

Marc England, Chief Executive Officer's address to Genesis Energy 2020 ASM

Slide: Marc England Portrait

Kia Ora everyone. Thank you, Barbara, for the kind introduction, and for providing an overview of some of the challenges and opportunities the company has faced in what has been a turbulent year.

While it is tempting to think COVID is now mostly in our rear-view mirror, I think it is important to acknowledge that the effects on the economy will be long lasting and stretch beyond this year. Barbara has already discussed the care packages we have put in place for the last lockdown. We will continue to support our people and our customers through difficult times ahead.

I am proud of how our teams have stood up and performed under pressure during a year dominated by the pandemic. This is testament to our strong team culture, resilience as a business and our ability to find innovative solutions to problems that our business has not faced before.

The fact that our teams thought of using Augmented Reality technologies such as Hololens to carry out plant inspections remotely at our generation sites encourages me. These sorts of innovations have helped minimise the impact and disruption to our business from the Covid-lockdowns and enabled us to continue to deliver for our customers.

My address today has three main elements.

A summary of our financial and business performance in the 2020 financial year; the state of the energy market; and a discussion on where we are taking Genesis Energy next and why.

As a business, we remain committed to maximising shareholder value as we navigate the challenges associated with New Zealand's transition to a low-carbon future. At Genesis we see our purpose is to empower New Zealand's sustainable future.

Slide: Financial performance

First, an overview of the numbers:

- Genesis' FY20 EBITDAF was \$356 million, down slightly on our half year guidance of \$360 million.
- Underlying earnings of \$53 million down from \$64 million in FY19.
- In this period, Genesis delivered free cash flow of \$168 million.

Genesis has proactively protected shareholder value. The full year dividend amounts to 17.20 cents per share, up 1 per cent on last year's 17.05 cents per share. Genesis is pleased to announce the continuation of its dividend reinvestment plan, introduced at the half year FY18, to provide shareholders a cost-effective way to reinvest in Genesis' growth strategy.

For a detailed breakdown of our FY20 performance, I recommend you visit the

Genesis website's investor centre where our FY20 investor presentation is available for you to review.

In this presentation, Chris Jewell, our Chief Financial Officer and I talk at length about the Company's financial performance, as well as the broader and underlying themes I will touch on today.

Slide: Future-gen

This year, we evolved the format and content of our Annual Report to align with the recommendations of the Task Force on Climate Related Financial Disclosures, which are widely regarded as international best practice for climate-related financial disclosures. I am proud that we have been proactive in this space and did not wait to be compelled to do so by legislation. This reflects our commitment to contribute to New Zealand's sustainable future. Adapting our Annual Report to meet with these recommendations has helped discipline our thinking to be more transparent about the potential effects of climate change on our business.

This year's Annual Report is the first time, as a publicly listed company, that we have reported our Scope 1, 2 and 3 emissions, and had them audited. We have also committed to setting a science-based target in respect of our Scope 1 emissions before the end of the year. This will be another key milestone for the business and demonstrates the alignment between our low carbon transition strategy and the carbon commitments of the Paris agreement.

Genesis has set a series of ambitious goals, such as reducing our net emissions by 1 million tonnes over the next 10 years, by contracting with, or building 2650GWh of new renewable generation. This is the cornerstone of our Future-gen strategy.

The Waipipi Wind Farm, developed through our partnership with Tilt Renewables, is on-track to come online between mid-November and February next year, and will achieve the first 450GWh of that goal.

As significant and as distracting as the Covid-pandemic has been, it is important not to lose sight of other far-reaching developments in our industry that will have consequences lasting well beyond the time of Covid.

Earlier in the year we saw extensive climate-change protest across the world, and our government passed the Zero Carbon Act.

We have since seen changes to the Emissions Trading Scheme, ongoing discussions about the future of Tiwai Point, the announcement of the Lake Onslow 'pumped hydro' proposal and an announcement from Government that they will now target 100% renewable electricity by 2030 rather than 2035.

Our industry and indeed New Zealand stands to benefit significantly from greater long-term industry certainty. Affording the industry this certainty is

within the gift of policy makers. Ensuring policy clarity and alignment underpins investment confidence and will support New Zealand's low carbon transition over the next ten years and beyond.

