Q1 2024 RESULTS

17 May 2024

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Delphine Deshayes

Thank you and good morning, everyone. It's my pleasure to welcome you to Engie's Q1 Conference Call. Shortly, Catherine and Pierre-Francois will present our first quarter performance, following which we will open the lines to Q&A and with my polite request of limiting your questions to one or two only, please. Please also note that this call will end at 10:45 CET.

With that over to Catherine.

Catherine MacGregor

Thank you, Delphine, and good morning, everyone. I am very pleased to report an excellent first quarter of 2024 with stable EBIT and rising cash flow in what has been indeed a challenging and fast-moving market environment. Challenging, because the tightness of European markets has transformed to a position of more than adequate supply. Both prices and volatility have softened and to a large extent normalized, implying a need for us to continue to work on our performance.

Fast moving, obviously, because of the speed at which prices have swung and spreads have narrowed in Q1, but also because I'm absolutely convinced the energy transition represents an opportunity that is both unstoppable and affordable and despite what some sceptics might have you believe. In the context of this more testing environment, this is our opportunity at Engie to demonstrate the power and the consistency of our integrated model, plus the resiliency and the potential of our earnings.

I know that I can rely on the unswerving commitment and determination of my 97,000 Engie colleagues in acting together for a successful energy transition. A successful energy transition which is not driven only by politics, but also, and more importantly, by markets and by the wishes of the vast majority of Europeans as a recent poll of 10,000 citizens has concluded.

At Engie, we are convinced that an affordable and robust energy transition is possible if it is based on transparent deployment of all the levers for decarbonization, which is to say accelerated development of renewable, electricity and gas. Implementing the flexibility technologies and infrastructure which are needed for a carbon-free system, and efforts to reduce energy consumption and drive efficiency. None of this is impossible. What it does imply is, cooperation, transparency and collective responsibility.

Few words on the energy markets. In Europe, we have witnessed a sharp fall in prices over the first couple of months of the year on weak demand, ample gas supply and high renewables output. Over the last weeks, however, we have seen signs of stabilization and indeed some degree of bounce. Whilst the markets look well supplied at this stage, still various other factors are influencing energy pricing at regional and local levels, including the impact of LNG outages and delays, geopolitical events, Asian demand, and, in electricity, network bottlenecks. So I would hesitate to say that we are fully out of the woods just yet.

Coming back to our first quarter, Engie indeed has achieved a strong performance and I can confirm our earnings guidance for the full year with confidence. We've been able to continue our expansion not only in renewables but also in battery storage and biomethane. And another decisive step was made in our derisking process with the Belgian government.

Moving to the next slide, some headline numbers. EBIT, excluding Nuclear was €3.7 billion, which is a slight decline from a year ago when market conditions were more positive in terms of prices and volatility. By business unit, EBIT was up slightly in Renewables, in Flex Gen, Energy Solutions and Nuclear, and down slightly in Networks, GEMS and Retail. Pierre-Francois will provide some detail after me. Cash flow from operations was up by €1.4 billion, which was helped by positive working capital variations as we see the later stages of the reversal of the 2021-2022 negative outflow caused by high commodity prices.

Our balance sheet remains robust. Economic net debt was down to 2.9x of EBITDA. We also returned to the US credit market for the first time since 2012 with a highly successful $2 billion triple-tranche issue of five-year, 10-year and 30-year bonds that I'm very proud to say was 6x over-subscribed. And to repeat, I can confirm our earnings guidance for the full year with confidence, with net recurrent income group share in a range of €4.2 billion to €4.8 billion.

Moving on to the operational highlights of the first quarter, we have advanced in Renewables with total capacity rising to 42.1GW. At the end of March, we had 68 projects with 7GW under construction that is up from 6.3GW at the end of last year. It allows us to maintain a sharp focus on our target of adding 4GW per year on average to 2025. By leveraging our integrated model, we commercialized our Renewables business through GEMS and signed over 300MW of PPAs, all longer than five years. More recently, we signed a series of PPAs with Google in Belgium, as well as extending an existing one, providing 118MW of decarbonized power in what is a major data center location for Google. We are indeed a major and longstanding provider of clean energy for operators of data centers. In fact, over the last five years, we have secured more than 3.3GW of power purchase agreements with the data center community.

