

# **Uniper SE (UNPRF) Q2 2024 Earnings Call Transcript**

Seeking Alpha - Earnings Call Transcripts

August 12, 2024 Monday

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**Length:** 6398 words

**Byline:** SA Transcripts

**Body**

Uniper SE (UNPRF)

Q2 2024 Earnings Conference Call

August 07, 2024 02:30 AM ET

Company Participants

Sebastian Veit - Executive Vice President, Investor Relations

Michael Lewis - Chief Executive Officer

Jutta Donges - Chief Financial Officer

Conference Call Participants

Anna Webb - UBS

Louis Boujard - ODDO BHF

Piotr Dzieciolowski - Citi

Presentation

Operator

Dear ladies and gentlemen, welcome to the Uniper Analyst and Investor Conference Call First Half Results 2024. At our customers' request, this conference call will be recorded. As a reminder, all participants will be in a listen-only mode. [Operator Instructions]

May I now hand you over to the Executive Vice President, Investor Relations Sebastian Veit, who will start the meeting today? Please go ahead.

Sebastian Veit

Thank you. Thank you, operator and good morning everyone. I am pleased to welcome you to our first half results of fiscal year 2024. Next to me on today's call are Michael Lewis, our Chief Executive Officer; and Jutta Donges, our Chief Financial Officer.

Michael will start and give you an update on our key developments in the past six months of the year 2024. Jutta will then lead you through our financial performance for the first half year and the outlook for the current year. As usual, there will be a Q&A session at the end.

And now let me hand over to Michael Lewis please.

Michael Lewis

Thank you and welcome also to you Sebastian. As this is the first time in your new role as Executive Vice President for Investor Relations that you'll be leading us through the call today and good luck in your new role. And good morning everybody. A very warm welcome to this call from my side.

So, if I look back to August 1st, 2023 when we presented Uniper's new strategy and we proudly stated Uniper is back after having recovered very quickly from the crisis. Today, I can say we're delivering on our promises.

2020 year is the year -- 2024 is the year of shifting gears and executing our strategy and I'm pleased to say that we're making very good progress. Our transformation is progressing well and some of the key highlights being; firstly, the management Board has made investment decisions of roughly €400 million in the first half of 2024.

Secondly, having successfully restored a sound balance sheet we've put access to credit markets and funding on a sustainable footing. And thirdly, since the stop of gas deliveries from Russia, we've adapted our gas midstream business. And by terminating our gas supply contracts with Gazprom Export two months ago, we've massively derisked our group portfolio.

And as part of our continuing derisking strategy, we'll seek to further diversify our sources of gas supply. So, all-in-all, we've put our efforts into strengthening Uniper's strategic and financial position and made notable progress towards capital market readiness.

So, looking at our group financial half year results. After a record year in 2023, we still benefited from the tailwind of our successful hedging policy in the first half of 2024. And at €1.7 billion, group adjusted EBITDA was above the pre-crisis level in challenging and volatile markets and group adjusted net income amounted to a very strong €1.1 billion. And Jutta will explain shortly the detailed financial result drivers a little bit later on.

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So, overall, our financial position is in good shape. Boosted by strong operating cash flow, the group's net cash position reached almost €6 billion by the end of June. Of course, we need to be aware that we still have to service our payment obligations to the German state. And for this purpose, we've recognized provisions of €3.4 billion in total.

And given our strong half year results, we're pleased to raise our outlook for the full year. The adjusted EBITDA range has therefore been shifted upwards by €400 million and now reaches €1.9 billion to €2.4 billion, while we raised the outlook for the adjusted net income to a range of €1.1 billion to €1.5 billion.

So, even though we were able to raise the outlook for the current year, I would like to emphasize that the tailwind on our business for our previously successful hedging strategy is fading and this needs to be taken into account when looking at the years ahead of us.

So, let me now take the opportunity to give you an update on our strategic and operational highlights for the first six months. I think the first thing to say is that we are on track to build a strong foundation for our transformation and I'd like to highlight four key achievements in the first half of fiscal 2024.