New Zealand needs more holistic thinking across all elements of our energy industry and that includes the deeper debate of some important but challenging, strategic questions, the answers to which carry significant implications that matter to all of us, for example:

- Is RIO shutting an aluminium smelter that constitutes 13% of national electricity demand an opportunity for New Zealand in the context of our national carbon reduction ambitions?
- Is spending \$4 billion, or more, on a new dam at Lake Onslow the best way to encourage more renewable investment by the private sector – or does it scare it off?
- Is using the ETS to aggressively increase the price of carbon, and thus electricity prices, really going to encourage industrial consumers to electrify? Or does the prospect of more expensive electricity make them defer those much-needed investments?

Finally, is pushing earlier than previously signalling to 100% renewable electricity, before electrifying other sectors, going to be an enabler of New Zealand's de-carbonisation or derail and delay us from that path ?

We all need to give deeper consideration to the interdependencies across multiple sectors. It is too easy to look at each of these decisions in isolation – there is an opportunity here that I feel is being missed.

Slide: New Zealand's emissions profile

So, where are we right now? It is worth remembering that New Zealand already has one of the most renewable electricity systems in the world at 82%. Compared to other markets such as the UK, Australia and Germany, we are well ahead. In the OECD only Norway and Iceland are more renewable than New Zealand.

We believe that the electricity market will get above 90% renewables on its own, via market forces. Closure of the Tiwai aluminium smelter, if that were to occur, would present a potential opportunity to accelerate this, despite it increasing global emissions for aluminium, as the demand is taken up by other, more polluting smelters, overseas.

There is enough independent research, including from the Government's own Climate Change Commission, to show that single-mindedly chasing that last few percent to get to 100% renewable electricity, in such a short time frame, is likely to be self-defeating.

It will likely increase price volatility and reduce investment certainty – vital for the kinds of long-term renewable investment planning the Government desires.

A more expensive and unreliable supply of electricity will produce an inverse effect to the one desired – it disincentivises other industries from their own decarbonisation. It becomes too risky for them to invest if there is no guarantee of return.

It is important to remember that electricity generation accounts for just 4.2% of New Zealand's total carbon emissions. This compares to 47.8% for agriculture, 21% for transport and around 20% for industrial processes and manufacturing.

As I've already noted, companies in these important sectors are also craving certainty. Farmers and dairy producers have waited for decades to get certainty from the Government around their place in the Emissions Trading Scheme.

New Zealand has achieved the highly renewable electricity market we have with minimal Government intervention or subsidies. It has come through the application of natural market forces, allied with sound economic thinking.

Other electricity markets around the world have been thrown from pillar to post by well-intended but ill-thought-out Government interventions and subsidies which have ultimately driven up costs for consumers either through their energy bill or through taxes.

There is little argument that thermal baseload generation has had its day. No one is investing in developing new thermal baseload generation anymore, including Genesis.

Slide: Solving deep energy storage

But it is just as clear to us that the *backup* generation provided by our Huntly plant has an essential role to play in supporting the transition of New Zealand industry to a low-carbon future, by enabling a reliable and affordable flow of electricity at times when the renewable components of our electricity system are affected by fuel supply constraints – whether occasioned by unfavourable weather or other fuel supply interruptions. When the rain doesn't fall or the wind doesn't blow, the risk of these interruptions is very real.

The costs of new wind and geothermal generation are already comparable to those of baseload thermal generation.

However, the last major hydrology build was Clutha dam in 1992. That's nearly 30 years ago. This highlights some of the problems around getting resource consents to develop these kinds of renewable projects.

An additional focus needs to be reform of transmission pricing that removes the first mover disadvantage – that is, whoever builds first, pays for the connection to the grid. Anyone else that follows benefits from that initial investment at a fraction of the cost.

Slide: Innovation delivers sustainable returns

It is important that our industry, working in partnership with the Government, brings adequate focus to opportunities on the demand side of the equation to enable us to reach our national carbon targets.

Genesis would like to see more support for EV adoption as a quick start to decarbonising transport. The Government has the opportunity to lead the way through centralised EV procurement of the Government fleet. Local councils should be moving away from diesel-powered public transport, and we would welcome any other Government action to encourage EV uptake more broadly.