We prioritize rigorous financial discipline, it goes without saying, in order to maintain our track record of minimizing delays and achieving project execution within budget.

In green gases by the end of March, 11TWh of annual biomethane volume from 645 units were connected to Engie's gas network, which is an increase of nearly a quarter year-on-year. And we are gaining critical mass in our own biomethane production, recently passing the 1TWh milestone production capacity in Europe, boosted by a couple of acquisitions in the UK and in the Netherlands.

In green hydrogen, we launched MosaHYc, which is the very first cross-border low-carbon hydrogen transport network between France and Germany. A 90-kilometer pipeline to supply a steelworks in the Saarland, transporting up to 50,000 tonnes per year by the end of 2027.

In batteries, it's setting up for another big year. We recently started commercial operations of Coya unit in Chile, which is the largest battery energy storage system in Latin America. It is co-located with our 180MW solar plant. It has a storage capacity of 638MWh, boasting almost five hours of storage per MW, boosting integration of renewables into the grid by providing greater stability in energy supply.

To remind you that in Chile we are to stop production of coal-fired power by the end of 2025 with the closure of two out of our three Mejillones units and the conversion of the third one to gas. Meanwhile, in the US, BRP, which was acquired last year, is on track. It will bring on stream over 800MW of standalone battery storage capacity this year.

Turning to the next slide, a few weeks ago, the Belgian government adopted its final law over the final agreement of December 2023. It's another decisive milestone towards the closing of the nuclear transaction. Only EU approval now remains to be gained and we are working together with the Belgian government to make it happen, aiming for the closing to take place before the end of this year. And I stress again this nuclear transaction is a pivotal part of the derisking process towards a more solid, less volatile new ENGIE in 2026.

And now, I am handing over to Pierre-Francois for a financial summary of the quarter.

Pierre-François Riolacci

Thank you very much, Catherine, and good morning to all of you. And indeed another strong start of the year for Engie in 2024, EBITDA and EBIT excluding nuclear stand respectively at €4.8 billion and €3.7 billion and the decrease in EBIT from a record high last year was expected and relates to GEMS due to market environment and relates to Networks with low volumes. However, decline in quarter is less than expected due to good performance from Flex Gen including some one-offs and for GEMS, benefiting this time from positive timing effect and higher than expected market reserve reversals due to the accelerated prices normalization. We generated a high level of cash flow with CFFO at €5.1 billion, up €1.4 billion and resulting in improved credit ratios and in a reduction of our net debt. Consequently, we are confidently confirming our 2024 guidance.

Moving to the usual bridge EBIT excluding nuclear, at €3.7 billion which is a modest €140 million organic decrease. FX on scope are slightly positive helped by the Brazilian real for FX and on scope, positive impact from renewables offsets the disposal of Pampa Sul in Brazil and the decrease in ownership in TAG. Renewables reported a plus €28 million organic increase despite the impact of lower prices in Europe, thanks to the contribution of added capacities and also to higher hydro volumes in France and in Portugal.

Networks decreased by €130 million with two main items impacting EBIT negatively. First, climate was warmer than previous year and it had a negative impact on volumes to a lesser extent, we also continue to see the negative impact of customer sobriety. And second, as a result of high geographical spread, we captured significant margins last year on transported gas to Germany. It was not repeated this year. Those negative impacts were partially offset by tariff increase in Romania and increased RAB in France. Remember, of course, that you don't have yet the positive impact of the new regulation tariffs that will apply starting April 1st for transmission and July 1st for distribution.

Energy Solutions is up €11 million driven by growth and good operational performance despite mild weather which led to lower volumes. There is also a positive from the reversal of the impact from strikes in France last year. Lastly, the negative US one-offs on cogeneration plants were booked in Q2 last year so no impact on Q1 organic variance.