First, we made considerable progress to strengthen our financial flexibility and drive our transformation forward. We now have a sound financial position and a clear strategy and this has been recognized by the credit rating agencies both Standard & Poor and Scope reconfirmed an investment-grade rating of BBB- with a stable outlook for Uniper and Uniper standalone rating was raised by both agencies. The mid-year economic net cash position of approximately €6 billion provides a stable financial backbone to drive our strategy forward.

Second, as I mentioned in my opening in June we terminated our long-term contracts with Gazprom Export on the back of the successful arbitration award we received and which also granted Uniper the right to terminate our long-term gas supplier agreements with Gazprom Export.

This ruling now gives us legal clarity around 18 months after the proceedings were initiated. And the arbitration tribunal awarded us as you know more than €13 billion in damages for non-delivery of gas to be paid by Gazprom Export. However, as you also know any amounts collected will flow directly to the German federal government.

Third, our implementation of the EU requirements in connection with our stabilization is proceeding according to plan. These conditions require the sale of certain non-strategic investments by the end of 2026 and we've already concluded the sale of our marine fuel trading business in the United Arab Emirates and this also applies to the sale of our 20% indirect stake in the BBL pipeline. In addition, we announced the sale of our gas-fired power plant in Gonyu, Hungary. As already communicated earlier this year the disposal and liquidation of our electricity business in the United States is well-advanced.

And fourth and most importantly, our transformation journey to become a greener company is well on track. We made significant investment decisions to develop our future asset portfolio base in the first half of the year according to strict, strategic and financial criteria. Specifically, new green power projects have been added this year with which we plan to strengthen our hydropower business and increase our footprint in battery energy storage systems amongst other strategic projects.

Indeed around €250 million alone is planned to be invested in the revitalization of the existing Happurg pump storage power plant in our home market of Germany and I'll share more details on this project shortly.

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The power plant strategy in Germany is also progressing. The German federal government recently announced the tender for the construction and modernization of 12.5 gigawatts of hydrogen capable gas-fired power plants by the end of this year or early next year and we are prepared to participate in those tenders.

Once the framework conditions are known we will decide which investments we want to make. And we're now contributing globally to a sustainable more climate-friendly energy supply. Our Green Wilhelmshaven electrolyzer and Green Wilhelmshaven Terminal projects were included in the EU commission list of Projects of Common Interest or PCI for short.

And with the engagement of cross-border infrastructure projects, Uniper continues to demonstrate that we contribute to both securing the energy supply and making the energy transition happen. They are in fact two sides of the same coin. And with this recognition we expect to benefit from fast track approval procedures and funding as well as contributing to the EU's energy and climate goals.

In addition, we are further expanding our cooperation with energy-intensive companies and strategic partnerships. For example, we recently launched the collaboration with our customer SKW Piesteritz, the sustainable production of low carbon and carbon neutral ammonia.

And now I'd like to spend a couple of minutes on our largest recent investment in Germany namely the 160-megawatt revitalization of the Happurg pump storage plant in Bavaria. And this is the largest investment Uniper has made in recent years and it's a prime example of the contribution Uniper make to Flexible and Green Generation.

And this power plant with its large storage reservoir is a perfect fit for Uniper's strategy. The plant will make its contribution to security of supply in the Central European electricity market and it's now more attractive than ever to invest in this market environment. And Happurg provides our generation mix from carbon-free sources while at the same time allowing us to optimize the portfolio thanks to the flexibility provided by plants like Happurg.

Thus we intend to use the power plant flexibly provide TSO services and benefit from price volatility in the market. And the expected lifetime of the plant is also extended into the 2070s and with the return expectation of more than 200 basis points above WACC and an estimated annual contribution to adjusted EBITDA of around €30 million, we consider the project to be highly attractive and perfectly positioned to contribute to our transformation.

Happurg power plant is expected to come into operation in 2028, and reach full capacity from 2029 onwards. And I hope, this gives you a clear indication of how our portfolio is changing and how our strategy implementation is progressing and the contribution that Uniper can make to delivering the energy transformation.

And on that note, I would like to hand over to Jutta, who will now guide you through our results for the first half year fiscal 2024. Thank you.

Jutta Donges

Thank you, Michael, and a warm welcome from my side to all the analysts and investors listening today. As usual, I will now take you through the financial highlights for the first half, and the outlook for the remainder of the 2024 financial year. Let me start with the key milestones, we have achieved to make Uniper capital market ready on the next slide.