Genesis has made considerable efforts to take a leadership position in this space. Forty-two of our fifty light fleet vehicles are currently EVs or hybrids and we are on track to have our passenger fleet of cars 100% converted to EVs by the end of FY21, and 50% of our commercial vehicles converted by 2025.

As with many local businesses, when it comes to industrial or heavy vehicles, the EV options available to us are limited, but we expect this to change quickly and will begin testing EV trucks for LPG delivery in 2021.

Our 40% ownership stake in Zilch EV car share will also be boosted by the move of our

Auckland office to new premises in the Wynyard Quarter, where we will roll out Zilch out to the local community, and encourage it's use in our teams' commute.

Genesis will also encourage low-carbon public transport use as part of this move, and no staff car parking will be available to support driving positive behavioural changes amongst our own employees. Our new Wynyard Quarter premises are situated in a 6-Green Star rated building that has been designed to the highest sustainability standards, including its own solar power management and battery system run by Genesis.

Genesis also helps manage Emirates Team New Zealand's base as official energy partner, building and managing its roof-based solar panels and battery system. This is the first installation of curved solar panels in New Zealand, and demonstrates the viability of industrial grade solar power. We are proud to be directly supporting Emirates Team New Zealand in their 2021 America's Cup defence.

National electricity consumption increases by about 1% per year, and if we do increase the electrification of transport, industry and manufacturing, that will

rise more quickly which, in turn, means we need to continually evaluate and invest in further generation development.

To support a more sustainable New Zealand, we need to inspire the energy innovators of tomorrow. We are always seeking new ways of engaging our customers, giving them greater choice and control over their energy usage. This too will reduce the strain on the grid.

For example, Genesis' customer engagement app, EnergyIQ, allows users to forecast their energy usage over seven days based upon machine learning algorithms, so they can adjust their energy use accordingly.

It also provides 'Energy Saving Tips' and home comparison functionality: snippets of advice that help users be more energy efficient in their homes, reducing their power bills and their overall carbon footprint.

Genesis also launched a new feature in EnergyIQ last year called EcoTracker - which allows users to view New Zealand's electricity generation emissions in real time. This enables customers to make decisions on when best to perform energy intensive tasks, such as running dryers and dishwashers. As of May, Eco-tracker had 55,000 unique users.

All these features are not just about the mechanics of electricity demand management, they are what our customers are demanding from their providers.

These features increase customer satisfaction, and our brand reputation. With it, we increase customer loyalty.

Over 77% of our customers are now choosing to interact digitally, and Genesis' residential gross customer churn was down 3.5% to 24.1%.

In the *Purpose Business Monthly Brand Tracking* for June 2020, 20% of respondents considered Genesis the most preferred brand in the residential market.

This is proof that our retail strategy is working and continuing to improve year on year.

Soon we will be rolling out advanced gas meters to our customers. This will enable gas customers to see much more data about when and how they consume gas, more aligned to what they see for electricity today. It will also allow us to provide customers with much more insight comparing the different energy choices they have in their homes.

As we seek to empower New Zealand's sustainable future, one future use-case for EnergyIQ will be providing our customers with the cost and carbon trade-offs between a heat pump and a gas fireplace. We will empower them with the information they need to make the choice that works for them.

Slide: With You, For You

To conclude, Genesis is a consistent and reliably performing company with a strong, credible management team that executes the Company's strategy well, and delivers to our stated objectives.

Genesis' diverse generation portfolio, of wind, hydro and thermal also enables us to be flexible in our support of the market and consistently deliver good returns to investors, regardless of the weather.

At the same time we have a responsibility to call out the strategic and challenging industry issues that I have highlighted today. These include the overriding importance of a policy environment that provides certainty for investors and consumers alike.

After a year shaped by the profound economic uncertainty of a global pandemic, surely there is now a premium on providing certainty and clarity in a sector as important, and enabling, as energy. This matters to all of us.

Genesis is not standing still in our efforts to empower New Zealand's sustainable future. Our flexible generation portfolio, the essential backup role of Huntly, and the myriad innovations we have brought to our customers – are a compelling demonstration of how Genesis is supporting our customers, large

and small, to make the choices that matter to them. We remain committed to our long-term strategy and thank you for your support.

I will now hand back to Barbara.