Flex Gen is up €112 million and indeed despite spot prices decreasing across all geographies, performance is supported by higher capture spread in Europe resulting from our hedging and trading strategy and also good market environment in Chile. However, we had the negative impact from the inframarginal tax in France, but we also enjoyed intra-year timing effect, improved availability and several positive one-offs with an overall year-on-year impact of €100 million. Notably a resolution of a long-dated claim in Italy, while last year we had a negative impact from Pakistan. So €100 million is the difference between the negative impact last year and the positive impact this year. So yes, it's a good quarter, but don't extrapolate too much, as we expect to see negative price impacts versus last year in the balance of year due to open positions and lower hedge prices. So we are a bit ahead clearly on Q1 and we should keep it for the rest of the year, but don't multiply it by four.

Retail is down minus €14 million. Volumes are decreasing with mild climate on customer sobriety partially offset by better market conditions in Belgium.

In Others, minus €146 million compared to last year, it's mainly GEMS with the impact of normalizing energy markets. In the Other numbers, you remember that we also have EV Box with a negative EBIT of minus €22 million this year versus minus €26 million in the first quarter of 2023. You remember that priority was given to the sale of the company as a whole, but despite the efforts made, this option has not been conclusive so far to date given the company's market difficulties and significant losses. And now Engie is considering all options, including discontinuing operations.

Before going into more details on GEMS in the next slide, a quick word on Nuclear with EBIT up €73 million, three main items played in different directions. First, you have the positive tax evolution in Belgium with the inframarginal rent cap that ended on June 2023, and a decrease in the specific nuclear tax. Second, we produced lower volumes due to the decommissioning of Tihange 2 in February 2023 and we had lower availability in Belgium due to the planned revision of Tihange 1. Third, we captured lower prices. As you can see, overall we delivered a good quarter despite a challenging comparison period.

Let's now move to GEMS. GEMS EBIT is about €1.5 billion, which is a slight decrease versus previous year. Our customers risk management and supply activities increased from €0.5 billion to €0.9 billion thanks to non-recurring and timing positives. I will come back on this. This is also due to higher commercial margins in supply activities thanks to contracts signed and locked in the past when market conditions were more volatile and favorable, which materialize only at delivery date.

Asset management and optimization stands at €0.5 billion, down from €1.2 billion last year as a result of market normalization. You can notably see it in the table in the center of the slide with volatility and prices indicators going down from the highs in Q1 2023. Q1 2024 performance is underpinned by two non-recurring/timing effects. First one is the release of market reserves due to a sharp decrease in market prices and volatility versus year-end 2023. Most of these market reserves depend on these market data points. And given the sharp decrease, we reversed quite a significant amount of market reserves. Then the second item is a positive €0.5 billion timing effect linked to winter/summer seasonality embedded in some supply contracts and this timing effect we expect it to be reversed over the second semester. Excluding these timing or non-recurring items, Q1 2024 EBIT for GEMS stands at around €0.5 billion, in line with our expectations. We confirm the indication provided during our full year 2023 presentation of an underlying EBIT for GEMS in 2024 close to €2 billion excluding market reserve reversal that you have seen coming through in Q1 significantly.

Cash flow from operations amounted to €5.1 billion, up €1.4 billion compared to the previous year. The CFFO benefits from strong operating cash flow with EBITDA at similar levels than last year. An increase versus last year mainly results from working capital improvement due to decreasing energy prices and lower volumes. You can notably see the impact on net receivables. GEMS market reserves, we actually reversed more last year and unbilled revenues. As market conditions and energy prices have normalized, we have actually recovered nearly all the working capital increase that resulted from the energy crisis and that was built-up in 2021-2022.

Let's look now at how it translates on our net debt. And as you can expect, our net financial and economic net debts are reducing thanks to the strong cash generation. Our net financial debt stands at €27.6 billion, a €1.9 billion decrease with CFFO more than offsetting capex including the acquisition in Brazil and funding our nuclear obligations. Economic net debt reduced by €2.6 billion with funding of nuclear obligations being offset by the reversal of the nuclear provisions. As a result, leverage ratios are improving with a 2.9x economic net debt to EBITDA ratio on LTM at March-end, well below our 4x threshold.