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As you know, Uniper has been financially stabilized by the Federal Republic of Germany in the wake of the gas supply stop from Russia and the resulting losses in 2022. This stabilization was subject to several conditions. One of the EU's requirements is that, the German government produces its stake in Uniper from current level to a maximum of 25% plus one share by 2028.

It is up to the German government to decide when and how this condition will be met. However, as the management Board of Uniper we are obliged to do everything we can do to be ready for the exit of our main shareholder. And for this reason it is important that Uniper is fit for capital markets. We have worked hard over the last few months to achieve the following crucial milestones on that journey.

First in December 2023, as you know we held an extraordinary general meeting to ask our shareholders to decide on a balance sheet restructuring and the elimination of the high retained losses from 2022 under German GAAP. This ensures the technical ability to pay regular dividends in the future.

Second, we have adopted our segmentation and financial steering KPIs to increase transparency in line with the implementation of our strategy with the start of the financial year 2024.

And third, we have taken a huge step forward towards financial independence and the securing of liquid funds for future investment, specifically we have extended and refinanced our syndicated credit line and reestablished our debt issuance program in the last month.

Fourth, and certainly, a very essential milestone in terms of capital market readiness was the derisking and termination of the contracts with gas from export in accordance, with the arbitration award which Michael already highlighted.

And last, we have significantly improved our stand-alone credit rating. A stand-alone investment-grade rating which we are aiming for going forward is a prerequisite for Uniper to become an independent company again.

Let us now have a look at the financial highlights for the first half of the financial year 2024. The headline figures for the first six months are strong irrespective of an exceptional record performance in 2023. The adjusted EBITDA of €1.7 billion, adjusted EBIT of €1.4 billion and adjusted net income of €1.1 billion are well above pre-crisis levels, and above all planning despite challenging and volatile markets. We improved again in our group economic net cash position to now around €6 billion in the first half, reflecting the strong operating cash flow of almost €3 billion.

Against the background of the strong performance in the first half and the confidence for the remainder of the year, we have raised our outlook for the full year 2024 ad hoc announcement last week. However, it is still reasonable to expect the softening in the second half of the year, after commodity prices have eased.

I will now go into more detail on the drivers of the respective results in the course of the presentation starting with adjusted EBITDA. This slide shows, the key changes in adjusted EBITDA for the first half of 2024, compared to the prior half year.

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After a record year 2023, we had exceptionally high earnings from the Gas Midstream and Flexible Generation businesses, earnings have returned to more normalized levels. Nevertheless, we still achieved a very sound operational result that is even above plan at half year's time. Let's go through the individual effects from top to bottom.

The largest negative year-on-year change comes from the Gas Midstream business, which is part of our Greener Commodities segment. This decline is at foremost due to the lower one-off gains for the procurement of Russian replacement gas volumes, which amounted to almost €250 million for the first half of 2024 compared to €1.2 billion for the first half of 2023.

Excluding this gain, Gas Midstream recorded an underlying half year result of about €250 million, which is below last year's result where extraordinary results could be realized in an environment with high market volatility. However, also this absolute result is compared to the years before the crisis still a good one.

The Greener Commodities Power Trading business declined by roughly €100 million and returned to more normalized levels as well after a particular positive previous year in which Uniper benefited considerably from volatile market prices.

Uniper's Green Generation segment generated almost €100 million more of adjusted EBITDA in the first half year of 2024 than in the prior year. This was driven by a better nuclear result of plus €133 million on the back of higher achieved prices and a more favorable hedging transactions on the one hand, and higher volumes due to a better availability of Oskarshamn 3 and Ringhals 4 on the other hand.

We were also able to achieve higher volumes in our hydro portfolio in the first half of the year, following increased water inflow. But due to lower achieved prices for both Sweden and Germany, the result for hydro is almost €30 million lower than in the previous year.

Like for Q1, our Flexible Generation segment delivered an impressive operating contribution to group earnings despite the negative year-on-year effect. As already indicated, the extremely good result of the previous year, in which we achieved record high spreads, has not been repeatable.

