

GS Utilities Daily: Engie: A restructuring story with attractive valuation & high income // Pennon: South West Water court case over illegal

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Research you can't miss from the past two weeks

Enel: Re-leveraging implies +5% EPS CAGR (and >7% DY)

Siemens Energy: National Grid announces HVDC contracts, another positive

Endesa: Positives, but hard to offset the downside risk to its integrated margin

SSE: UK capacity market result continues trend of higher pricing

United Utilities: Data Update: Reflecting changes since the Final Determinations

Engie: A restructuring story with attractive valuation & high income

Engie provided a Market Update on February 27, unveiling a new growth capex plan of €21-24bn for the period 2025-27 with 75% dedicated to Renewables, Batteries and Power Networks. Updating our estimates, we are 11%, 10% and 15% ahead of Reuters consensus net income for 2025, 2026 and 2027, respectively. Over the period 2021-27, the exposure of Engie's portfolio to commodities is changing. Nuclear closures and new hydro concession arrangements reduce exposure to commodity price movements. Thermal Generation profit margins and Energy Management profitability should both be on normalised levels by 2027. With strong investment spend and cost-cutting, this should result in a higher-quality business by the end of the plan. On our new estimates and post the upcoming FY 2024 dividend, Engie trades on a c.8.2x 2027 P/E (c.30% below the sector average of 12x on GSe) and comes with a c.9% dividend. We reiterate our Buy rating on Engie, with a new 12-month price target of €23.4 (from €21.5) which is largely driven by higher estimates. We believe that, over the medium term, Engie's strategy will serve to focus investor attention towards the sum of the parts, unlocking the value embedded. Furthermore, we believe the repositioning towards Renewables, Batteries and Power Networks will focus the portfolio on areas where the energy transition to net-zero emissions drives sizable investment opportunity, growth and value. More [here](#).

Penon: South West Water court case over illegal sewage spills not overturned

South West Water has failed in its bid to stop a court case going ahead over 12 sewage pollution incidents. The company, part of the Penon group, put in a legal challenge against the Environment Agency (EA) in connection with 12 charges it faces over illegal sewage spills at two Cornwall pumping stations. Source: [Cornwall Live](#)

Coalition of Offshore Wind Developers urge UK Government against Zonal pricing

A coalition of Scotland's biggest offshore wind developers has warned the UK Government that zonal electricity pricing would push up bills and derail billions in clean energy investment. In a letter to Prime Minister, and Scotland's First Minister, 17 offshore wind developers—backed by industry body Scottish Renewables—urged ministers to immediately rule out the controversial proposal. Together, these firms represent around 33GW of Scotland's future offshore wind capacity, a vital chunk of the

UK's clean energy transition. Source: [Energy Live News](#)

PPC starts construction of 165 solar PV project in Bulgaria

PPC has started the construction of a 165 MW solar PV project in Bulgaria. The project, which also includes a battery storage system with 25 MW nominal capacity and 55 MWh storage capacity, is expected to generate 265 GWh per year. This is in line with PPC's strategy of expanding into the Bulgarian renewables market: besides this project, the company has an additional pipeline of 550 MW RES projects in Bulgaria at different development stages. At present, PPC has a total installed capacity in Bulgaria of 18 MW. Source: press release

France's nuclear energy buildup could be backed by state loan

Over half the costs of construction of France's six new nuclear power reactors could be covered by a state loan, the French presidency indicated in a statement on Monday, following a Nuclear Policy Council meeting. Source: [Euractiv](#)

RWE to supply wind power to UK data centre campus

RWE said on Monday that it has agreed to supply renewable energy to data centre services provider Telehouse International Corporation of Europe until the end of 2035. Source: [Renewables Now](#)

Vestas turbine blade breaks at Norwegian wind farm

A Vestas turbine blade has broken at the 130MW Sormarkfjellet wind farm in Norway. Aneo has closed down operations after the incident. The wind farm is equipped with Vestas V117 turbines and started operations in 2021. Back in late January, another turbine at the site was damaged in a storm. Source: [Renews](#)

Chinese wind turbine makers take top 3 spots in 2024 - Wood Mackenzie

Chinese manufacturers dominated the global wind turbine market in 2024, with Goldwind, Envision, and MingYang securing the top three positions for the first time, a new report from Wood Mackenzie has revealed. Goldwind maintained its lead for the third consecutive year, installing 20GW. Vestas maintained its leading position outside China, connecting more than 10GW in 2024, followed by Siemens Gamesa and Nordex. Installations outside China declined by 9% yoy, impacting Western OEMs. Source: [Renewables Now](#)

RWE set to start 1.4GW Sofia construction

RWE is preparing to commence turbine installation at the 1400MW Sofia wind farm off east England. First power from the 100-turbine array is due to be achieved later this year before commissioning in 2026. Source: [Renews](#)

Nordex Group receives order for 94 MW in Canada

A wind energy project developer has placed an order for the supply and installation of 16 N163/5.X turbines. The 94 MW order also includes the servicing of the turbines for a period of 25 years. The Nordex Group will supply the turbines for the wind project in