In the context of uncertainties in energy markets, notably in volatility and prices, we keep our guidance for 2024 unchanged. We expect EBIT excluding nuclear, to be in the range of €7.5 billion to €8.5 billion. We are confident in reaching this level after a strong first quarter. The superior performance of GEMS in Q1 includes some timing effects that will reverse in H2 as it was the case last year. Our nuclear and hydro volumes in Europe for 2024 are 81% hedged or contracted, so we still have some open positions and it is also the case for some of our wind and solar assets and for Flex Gen in Europe that is not fully hedged. We see a positive trend in our financial costs as the shape of interest rates curve is limiting the cost of carry and our cash position in Q1 is higher than expected. We have accordingly revised downward our assumptions.

We are committed to a strong investment grade credit rating and continue to target a ratio below or equal to 4x economic net debt to EBITDA over the long term. Our dividend policy remains the same with a 65% to 75% payout ratio based on net recurring income.

With that, I hand over to Catherine for the conclusion.

Catherine MacGregor

Thank you, Pierre-Francois. So to conclude, we delivered indeed a very strong first quarter, both financially and operationally, in fast-moving, challenging market conditions. I believe that we are now reaping the benefits of our strategy to become simpler and more adaptable with our integrated and flexible business model that is really well suited to the energy transition. And we look forward to continuing to demonstrate this resilience and strength in the remainder of 2024 and the years to come indeed. Now back to Delphine for the Q&A.

Delphine Deshayes

Operator, you can open the Q&A session, please.

Q&A

Operator

Thank you. This is the conference operator. We will now begin the question and answer session. The first question is from Ajay Patel with Goldman Sachs. Please go ahead.

Ajay Patel

Good morning and thank you very much for the presentation. Two questions, please. One is just on the operational performance. If you were looking at the year and what was budgeted for Q1, is the performance that you delivered today better or worse? I'm just trying to exclude the timing effects that you've highlighted. And within that, is the market reserve effect in GEMS largely concluded in Q1? Or is there a chance you could give us a full year guide on that?

And then the second question is on acquisitions, as a number of assets that are available in the market at the moment. Just an update on your acquisition strategy and what are the key criteria that you're looking at?

Pierre-Francois Riolacci

Okay. I take the first one, maybe. Yeah, it's a good start of the year. Clearly, it has been boosted by a timing effect. We were very clear about that. It's about €0.5 billion that we have in GEMS. But if you indeed adjust from this, I think the rest is indeed a strong quarter. To be very candid and open about it, Flex Gen has overperformed compared to our expectation. Yes, there is a bit of one-offs, but there is also a good performance, definitely on the hedging and trading strategy, which have proven to be right. Chile is also pretty good, as I mentioned. So that's very much linked to the hydro.

And it doesn't mean, of course, in the second half that would be the same. But we are a bit ahead in Q1 on Flex Gen compared to our expectation and no reason to believe that this will reverse. Now, again, what I don't want is that you would go and say, okay, let's multiply by four. That's not the case, but definitely a good start. Here we are a bit ahead.

And on GEMS, I would say that we are in line. On the reserves, what happened is that the prices, as you know, have decreased very sharply at the beginning of the year. So we reversed more than we expected. Let's say that the normalization of the market has actually occurred more rapidly than we expected. Now for the full year, no reason to believe that we'll go much further than that. So you could consider that a significant part of the reversals that we were planning for 2024 has actually occurred in Q1. So the bulk of it. Might be some again, but that depends now on the market prices. You know that they have bounced back somewhat since, let's say, end of February. So pretty pleased with the current situation.