In addition, due to the lower spread compared to the previous year, the production of gas and in particular, coal-fired electricity was less profitable and therefore, generation volumes lower in the first half of 2024.

As in the first quarter, there was also a positive temporary carbon phasing effect of about €100 million for the first six months due to lower carbon prices versus previous year. Year-on-year this delta was even larger as there had been a negative carbon pricing effect in the respective period of last year. Before the outlook, it should be considered that this temporary positive driver will likely settle with a negative effect at the end of the year.

Let's now have a look at the development of the adjusted net income on the next slide. This slide provides a reconciliation from adjusted EBITDA to adjusted net income for the first six months of the financial year 2024.

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From left to right, first, depreciation and amortization amounted to €304 million. This is €97 million lower than in the first half of 2023 due to significant impairments, mainly for our fossil fleet, which were booked at the end of the last financial year.

And second, we achieved a positive economic interest result of €89 million, which was significantly above prior year's level. As in the first quarter Uniper benefited from its cash -- its high cash position, which was partially invested, contributing to the interest result and lower commitment fees.

And third, tax on the operating result amounts to €406 million, which translates into an operating tax rate of 26.6%. As already mentioned, this brings us to an adjusted net income of over €1.1 billion, which is better than our plan and even slightly above the previously announced outlook range, mainly on the back of a strong adjusted EBITDA.

And now over to the operating cash flow. This waterfall chart shows the reconciliation from adjusted EBITDA to operating cash flow for the first half year 2024, which came in at a high level of just below €3 billion. Putting this figure in relation to the operating result the cash conversion rate is well above 100%, which is primarily due to the changes in working capital of €1.7 billion. The lower working capital requirements are driven into area by seasonal cash-in of wholesale customer receivables mainly from the end of 2023, as well as price and volume induced changes of inventory values.

And let's now turn to the latest figures of Uniper's economic net debt. Uniper's economic net cash position has risen from over €3 billion as of December 2023 to a very strong level of almost €6 billion as of June 2024. This increase is in line with the positive operating cash flow, which I just explained on the previous slide.

In addition, Uniper has made investments of €229 million. While total CapEx is roughly the previous year's level now the breakdown of maintenance versus growth CapEx has shifted towards growth.

In the first half of 2024, maintenance and replacement CapEx were slightly down mainly due to lower maintenance investments for the storage business. Growth investments have been slowly ramping up, such as for the new 50-megawatt battery project at the German power station site Heyden and new battery projects in the Nordic market.

The other block mainly includes the changes of the pension provisions due to increased discount rates as well as asset retirement obligations partly driven by changes in foreign exchange rates. With almost €6 billion at the end of the first half of the year, we currently have a high cash position. However, this cash position will be affected by payments resulting from obligations to the Federal Republic of Germany.

We have currently recognized provisions amounting to €3.4 billion, which were accrued for in our half year accounts. Firstly, and as like before Uniper has a payment obligation as a result of expected overcompensation as of 31 of December 2024. The book provision for this was reviewed as of June 2024, and now consequently valued at almost €2.9 billion.

The final payment amount will be determined with the annual financial statements for full year 2024. And secondly as of 30 of June this year, Uniper has recognized a balance sheet provision for the transfer of proceeds from realized claims for damages against Gazprom Export in the amount of around €540 million. A significant portion of this provision is based on the fact that it was confirmed in arbitration proceedings against Gazprom Export that Uniper was able to effectively offset the payment obligation to Gazprom Export against the damages incurred from the supply cuts.

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Speaking of full year 2024, let's now turn to our updated outlook for the year on my last slide for today. All-in-all we present a strong set of first half year results 2024 driven by strong operational performance and positive market price development especially for gas. Therefore, we raised our full year outlook for the current year by €400 million. We now anticipate for adjusted EBITDA range between €1.9 billion and €2.4 billion, compared to our previous expectations of €1.5 million to €2 million. And for the group adjusted net income, we now anticipate a range between €1.1 billion and €1.5 billion, compared to our previous expectation of €0.7 billion to €1.1 billion.

Looking at the remainder of the year, we continue to anticipate strong contributions from our Green Generation segment above prior year's results, while the result for Flexible Generation and Greener Commodities are expected to come out below the results of 2023, which again was an exceptional year as highlighted by us earlier.

