network aged and corroded

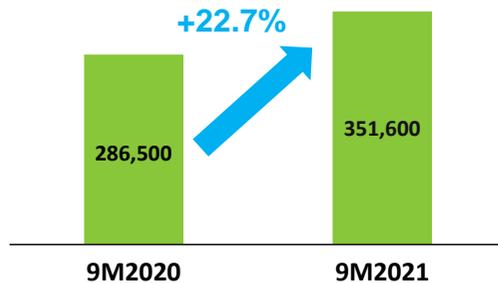
### Low-carbon integrated energy solutions:

- 3 sets of 2.1MW hot water boilers + 2 sets of 1t/h steam generators + ground source heat pumps + photovoltaics

# Expand Value-Added Business

Based on customers' demand for safety, aesthetic and convenience, while increasing the market share of existing kitchen and security products, actively promotes heating products around the mid and lower reaches of the Yangtze River. Expand business scale via customer targeting.

## [Gratle] Sales Vol



## Rising penetration rate

New customers

19% ↑

9M2020: 14%

Existing customers

8% ↑

9M2020: 6%

## Increase the scale and depth of kitchen & security products

- Increase kitchen product sales by enriching the variety of kitchen products, and by improving brand promotion and marketing
- Increase the promotion and application of security products from the perspective of ensuring the safety of customers

## Meet customers' needs for heating through diversified products

- Focusing on Yangtze River Delta, provide a diversified products & services, value generated per customer improved significantly
- Utilizing the concept of integrated energy, using gas boilers, air source heat pumps, deep geothermal and other clean energy supply methods based on local conditions, to provide customers with low-carbon heating solutions

## Develop innovative products such as digital products & kitchen products & Low Carbon products

- Expand Digital products such as LoRa in combination with smart, low-carbon energy demand

# Q&A

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