Catherine MacGregor

Ajay, I will take the acquisition strategy and the key criteria. Which are very much, in short, unchanged. What we are very attached to, is a strict capital allocation. We want to privilege and protect dividend policy, balance sheet strengths and investment program. As we've laid out to you, whatever we do is always within this investment program and having obviously met the other two criteria. In general, we favor and privilege organic growth from inorganic. And in terms of priorities, we would be looking at also geographical discipline. As you know, we have refocused our operation to a limited set of countries. We have our core and priority countries. And so our growth strategy will also be very focused from a geographical standpoint. So nothing really new there. Just very much the same criteria as we have laid out to you before.

Operator

The next question is from Juan Rodriguez with Kepler. Please go ahead.

Juan Rodriguez

Thank you. Good morning. Thank you for taking our questions. I have two on my side, if I may. The first one is on the timeline of nuclear provisions transfer with the current schedule that you have. Can we expect some provision transfer by the end of 2024, or should we expect more in 2025? That will be the first.

And the second one is on the Networks performance that seems weak on Q1, it is true that the new tariffs will be applied starting from April 1. Are some of the Q1 volume losses that you have in France expected to be compensated in the second part of the year? And the second is, what do you expect after the Q1 performance at the tariff review and the Networks to be at the end of the year? Thank you very much.

Pierre-Francois Riolacci

Thank you. Good question. So, on the provisions, you know that there will be two packs. One depending on the categories of waste. So the bulk should be transferred at the time of the closing of the transaction. It will be on the same day. As Catherine alluded to, we are working to make this closing happen by the end of the year. But now it is in the EU’s hands and the discussion between the EU and the Belgian government that we are of course supporting. So if this should occur, and we believe that it should occur, then we would transfer the bulk, let's say €12 billion of provision at the time of the closing. That would go, of course, with assets which are already funded, plus some cash. And you may have noticed that our liquidity position is pretty high. And also that we have already refinanced whatever was needed, so that we are in good shape to execute on that when it happens. And then the second part would come after the LTO, the restart, which is expected to be at the end of 2025. So let's say another €3 billion-plus. That would go at that point in time. So I hope it's clear now. It is depending on the timing of the closing. Again, depending on the EU decision.

On Networks performance, you know that we are exposed to volumes, but then there is indeed a compensation. So part of it can be achieved through a slight tweak in the tariff. And the bandwidth on that has been increased to 3%. It was 2% in the previous regulation period. It is increased to 3%. So we could recover part of it. But that depends also on the fluctuation of other costs, which are recoverable. So when it is only one quarter, it is definitely in reach. But if volumes were to drift away from a reference point on a longer period, that will be another story. So you could expect to recover over time this shortfall in volumes, but it depends on the future quarters and volumes against the reference data points for quantities.

Operator

The next question is from Wanda Serwinowska with UBS. Please go ahead.

Wanda Serwinowska

Hi, good morning. Thank you very much for the presentation. Two questions from me. The one is on the EV Box. I think you just mentioned circa €20 million EBIT loss in Q1, if you could confirm it? And then what do you expect for full year? And is there any timeline how quickly the solution can be found?

And the second question is on the Renewables returns. One of your peer EDP is basically saying that they see the excess or the ROIC WACC spread higher this year compared to the targets that they said last year. Do you see the same on the latest asset that you commissioned? Do you see basically the spread higher on the Renewables assets this year compared to last year? Thank you.

Pierre-Francois Riolacci

Thank you. A quick answer on EV Box and then Catherine will pick it up on the returns on Renewables. So, on EV Box, we have been losing €22 million, you're right, in the first quarter, a bit less than the last year, but it's mainly driven by good management of costs. On the top line, we see no pickup, and that's what is really hurting the business. You remember that last year it was a loss of about €140 million, and we are trending towards the same kind of numbers, maybe a bit less this year. That's the reason why we need to take action.

You remember that we were pretty open that we had launched a disposal process. We have not been successful in receiving global offers that could be acceptable to us either in terms of money, but also in terms of addressing the people and the asset properly. And therefore we are now indeed investigating new options. It may take some time because we have customers, we have suppliers, we have people. So it will take some time, but this is the right thing to do. And of course, we do that with the right economic mindset, which means that we expect this not to create more losses and operating losses, of course. So we will do what is needed to make sure we put this activity at the right place to stop these losses. I think it will take to 2026 to get to zero on this one. So probably in 2025, still some losses, but not to the same level, of course, than in 2024.

