

CLEAN ENERGY TRANSITION

AN INFRASTRUCTURE INVESTMENT SUPERCYCLE

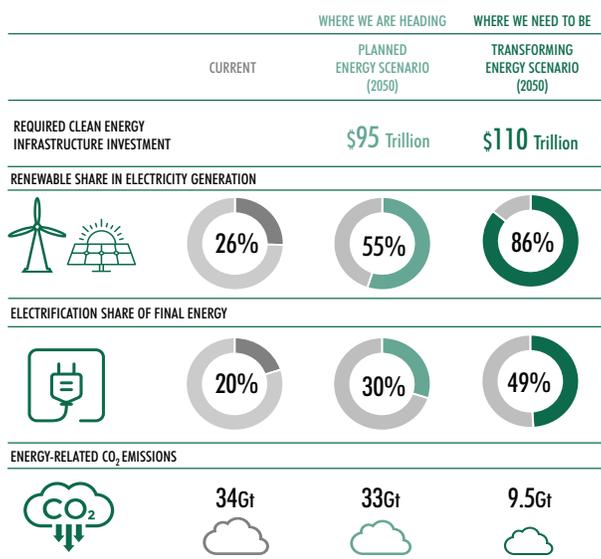
Investment needs for the clean energy transition are accelerating globally and driving a multi-decade long investment supercycle. Commitments to net-zero carbon emissions from a wide range of stakeholders raise environmental standards and increase an already robust level of required investment in clean energy infrastructure. The outlook for increased investment beyond current targets translates into a long runway of growth potential for companies in listed infrastructure's utility sector and leading the shift to a renewable and sustainable future.

SCALE OF INVESTMENT OPPORTUNITY: EPIC AND GROWING

The clean energy transition has already begun. Utilities are leading the way as the investment needs to facilitate the transition are accelerating. Utilities globally are actively repositioning their platforms to develop renewable power generation, upgrade networks, and electrification of end-uses. According to the International Renewable Energy Agency (IRENA), the current Planned Energy Scenario (PES), which includes government energy policies and targets through the end of 2019, estimates a massive \$95 trillion of required clean energy infrastructure investment by 2050. Despite the magnitude of this commitment, the PES will only marginally reduce harmful carbon emissions and fall short of curbing increasing global temperatures.

We believe IRENA's Transforming Energy Scenario (TES) to be the more likely scenario. Under this scenario, \$110 trillion of investments are required by 2050 to reshape global energy markets and meet climate goals. This scenario will require \$3.3 trillion of investment on an annual basis, which is an additional \$400 billion above the level of investment required under the PES. The TES is necessary to hold global temperatures from rising more than 2 degrees Celsius. In this more ambitious scenario, 70% of the world's energy-related carbon dioxide (CO₂) emissions would be cut by 2050 with over 90% of that reduction from renewable and energy efficiency measures. The result is a more electrified system where electrification's share of final energy rises from 20% to nearly 50% by 2050. (Exhibit 1)

EXHIBIT 1: INVESTMENT REQUIRED TO RESHAPE GLOBAL ENERGY MARKETS



The long-term growth potential for the utilities sector is supported by the increasing need for clean energy investment.

Source: IRENA Global Renewables Outlook, Summary Addition: 2020.