Nova Scotia from mid-2026, each with a nominal output of 5.9 MW. The name of the customer and of the wind farm are not disclosed. Source: [Press Release](#)

Other news

Acciona Energia has broken ground on the 176MW Daanbantayan solar plant on the island of Cebu in the Philippines. The project, which will involve an investment of around €120m, is due to begin operations at the end of 2026. ([Renews](#))

Oracle this week announced plans to invest \$5 billion over the next five years to meet growing demand for its cloud services in the UK. ([DataCenterDynamics](#))

Nokia has paired with European hosting provider Hetzner to upgrade the company's **data center** and core network infrastructure. ([DataCenterDynamics](#))

Events to watch

19th March - Snam FY24 results

20th March - RWE FY 24 results

Research you need to read

Powering Up Europe: Who pays for the Energy Transition? Draghi Plan and Affordability (29 November 2024)

We believe the European energy transition has entered a new stage – one where affordability becomes a key constraint to comply with. As a result, electrification is likely to continue undisturbed only where economically viable. We assess the affordability of the “Draghi Plan” and reach three conclusions that largely differ from the consensus view: (1) the normalization in power prices (c.50-60% vs current levels) would more than offset the incremental costs to upgrade power grids and develop backup generation; (2) the positive inflection in power demand would act as a deflationary force, as fixed costs (e.g. power grids) would become smaller on a unitary basis; and (3) our “Electrification Cost Curve” suggests that the investments in onshore renewables (adjusted for incremental costs in power grids and backup generation) would be cheaper than any hydrocarbon alternative. We believe that ongoing support for such new form of energy transition would continue to support secular earnings growth for the main “Electrification Compounders” under our coverage. On this basis, we highlight Enel, RWE, SSE, EDPR, EON, NG, Iberdrola, Vestas and Siemens Energy.

Powering Up Europe: The Draghi Plan: Electrification to kick-start Europe (14 October 2024)

The former ECB President and Italian Prime Minister, Mr Mario Draghi, recently presented the results of a study he has conducted on behalf of the European Commission. The ‘Draghi Plan’ includes a set of recommendations to promote private investment, boost Europe’s competitiveness and close its productivity gap with the US and China. We believe that electrification (and therefore the power utility industry) is at the core of the plan: approximately half the incremental investments the plan suggests

be made to re-launch the economy are in clean energy and electric mobility (c.€450 bn of the c.€800 bn pa). Among other recommendations, the plan urges the creation of a liquid corporate PPA market for renewable energy (to lower power bills for industrial customers), and calls for the modernization of power grids. We believe the plan is bullish for power utilities: if implemented, it should support rising power consumption, a lower cost of capital for RES activities, and a capex super-cycle in power grids and renewable energy. This would provide a significant (and secular) tailwind for all the EU electrification compounders. We highlight the following Buy-rated stocks as key exposures to the theme: Enel, EON, Iberdrola, EDPR, National Grid and SSE.

Powering Up Europe: AI datacenters and electrification to drive +c.40%-50% growth in electricity consumption (29 April 2024)

Over the past fifteen years, Europe's power demand has been hit by exogenous shocks (the GFC, Covid, the Energy Crisis) and a slower-than-expected electrification process. As a result, since 2008, electricity consumption has cumulatively declined by c.10%. However, this trend might be about to reverse: the rapid expansion in datacenters and gradual pick up of the electrification process could boost Europe's power demand by c.40%-50% over the coming ten years, we estimate. In an industry with elevated operational and financial gearing, such an inflection in revenues (which is also likely to trigger secular organic growth in power grids and renewables) should have a significant effect on corporate profits. We favour 'Electrification Compounders' that mostly grow profits from power grids (and renewables), thanks to their very attractive risk/reward profiles (grids operate in natural monopoly regimes with returns based on 'cost-plus'), and continue to highlight the RES developers as discounting zero/negative value from future capacity additions. We see EON, Enel, SSE, Iberdrola and Orsted as the key exposures.

Electrify Now: Power grids: now central to electrification (23 January 2024)

We believe electricity grids are pivotal to Europe's electrification process, and that the street underestimates the investment needs in T&D, which we estimate at c.€650 bn over 2021-30. This implies a strong double-digit acceleration in the annual capex-run rate by the end of the decade, vs current levels. We also believe Transmission and Distribution power grids sit in the sweet spot of electrification: besides an accelerating top line, these activities enjoy attractive risk-adjusted returns – usually set on a "cost plus" basis. Compared to renewables (which we continue to find an attractive investment proposition), power grids are less capital intensive and, as such, initially provide a higher bottom-line conversion from new investments – we therefore see power networks activities as an incremental leg in our re-rating thesis for Green Energy Majors. Within this group, we see EON (power grids EBITDA at c.65%), SSE and Enel (c.40% for both) as the best-positioned integrated stocks.

Disclosure Appendix

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