Catherine MacGregor

Maybe a few comments on what we see on the market, on Renewables and indeed the impact on spreads. So whether you talk about absolute return or spread is a little bit different because obviously, the hurdle rates have been moving up last year. So we are seeing similar spreads over our hurdle rates than in the past, mainly on the basis of a very dynamic market. I would say on the positive side, indeed, we continue to see strong PPA demand. We see a bit more discipline in the market in general, because, as you know, there were some very opportunistic developers that were using very, very cheap money to develop projects, sometimes not necessarily return focused. So we have seen some of this trend, which is obviously helping the market.

We've also seen government auctions representing a little bit the new reality. We've seen some solar and wind auctions, for example, here in France, going at €80 plus the MWh. And I'm talking about onshore. So higher tariff than maybe what we've seen in the past. So this has been obviously supportive to the renewable market. We have seen also in terms of capex, which is other side of the equation, we have seen capex inflation tapering down. In fact, in some technology, particularly solar, we have seen prices decrease, and that is also is helping protect the return. So overall, a renewable market that is doing well, competition continues to be fierce. And I would say when we talk about PPA prices, you also have to take into account that the PPA prices are being set today in a market that has dropped a lot. Even though there is no one-for-one correlation with PPA prices, when we talk with customers, they see what's happening in the spot market and they're going to want to negotiate the price a little bit more. So PPA prices are in general supportive, notably in the US. In Europe, they've dropped a little bit but continue to be supportive.

A lot of different factors, which obviously doesn't affect us in terms of the returns that we demand on our project. We continue to be very demanding/disciplined with the spread that we have commanded. And that's why we are able to continue to deliver and do a nice job on our projects. I hope that helps.

Operator

The next question is from Arthur Sitbon with Morgan Stanley. Please go ahead.

Arthur Sitbon

Hello. Thank you for taking my question. So the first one is on the guidance for 2024. So you reiterated the recurring net income guidance, but with lower commodity price assumptions. I was wondering if you could quantify the impact of this change on commodity price assumption on the guidance. And so I suspect it means that the underlying is improving. I was wondering if you could quantify that improvement and explain where it comes from. I noticed as well that commodity prices today are probably a bit higher than at the end of March. Would that mean that as of today you would be more towards the top end of your guided range? That's my first question.

The second one, you have very strong growth ambitions in US storage by 2030. I was wondering what is your take on the import tariffs being implemented in the US and whether it could or not impact your growth in batteries by 2030? Thank you very much.

Pierre-Francois Riolacci

I go first maybe on the guidance part, and Catherine will answer on the import tariffs. So on guidance, it's another try to mark-to-market the guidance and you know that we are very, very reluctant. You may remember three months ago we had the same conversation. I think that it is our job also to come with the guidance based on a very clear set of assumptions, which is prices at the end of the previous quarter. And then it is our job to make sure that we have some leeway around that.

So you remember that when we had that conversation in February, it was based on the end of December numbers. We say that we were okay. As you remember the question that day, it was mid-February, which was a low point in the numbers. And we said, no, no, we believe that it's okay for us. And then at the end of March, indeed the prices are lower than December, but they're actually also higher than mid-Feb. So I can only tell you that we are confident that we can deliver this guidance based on the current prices and that means very confident on our operating results. And on top of that, as you have noticed, the financial costs are actually trailing behind and the main reason being the cash position and also the curve, which is better than expected given where we are in terms of cash position. So, yes, confident on the guidance both on EBIT and net income.

Catherine MacGregor

And maybe a comment on indeed the impact of the tariff discussions in the United States. So you are right to say that we have ambitious targets on batteries across the board. US is a key market for us. We made the acquisition of BRP.

BRP is actually going well, deploying the batteries as expected and capturing some of the high volatility that we see on the grid in the US. With certain days, the energy prices swings are absolutely vertiginous. So going well on that front.