We continue to operate in a volatile and challenging market environment. Thus, we cannot count on repeating to deliver such good results for the years to come.

Ladies and gentlemen, as you can see, we are doing our homework, since we presented our strategy to you one year ago. Since, Uniper delivers very good results, consequently works on laying the foundations for Uniper's capital market readiness, thanks to a very skilled, committed and hard-working team of Uniper colleagues.

And with that back to Sebastian to kick off the Q&A session. Sebastian please.

Sebastian Veit

Thank you, Jutta. We can now start the Q&A session. Operator, I'm handing it over to you, please.

Question-and-Answer Session

Operator

Thank you. [Operator Instructions] Our first question comes from the line of Anna Webb from UBS. Your line is open. Please go ahead.

Anna Webb

Hi. Good morning. Thank you for the presentation, and for taking my question. Two from me. Firstly, on the green gases strategy, I'm interested in understanding a bit more on this. Can you talk about what progress you're making there? I think you mentioned in the presentation a couple of projects, for example, one included in the European PCIs. But what's the time line on these? Does any of the investment decisions you've made in the first half include related to green gases. I assume the majority is the pump storage project, but it would be good to understand that.

And also, how much of your overall €8 billion CapEx you expect to deploy on the green gases. Any detail you can give there? And then secondly, on the Flexible Generation and Greener Commodities businesses. As you know they're hard for us to model from the outside, but obviously they continue to deliver above your expectations. Can you talk about what you're seeing in terms of market conditions, maybe particularly in the last couple of months? And also, how you're thinking about these businesses going forward, especially I guess compared to pre-crisis levels? Any info you could give there? Thank you very much.

Michael Lewis

Good morning, and many thanks to your questions. Maybe I'll pick up on the first one, on the green gas strategy. As you rightly said, we -- I mentioned in my introductory comments that we have been included in the European Commission's important project list. Nonetheless, you're right, in the first half of the year, none of that CapEx related to our green gases that is a bit longer term. And we have not explicitly said, how much of the $8 billion we will be attributing to our green gases strategy.

We have however got the 30-megawatt Bad Lauchstädt project 30 megawatts that was already given the financial investment decision before the first half of this year. So there is one project progressing. But looking forward we are currently in discussions with a number of potential partners. We signed a number of MOUs around green gases. But we're not currently in a position to say exactly how that portfolio will develop in the future. And it does very much depend on how the regulatory framework develops.

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And what we're aiming to do is look at those projects which can provide the lowest possible cost green gases into the European market. And that's the benchmark which we will be using. And we'll update you as we make progress on that strategy. But you're right that the remaining investments for our €400 million we mentioned apart are in renewable projects and in flexible projects battery projects. So it's predominantly on the Green and Flexible Generation side where we are making tangible progress right now. And that's to be expected because that's where we see strong returns at the moment. In terms of the performance of the business, Jutta, do you want to say a few words about that?

Jutta Donges

Yes. Good morning, Anna. Good to hear you again. Your question with regard to both Flexible Generation and Global Commodities that we call Greener Commodities now, your question relates to the market conditions going forward. As I said before with regards to Flexible Generation, we have been benefiting from the previous hedging activities and the spreads that we have been able to lock in.

We still have that tailwind for the first half year of this year and therefore we are able to report the numbers just reported. I also indicated that this tailwind will fade for the second half of that year. And this is, obviously, also the case for the years to come. Due to our hedging pattern our segmental earnings for Flexible Generation, they follow a trend obviously, but with a certain time lag and you will see the effects to see then in the quarters to come. And at the same time, volatility in the market obviously helps in the Flexible Generation business, as well as to optimize the results.

On the second part, the Greener Commodities as a rough indication we can say that we expect normalized EBITDA contribution from the gas midstream of a similar magnitude as before. However, we will see a different mix due to the different portfolio composition and drivers are tailwind from higher contribution of LNG-related business and higher commodity prices volatility and headwinds from the changed mix of gas procurement contracts. But all-in-all, we assume lower gas prices will translate into somewhat lower sales margin. But as I said, we are confident that we will be able to maintain an earnings level comparable to what we have been able to show in the past.