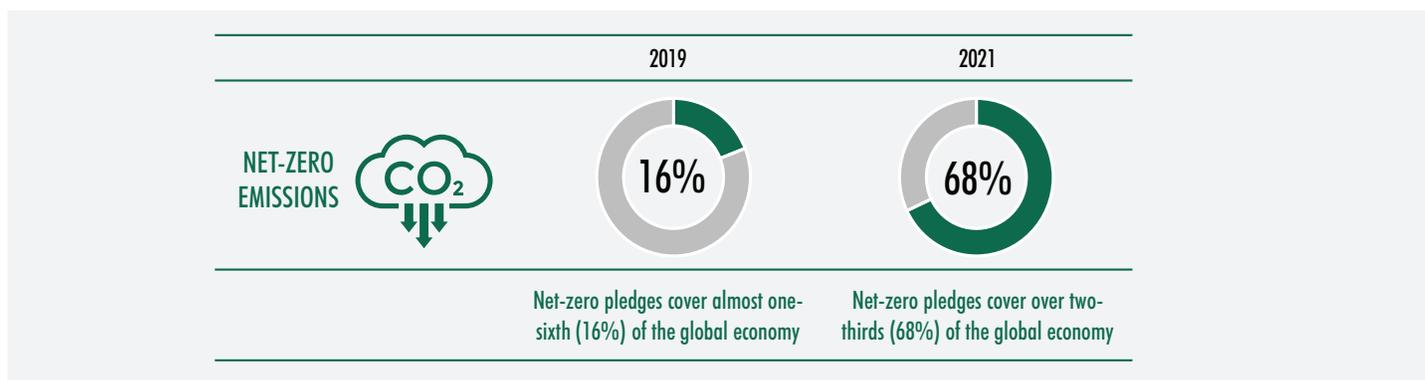
GLOBAL RACE TO NET-ZERO SUPPORTS GROWTH POTENTIAL

Commitments to a future net-zero economy are intensifying from a wide range of stakeholders, including China, the US and the EU which account for over half of the world's economy and 46% of its greenhouse gas emissions. As a result, between June 2019 and March 2021, the percentage of global GDP covered by net-zero targets have soared from just 16% to 68%. (Exhibit 2)

The increasing number of commitments and related regulatory policy enhances the already robust cash flow growth projections for the utilities sector. Regulatory support, including the Biden-Administration's proposed American Jobs Plan and the EU's Taxonomy Climate Delegated Act, are designed to support sustainable investment. Such regulation includes incentives for renewable infrastructure development, emission reduction targets and criteria to guide corporate investment, access to low-cost project financing, and subsidies to support investment and tax credits for renewable projects.

We expect the net-zero commitments combined with supportive government policies to have profound implications for the utilities sector by extending the duration of the investment opportunity, supporting stable earnings and dividend growth, and de-risking the regulatory environment.

EXHIBIT 2: NET-ZERO TARGETS AS A PERCENTAGE OF GDP ARE ACCELERATING



Source: Energy & Climate Intelligence Unit 'Taking Stock: A Global Assessment of Net Zero Targets', March 2021. GDP is assessed in purchasing power parity terms.

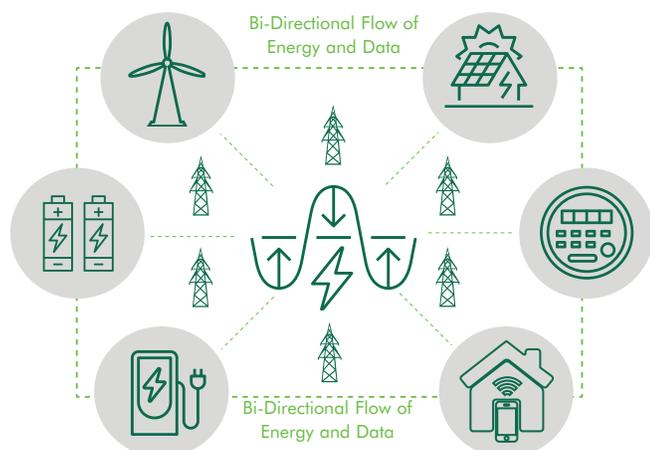
SMART GRID INVESTMENT CRITICAL TO CLEAN ENERGY TRANSITION

The utility sector's renewable energy leadership goes beyond the transition away from fossil fuel power generating assets. The modernization of the electrical grid and investment in Smart Grid technologies are required to manage an increasingly electrified system powered by renewable infrastructure assets.

