

## **Dutch Government in favour of German State participation in TenneT**

Last September, the Ministry of Finance informed the Dutch Lower House of Parliament in a letter about the procedure to resolve TenneT's capital requirements (TenneT's equity). This is a process that we go through together with our shareholder and in which we have intensive contact with all the parties involved. As you may already know, the capital requirements have arisen, on the one hand, from the steep increase in our investments in far-reaching measures to make the energy system in both Germany and the Netherlands more sustainable, and on the other, from the expectation that the returns on our investments will drop, primarily because of the persistently low rate of interest. In the letter, the Minister of Finance, Wopke Hoekstra, listed a number of possible solutions that need to be investigated, particularly for meeting the capital requirements for our operations in Germany. After all, the Dutch State's basic principle is that as a shareholder it only contributes to the capital requirements of the Dutch part of TenneT. Our capital requirement is expected to be 2 to 3 billion euros over the next four years, and calculated over a longer period this could be double.

### **Holding on to the advantages of a single, transborder TenneT**

Now, more than six months later, a second letter to the Dutch Lower House of Parliament presents a preferred scenario, i.e. *German state participation in TenneT*. It means that the government has come to the conclusion that a minority interest of the German state in TenneT Holding or TenneT Germany is preferable. According to the government, this scenario fits best within the formulated political objectives and preconditions. The objectives are holding on to the advantages of TenneT's cross border steering and lowering the financial risks for the Dutch state that the German operations involve. The preconditions consist of guaranteeing the public interests and national security. TenneT is cooperating closely with the shareholder and supports this next step.

### **The Dutch and German governments are exploring all the possibilities, not just the financial ones**

The Dutch and German governments have also signed and published a *Joint Declaration of Intent* (JDI) to stress the mutual political interests. The JDI includes arrangements to expand collaboration on energy between Germany and the Netherlands and to continue exploring whether German state participation in TenneT is an option, bearing in mind that each state will only contribute equity to finance TenneT's investments in its own country. Both countries have agreed, with TenneT's consent and cooperation, to hold exclusive talks and negotiations in the coming months to work out the details.

### **More intensive collaboration on grid development, system integration and innovation**

Over the past decade, we have managed to produce some major socio-economic advantages with our cross border partnership, such as greater security of supply, lower and less volatile electricity prices and many lessons learned in our sustainable offshore and onshore investments, leading to lower costs for society. We know like no other that the energy transition will be more successful and more efficient if we stop limiting our thinking to national boundaries and create yet more space for (international) collaboration and innovation. This is why TenneT strongly supports the intention of both the German and Dutch governments to intensify collaboration on grid development, system integration and innovation. In fact, if the two governments, who will perhaps both soon be shareholders in a single, transborder and integrated TenneT, work more intensely together, the energy transition in Northwest Europe could prove cost efficient. TenneT is preparing for its pioneering role in the energy transition, and closer collaboration with the German government, both in financial terms and in terms of the energy policy, is very much a part of that.

### **TenneT with complete top team in shape for the next phase of growth**

We have been very busy getting our internal organisation in order over the past twelve months, and we are proud of the result. Like a team of elite athletes preparing for the European championships, we have used Transforming TenneT to concentrate more on our strategy, building a new organisation, setting up processes that will enable us to grow and making a start on developing our (leadership) culture with a focus on teamwork, courage and responsibility. By 1 July, TenneT will be as solid as a rock: a full team in excellent condition. We are pleased that in this team we have

found a good balance of German and Dutch colleagues, male and more than 30 percent female colleagues and a good diversity of thinking from TenneT and from the market (5 new Associate Directors and a permanent People Director). We believe that this new, integrated organisation is the best possible way to face the challenge of guiding the energy transition along the right path for TenneT as a business that revolves both around people and society, in the Netherlands, in Germany and certainly in Europe.

**The beginning of the negotiating stage, a careful process that needs time**

The letter to the Lower House and in particular the signing of the JDI mark the beginning of an intensive period of trilateral talks and negotiations between TenneT and the Dutch and German governments. Matters like the price and terms of a possible transaction will need to be discussed. In addition to the valuation of the company, it also concerns, for example, the level at which the German State will invest if everything goes ahead: TenneT Holding or TenneT Germany. All parties are aiming for an outline agreement before the end of the year. Of course, we will be making an important and active contribution to this process. We have frequent and good contact with our Dutch shareholder (the Ministry of Finance), the Dutch energy policymaker (the Ministry of Economic Affairs and Climate) and the German government. In doing so, we will continue to give the highest priority to our pivotal role in the energy transition and the interests of all our stakeholders: customers, communities, business partners, bondholders and employees alike.

This process is complex and beset with uncertainties so we have decided to issue Green Hybrid Bonds, 50 percent of which will be regarded as equity, before the year is out, in accordance with our financing plan. By doing so, we can ensure that our good credit rating is guaranteed for 2021; it will give us the time to follow the process through carefully. Moreover, in his letter to the Lower House of Parliament, the Minister says that, if necessary, capital will be provided for both the Dutch and the German parts of TenneT to maintain the company's credit rating, which means that we have a guarantee for 2022 too.

We will let you know how this important process is developing as soon as expedient. Furthermore, we hope that we can rely on your patience and understanding while we take the time to diligently work on the best solution.