Anna Webb

Great. Super helpful. Can I quickly follow-up just on the first question. I think you have a target to increase the green gases in the midstream portfolio to I think it was 5% to 10% by 2030. Is it fair to say that if you don't see these market developments that kind of time line might be pushed out?

Michael Lewis

I think, it's fair to say Anna that every investment that we make will be subject to strict financial criteria and if investments are not supported by the right market or regulatory frameworks then we won't make them. However, we're still confident that the time line to 2030 can be delivered and our target remains and we will update you if that changes. Most important thing though, I think from my side is that we said it all along since we launched the strategy, we will only invest where we see a positive return, which delivers our investment criteria.

Anna Webb

Perfect. Thank you very much.

Michael Lewis

Thank you.

Operator

Thank you. Our next question comes from the line of Louis Boujard from ODDO BHF. Your line is open. Please go ahead.

Louis Boujard

Yes, hi. Good morning. Thank you for taking my question. Louis Boujard actually, but that than you, and good morning to everyone. I just wanted, maybe two questions. Maybe a follow-up one on the first of Anna regarding the investment and notably to the gas development going forward, green gas, I was wondering what is missing currently into the framework to give you enough visibility in order to trigger these investments? And when do you think, you're going to be able to have this visibility and you can go ahead in the investment plan, total investment is expected to be €8 billion by 2030. It's a relatively large figure compared to your normal investment plan. So, you would need to kick in quite shortly now. So when do you think you will be able to accelerate in this aspect? And maybe more importantly, what backup would you have if it's not possible to go into green gas? And would you consider maybe being a bit bigger into normal renewable activities with more storage and wind and the PV development for instance. That would be my first question.

Second question, when I look at the evolution of the CDS and the CSS at the moment [indiscernible] of course some uncertainties regarding the profitability of the Board plans going forward in the flexible generation more particularly in 2025. Could you give us some ideas on what could be the normal earnings profile of your flexible generation division going forward considering the current margins that we can have into the market? Do you have some idea of the level of EBITDA that we can reach on a normalized level? And maybe also, if you could give us an idea of the carbon phasing effect that is in regarding in the first half that would be interesting. Thank you, very much.

Michael Lewis

Thanks, Louis. And I'll pick up the first question and then Jutta will pick up the second one. So, on the investment, as you know we have a wide range of investment opportunities in front of us. As we said, at the moment, those have predominantly been in the Flexible Green Generation and in renewables. And going forward, the big milestones will be firstly the German cutback strategy. As you know, the German government recently announced 12 gigawatts of potential capacity to be built hydrogen-ready which can be converted in the 2030s, we will certainly take part in that auction process. We believe we have very good sites. And as you know, we have outstanding capabilities in building and operating those plants. So that will be a major source of new investment.

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We also have potential opportunities for carbon capture projects in the UK also with flexible power generation to get to Net Zero with the new government in the UK which is setting a goal for a carbon-neutral power system by 2030, very ambitious, but nonetheless we believe we can play a role there. So there are very significant investments there. We also have a big pipeline of renewable projects predominantly solar at the present, but we will be building up wind as well. So, we do have a large potential portfolio and absolutely our intention is to invest where we see the best returns. So we have a broad strategic framework and objective to invest $8 billion with all of the decarbonization of our portfolio and the growth in green gases as part of that. But as I said, in the end, it will come down to where we can add value from our investments.

As far as the 5% to 10% is concerned, I mean in the end, what we need is a combination of both own investments, whether that's in electrolyzer capacity or in associated imports for green ammonia for instance or in offtake contracts for blue or green ammonia. So there's a wide range of potential customers. But in the end, it comes down to willingness to pay of customers. And while there are some areas and some incentive schemes, which provide what I would call niche opportunities, at the moment, we don't see a customer demand which is willing to pay for a very large amount of gas, which will be needed or green gas which will be needed to decarbonize the German and European economy.

Therefore, what we need is some kind of regulatory framework to deliver the customer demand, which ultimately will support investment. But we will continue to look at all of those options. And you're right, Plan B will be if we can't invest in one area for whatever reason we will look to invest in another area where there is a positive return. And we will continually revise our strategy to reflect how the market in those different areas is developing whether it's flexible power, green power, hydrogen, ready power plants under the cutback strategy or indeed renewables and green gases.