In terms of the potential impact, one thing to see is that the battery tariff increase applies in 2024 for the automotive sector, but for the energy storage, it is set to start in 2026. That's our understanding. So obviously no impact for us at all in 2024-2025. And we will be looking, by the way, if we can accelerate some of the development on batteries, because we are so excited by the prospect and obviously also circumventing a little bit what could happen in 2026. But we have some flexibility, obviously, in our targets of batteries.

US is important, but it's not our only market, as we have shown you Chile is quite interesting. Europe is going to badly need batteries as we are seeing renewable deployment in the grid having incredible impact with intraday volatility increasing a lot, even in winter, even in Northern Europe actually from solar hours. So batteries are going to be really, really important. In general, we continue to be really excited about the battery potential.

Operator

The next question is from Louis Boujard with Oddo. Please go ahead.

Louis Boujard

Yes, hi. Good morning and thank you for taking my question. Two on my side, maybe the first one regarding the offshore in the US. If you could elaborate a little bit on your actual position here, considering the recent declaration regarding the possible moratorium in the longer term in the offshore, depending on the Presidential election? Notably, I would like to know if you can give us an idea of the capital employed at the moment at Ocean Winds level or at Engie level, and what you think, if it's a potentially a threat for you, or if you have more than enough flexibility in your portfolio in order to mitigate the risk at this stage.

Maybe the second question on Europe this time, we see some potential evolution in the shareholding structure of some of the TSO actors in Europe. At the same time, your capex growth potential is dedicated to Renewable on one side and Network on the other side, meaning that eventually, you could be interested into the evolution of the shareholding structure in the European network landscape. What do you think? Have you started to think about this kind of alternative option for your future growth potential? That would be my second question. Thank you very much. Have a nice day.

Catherine MacGregor

We've always talked about two things. First of all, our renewable ambition, which has been very much steady and unchanged since 2021. Our capex plan allows indeed for this growth with this rate of 4 GW per year increase, which we have been really good at delivering. So no change there. In terms of power networks, we've also said all along that we would be looking at rebalancing infrastructure exposure from French gas to international and power. And we've done that successfully, notably in Latin America. As you know, we have won a few auctions in Brazil and we are delivering, and the team is doing a great job building organic projects in Latin America. And so what we will be looking at is further development in power networks along those lines and along the criteria that I've mentioned in terms of capital allocation discipline, geographical focus. That's really what I can comment on your second question.

And on your first question, as you know, we have three projects under development in the United States. Very early, except maybe with the SouthCoast Wind, for which we have currently resubmitted a PPA bid with our partner, EDPR. The capital employed in the US is not huge. I mean, it's a few hundred million. So obviously we will be looking at what a new administration would do on offshore developments. We have a lot of flexibility in our Ocean Winds portfolio. As you know, we are very big in Europe. We are excited about what's happening in the UK. We've just actually progressed the construction of our second big offshore project in the UK, Moray West.

We're starting construction also in France. As you know, Iles d'Yeu and Noirmoutier, we just launched a substation and we will be starting building anytime soon. So those projects are going well. We've also been awarded a lease in Australia. So we have a lot of optionality in our Ocean Winds portfolio and we have not put ourselves in a syringe. So, if we need to adjust and if there was a risk from this administration, then we would adapt. And really for us, it will not be a big deal. We can deal with it. It would be a shame, obviously, for East Coast in the US, notably, which badly, badly needs green electrons from offshore. But that's a long story.

Operator

The next question is from Harry Wyburd with BNP Paribas Exane. Please go ahead.

Harry Wyburd

Hi. Good morning, everyone. Thanks for taking my questions. So two for me. The first is just to follow up on that interesting answer on power grids. The question is, if you found something that you thought was a really good fit, but it was a large asset that you were looking at in the power grid space, perhaps in Europe, how would you look to finance that? And would you be open, potentially to expanding your disposal program, given the extra flexibility you'd have with the Belgian nuclear deal to enable a large deal to help you build a significant footprint in power grids in Europe? So a question on funding of that.

