

# Paying for Investment: Perspectives of an energy infrastructure investor



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**British Institute of Energy Economics. St John's College Oxford. 20 September 2012**

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## Today

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- Introduction
- The need to invest for society and the numbers involved
- How will we fund this investment?

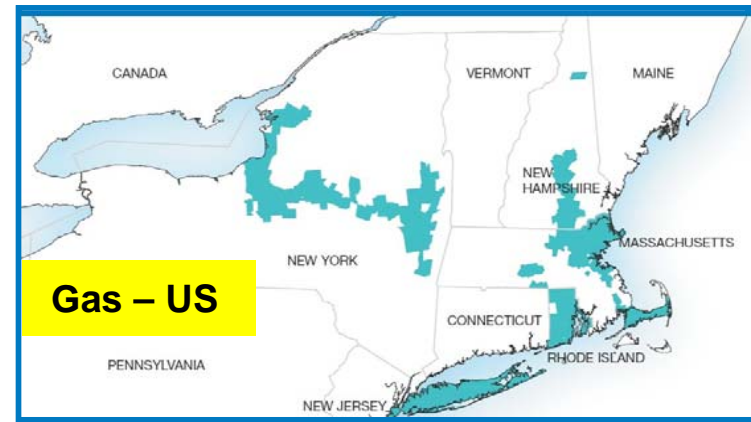
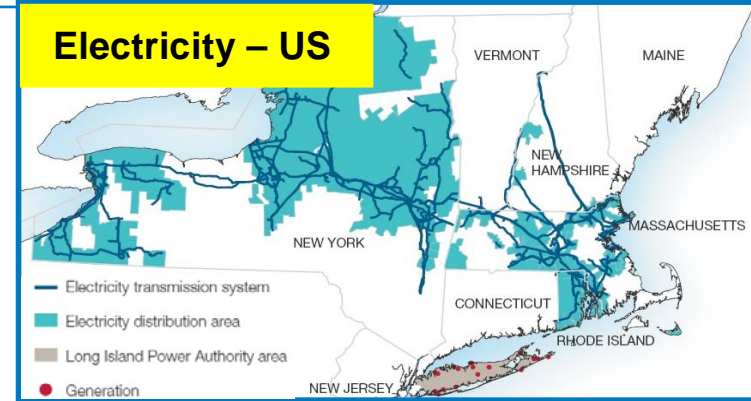
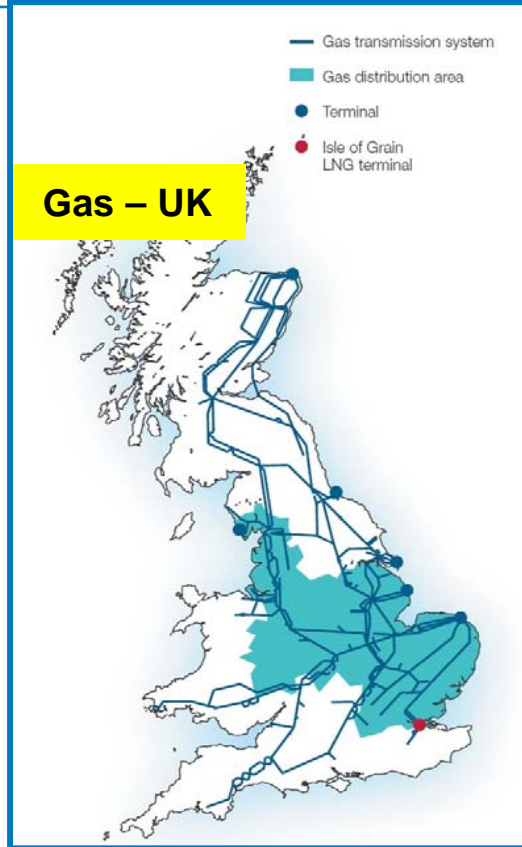
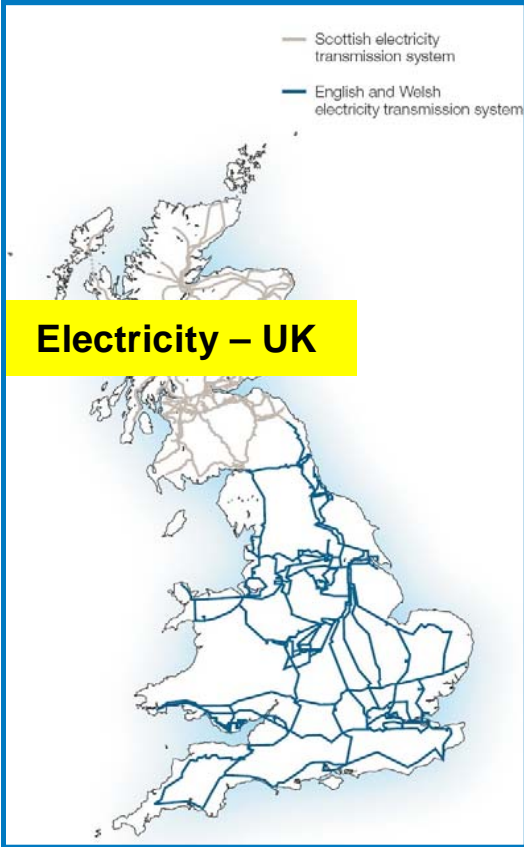
# 1) Introduction