The Smart Grid will enable the bi-directional flow of electricity and data throughout an interconnected network of infrastructure assets and innovative clean energy technologies. Using data from its network, the Smart Grid manages decentralized variable renewable energy sources like wind and solar according to their availability and efficiently distributes the flow of electricity throughout grid, reducing costs, managing surpluses, and limiting outages. (Exhibit 3)

Utilities have become leaders in facilitating the clean energy transition through investment in renewable power generation, the power grid itself, as well as innovation in battery storage, smart meters, and end-use assets like EV charging stations. Regulated and contracted cash flow from these investments may translate into long runway of growing dividends for utilities.

EXHIBIT 3: SMART GRID PROVIDES NETWORK FLEXIBILITY, EFFICIENCY, AND RELIABILITY



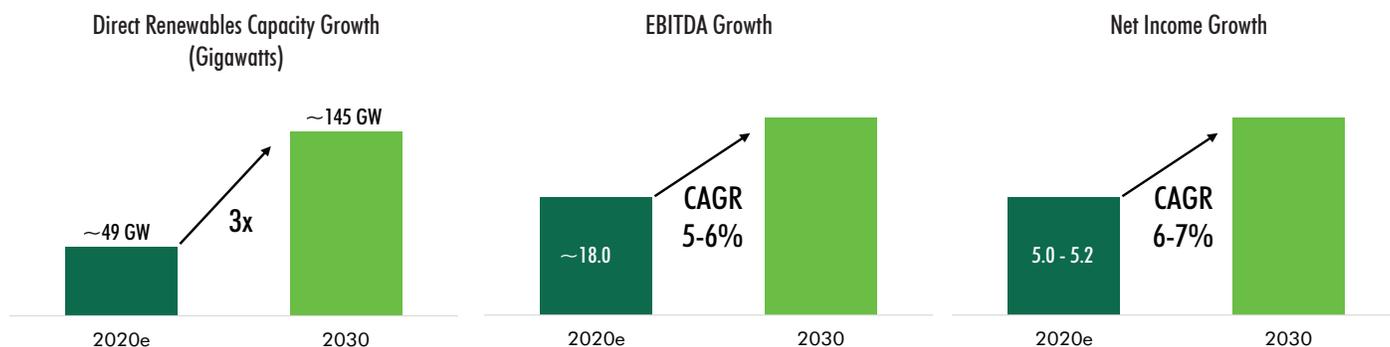
Utilities globally are actively repositioning their platforms. Investing to develop renewable power generation, modernize networks, and electrification of end-uses.

RENEWABLE SUPER MAJOR GROWTH

The opportunity for investment in the energy transition is so significant, and the growth outlook is so robust that it can be hard to imagine what it could mean for an individual company. Italian utility Enel offers a clear example of a company with a large, visible pipeline of energy transition investments that translates into robust, long-term growth.

By 2030, Enel plans to invest more than 150 billion euros to modernize its network grid and increase renewable power capacity. Those investments will triple Enel's renewable generation capacity from 49 gigawatts today to 145 gigawatts over that time. As a result, Enel expects to grow EBITDA at a CAGR of 5-6% over the next 10 years, driving annual net income growth of 6-7% that should extend its 7% dividend growth guidance beyond current guidance through 2023. (Exhibit 4)

EXHIBIT 4: INCREASED RENEWABLE CAPACITY SUPPORTS COMPANY GROWTH OUTLOOK



Source: Enel 2021-2023 Strategy Plan Presentation, November 24, 2020. Billions in €.

UTILITIES LEADING THE SHIFT TO A SUSTAINABLE FUTURE

Forces are aligning for a long tail of large-scale investments in the clean energy transition. A global policy push from world's largest economies and leading corporations are accelerating investment needs. While smaller companies investing in early-stage, unproven clean energy technologies generate market enthusiasm, we believe investors have underappreciated the utility sector's leadership. Utilities within the listed infrastructure universe have scaled platforms, regulatory relationships, and long-term investment plans that are best positioned to benefit from the clean energy investment supercycle and provide investors an attractive combination of income and growth potential.

We believe investors have underappreciated the utility sector's leadership role in the clean energy transition.

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¹Energy & Climate Intelligence Unit 'Taking Stock: A Global Assessment of Net Zero Targets', March 2021.

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