And then the second one, there's been a bit of press during March and last few months on potential extension of French power windfall tax into 2025. So I wondered if you could just remind us of where we are on that and whether that's something that could jeopardize or impact your longer-term 2026 guidance. Thank you.

Pierre-Francois Riolacci

Thank you. Thank you very much, Harry. So, on the acquisition financing, I mean, if we were to do a large acquisition, or let's say a bit larger than usual, because we need to be realistic. If we were to do anything of that kind, we would do that within, of course, the frame of our financing policy. So clearly not jeopardizing this capital policy that we have been very clear on, which is a strong investment grade and of course, the dividend payout. So no question about that.

That would mean that we will have to make it fit as we did in the past, as we did for BRP, which was last year. We make this acquisition fit into our financing plan. So if there is an acquisition, there is more EBITDA. So it gives a bit of leeway. That's good. And you can put some debt on it. And then you need to manage your net capex plan. Net capex mean your gross capex and also the disposals and whatever we would do will come with the corresponding financing scheme. We do have some flexibility in our asset base, of course, legally and increasingly, indeed, but also strategy-wise. It's our job to make the decision and arbitration that would be required should we go into that direction.

And then on the tax that we call CRIM, which is a crime in English, clearly not very pleased with that tax, because you remember that this tax was introduced at the European level, based on the intramarginal rent. And there is, of course, on CCGTs and our gas assets, no intramarginal rent by design, because they are based on spreads.

And on top of that, as you know, there are no more baseload assets in Europe. They are flexible assets. You may have noticed that load factor in Q1 was north of 20%, to 21% in Europe. That's very low, of course. And these assets, they run only when prices are actually good, and by design, because they are supporting the market. So you've seen the result of Flex Gen. They are okay, definitely, but with low load factor. And that is achieved because, of course, you can capture spreads which are high.

So if there is a tax at this moment, that's very prejudicial to the assets. And we are, of course, making this argument very clearly to the authorities so that they can make an informed decision. That is their call and we are trustful that they will be listening.

Operator

The last question is from Piotr Dzieciolowski with Citi. Please go ahead.

Piotr Dzieciolowski

Hi, good morning. Thank you for squeezing me in. So, I have a question. Can you please remind us how do you see the trajectory of GEMS' profits normalization into the next year and year after? Is there any change on this, given that the market normalized way quicker than we perceived before?

And second question, I wanted to ask you about your B2B supply segment. One of your competitors said they see an elevated margin. Do you see the same across your portfolio? And how sustainable, if it is the case, how sustainable do you think it is? Thank you.

Pierre-Francois Riolacci

Yeah, on the normalization of market, what we are seeing today, I mean, it clearly, it was quicker than what we expected, but the levels that we've seen today are in line, I would say, even if you look at the recent weeks, comfortably in line with what we could expect. So I think, all in all, what we see makes sense. And clearly, you know that we are not out of the woods when it comes to some strategic uncertainties around the supply in Europe. Clearly, the demand has adjusted, but there is also some question mark about the gas supply in Europe. So we believe that what we see today is something which is in line with what you would expect. So no reason for us to rechallenge 2025-2026, if it is what you have in mind. The clear answer is no.

On the B2B supply, yeah, it's true that we have seen consistently since the crisis, definitely better margins. And the reason is, of course, a flight to quality that indeed goes to the big names and the customers which have been burned by the poor behaviour of some suppliers. Clearly, they stick to a limited number of names, and that, of course, gives reasonable margins for us. That we have seen, indeed staying quite high and to the point that I made for Q1 in GEMS, quite high since the crisis, and no signs that they are indeed fading away. So I think it's good that the market has some memories once in a while, and I think that's definitely benefiting to a few players.

And just maybe I forgot to mention that on the previous question on the CRIM, the inframarginal tax. Of course, our guidance includes the current or potential impact of this tax.

Delphine Deshayes

So this is the end of the Q&A session. Thank you for joining the call today. Of course, if you have any follow-up questions, do not hesitate to call the IR team. And we wish you a very good day. Thank you.