## What are we?

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a ***low risk*** business focused on generating shareholder value through both ***dividends*** and ***asset/equity*** growth by investing in ***essential assets*** under predominantly regulated market conditions to service ***long term sustainable consumer led demands***

# National Grid



UK and US



Electricity and Gas



Transmission & Distribution



One of the world's largest **100% listed** utilities focused on **regulated transmission and distribution** activities in electricity and gas in the **United Kingdom and the United States**

UK **65%** / **35%** US

Investment to  
2021 (regulated\*) **~£35** bn

Debt

**~£20** bn

Market Cap

**~£25** bn

Note: All numbers indicative

\* Includes Ofgem's Initial Proposals 'best view'

2) The need to invest for society  
- and the numbers involved



## The UK shopping list... to 2020?

Sector	Requirement	Cost (£ billion)
<b>Energy</b>	<b>Replacement</b>	<b>42</b>
	<b>Networks</b>	<b>65</b>
	<b>Renewables</b>	<b>136</b>
	<b>Energy efficiency</b>	<b>21</b>
<b>Transport</b>	<b>Rail and high speed lines</b>	<b>69</b>
	<b>London transport</b>	<b>32</b>
	<b>Roads</b>	<b>9</b>
	<b>Air</b>	<b>10</b>
<b>Communications</b>	<b>Nationwide fibre</b>	<b>5</b>
<b>Water</b>	<b>Water and sewerage networks</b>	<b>37</b>
	<b>Flood and coastal defebces</b>	<b>8</b>
<b>TOTAL</b>		<b>434</b>