And that will be an ongoing assessment we make. But what I can confirm to you today is that we will only invest where we add value according to our finance criteria. That underpins everything we do. Jutta?

Jutta Donges

Thank you. On your second question with regard to the segment, Flexible Generation. As I said before, our EBITDA level is really linked to the market environment and there's a certain time lag that you can see in our recent numbers. And as I said, going forward, we also expect the tailwind in the numbers that come from the hedging activities in the past to fade. So it's really difficult to predict what will be levels going forward.

I also referred earlier when Anna asked to the volatility in the market that gives or impacts the business with regard to optimization that would be possible. However, there's one thing that is clear as we are going to exit coal and you have probably seen that there are some changes in the portfolio already now with some of the German assets have been going to the national reserve.

The contribution from the coal assets is fading as well. And therefore, it's really difficult today to say where the level going forward will be yes. And an additional aspect, as you know, one of the remedies from the European Commissioner is that we have to divest some of our assets. The Datteln 4 asset is one of those. And once that is out of the portfolio, this obviously also has an effect on our numbers going forward.

Michael Lewis

Does that answer your question?

Louis Boujard

Thank you.

Operator

Thank you. Our next question comes from the line of Piotr Dzieciolowski from Citi. Your line is open. Please go ahead.

Piotr Dzieciolowski

Hi, good morning, everybody. This is Piotr Dzieciolowski from Citi. Thank you for the presentation. I have two questions, please. The first one, I wanted to ask about the Swedish power prices. There was a – there is some idea among some market participants that we will see a big demand increase and therefore, the Nordic power prices will converge and especially the SE-3, where part of your assets are located. So can you please tell us what you see in terms of the demand locally and in terms of the network connection between the pricing zones that would justify the thesis that we could see a meaningful increase of the prices in Sweden. So that's the first question.

And then the second question, when we think about the capacity gas market or the auctions that are coming up in Germany, how do you see a competitive landscape?

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How would you say -- what could be the supply of projects? And we know what the demand of project is, but how would you see the kind of amount of entities and sites that are available to bid in these auctions and they are vary -- with the projects, how you see the situation? Thank you.

Michael Lewis

Okay. Thanks Piotr. I'll pick up both those questions. First one, on the Swedish power prices, I think any development of the kind you mentioned is more a long-term development. I think most important for us in the near-term is the current market and the current forward curves.

And I think we've already talked about that the fact that, prices have come down since the crisis and that we will see the tailwind that we had before in our numbers gradually fading.

So I won't comment on or speculate on how the prices might develop in the mid-to-long term. There are a number of views about what might happen. I think we will only say we will follow those developments very closely and adjust our investments accordingly, if we start to see positive trends in that direction.

As far as the auction of capacity in the cutback capacity in Germany goes, I won't comment on the competition. What I would say is, we are very well positioned at Uniper. We have some very good sites. We clearly own a number of the best sites around Germany in terms of the grid connection and the existing footprint and their position on the grid.

We think we are therefore well positioned to win in a capacity auction. We also have I think experience which is second to none in terms of building and operating new capacity. I already mentioned, Scholven 1, which we opened earlier this year.

Last year, Irsching 6. So we have very recent experience of this. And we believe we can both deliver low-cost sites, high operational and efficient performance and indeed, the expertise necessary to get those plants built on time and on budget.

So I'm very confident that we can play a very significant role, in delivering that capacity and that we will have a strong investment in that area provided, as I said the conditions are right.

And once we have the full details of what that framework looks like, we will obviously take part, if we believe it's the right thing for us. And we're confident we will because we know that Germany needs this capacity.

Piotr Dzieciolowski

Okay. Thank you very much.

Michael Lewis

Thank you.

Operator

Thank you. [Operator Instructions] As there are no further questions, I will turn the conference back to you.

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Sebastian Veit

Thank you very much, everyone for dialing in today. We will close this call here, as there are no further questions. And we will hear each other back to our Q3 results, in beginning of November. Thank you very much. And have a great day.

Operator

Ladies and gentlemen, thank you all for your attendance. This call has been concluded. You may disconnect.

**Load-Date:** August 12, 2024

**End of Document**