**Energy =  
£264bn =  
60%**

## The UK energy landscape is changing

Sustainability



Existing power station closures

~25%

of total capacity by 2020



Affordability



Gas from UK sources

~25%

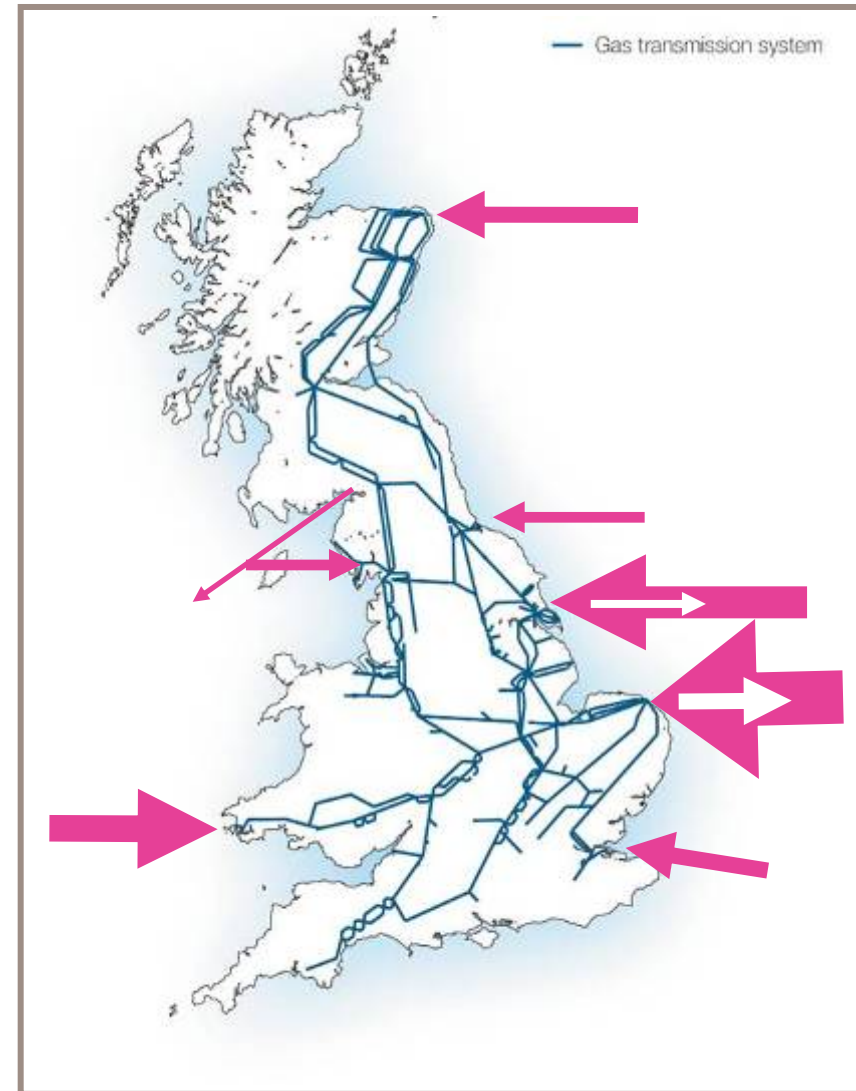
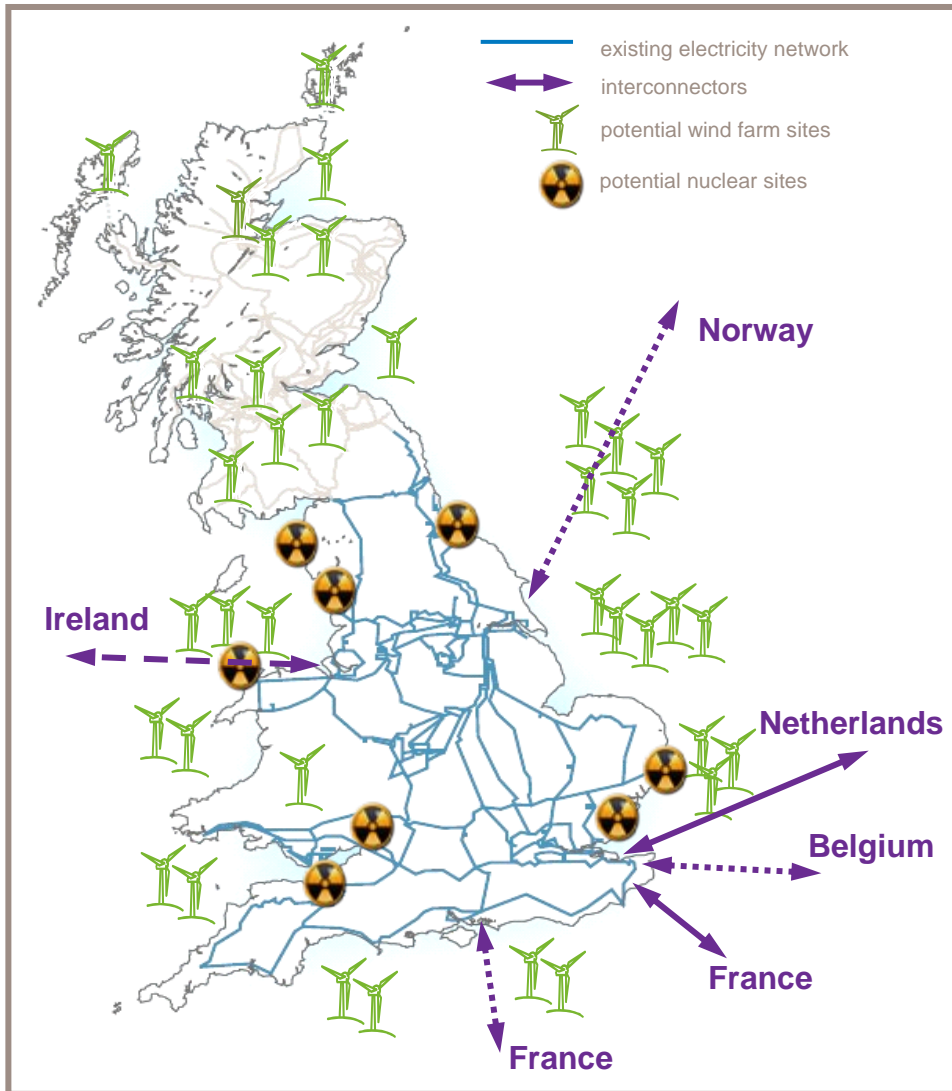
of total supplies by 2020



Security of supply



## Energy sources have changed – network impact



## The numbers – our core businesses

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- UK regulated / core businesses (under ‘RIIO’)
  - Investment requirement ~£25bn (to 2021)
- US regulated / core businesses
  - Investment requirement ~£1bn to £1.2bn per annum (to 2021)

## The numbers – related growth opportunities

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- Just taking the UK, we have a large pipeline of other opportunities...

Offshore Tx

Tx for Irish wind

Grain LNG 4?

All this could = ~£5bn+??  
(but how much will happen, and when?)

UK-Belgium IC

CCS

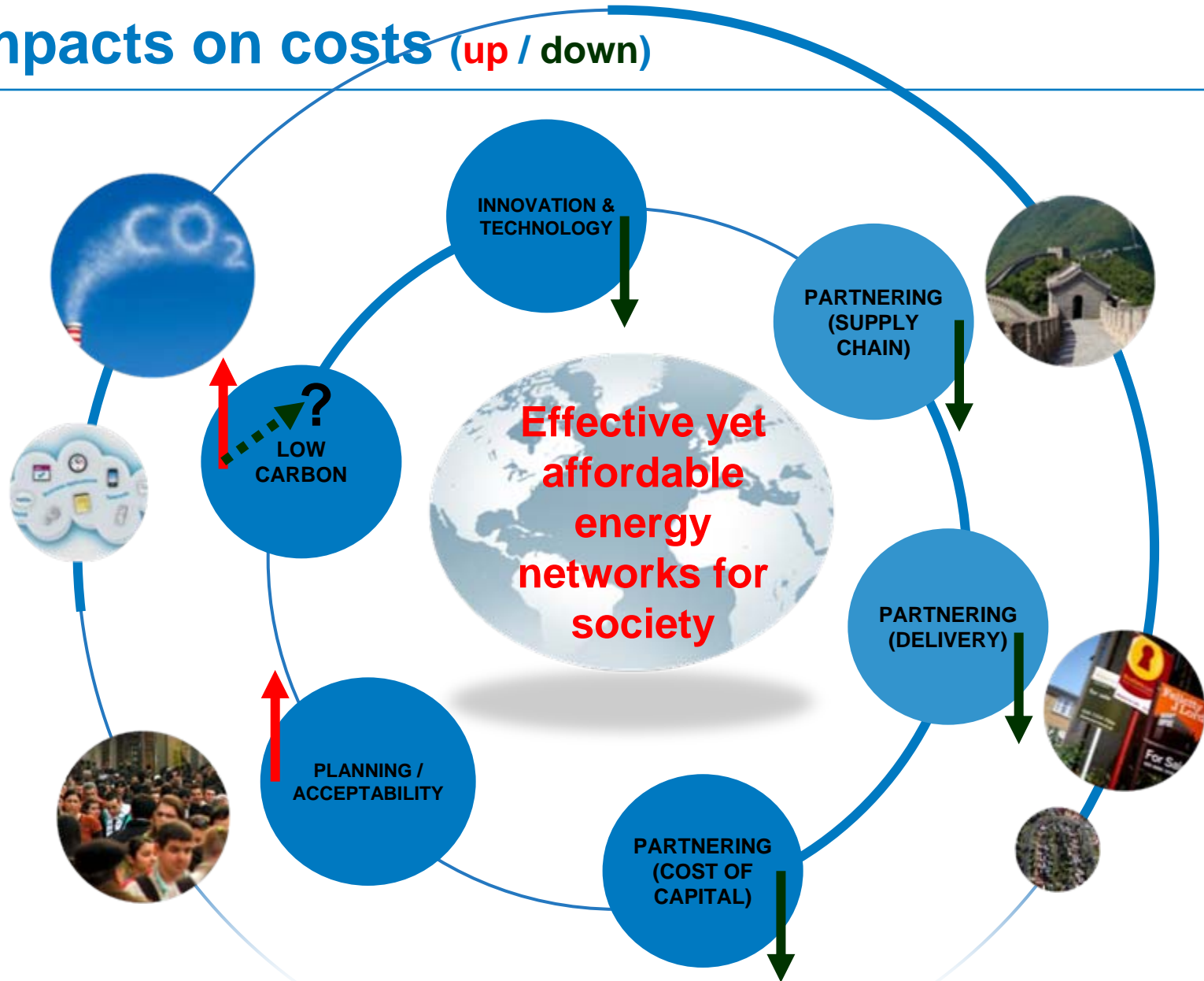
UK-Iceland IC

UK-Denmark IC

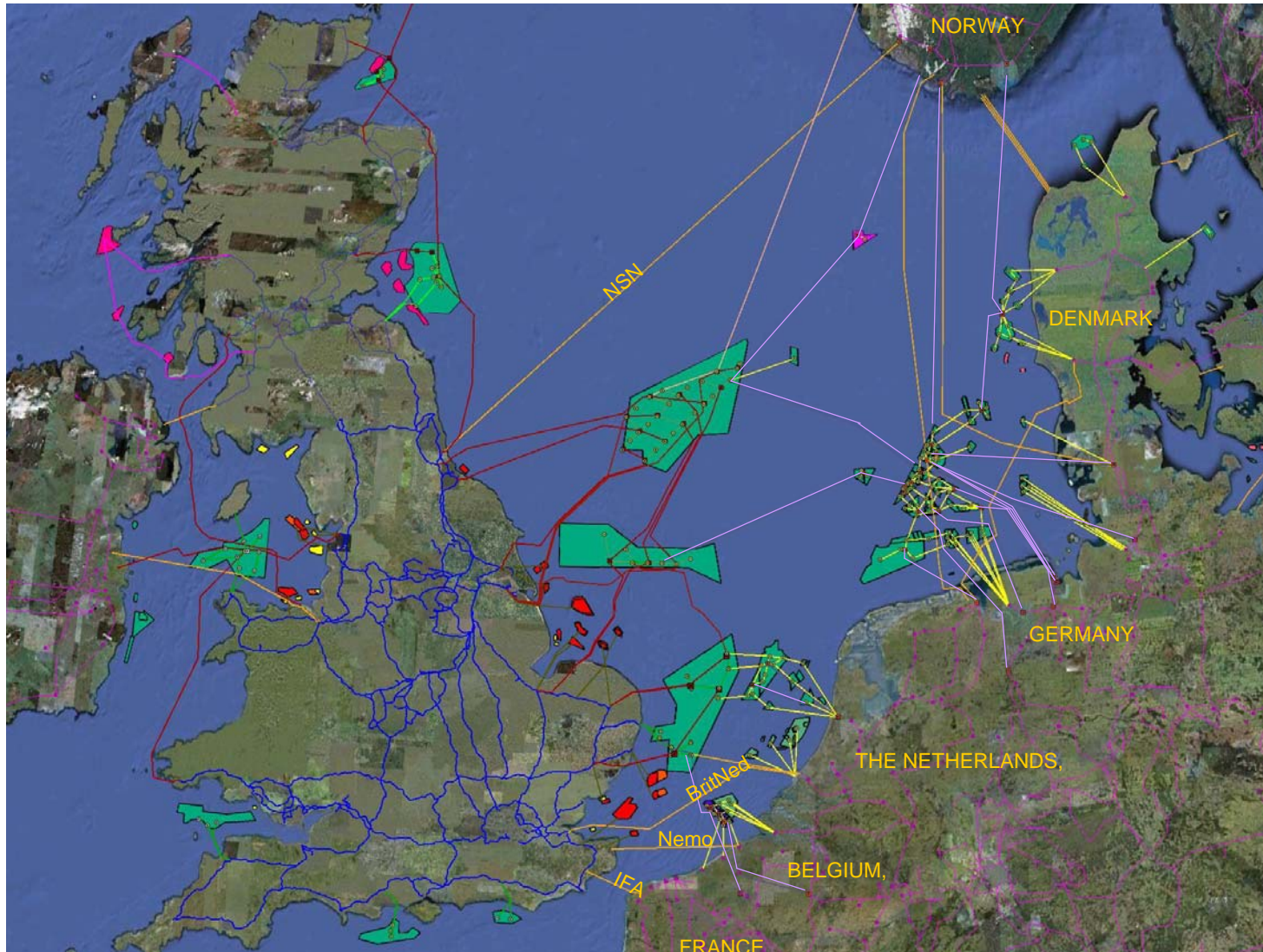
UK-Norway IC

UK-France 2 IC

# Impacts on costs (up / down)



# And further in to the future...

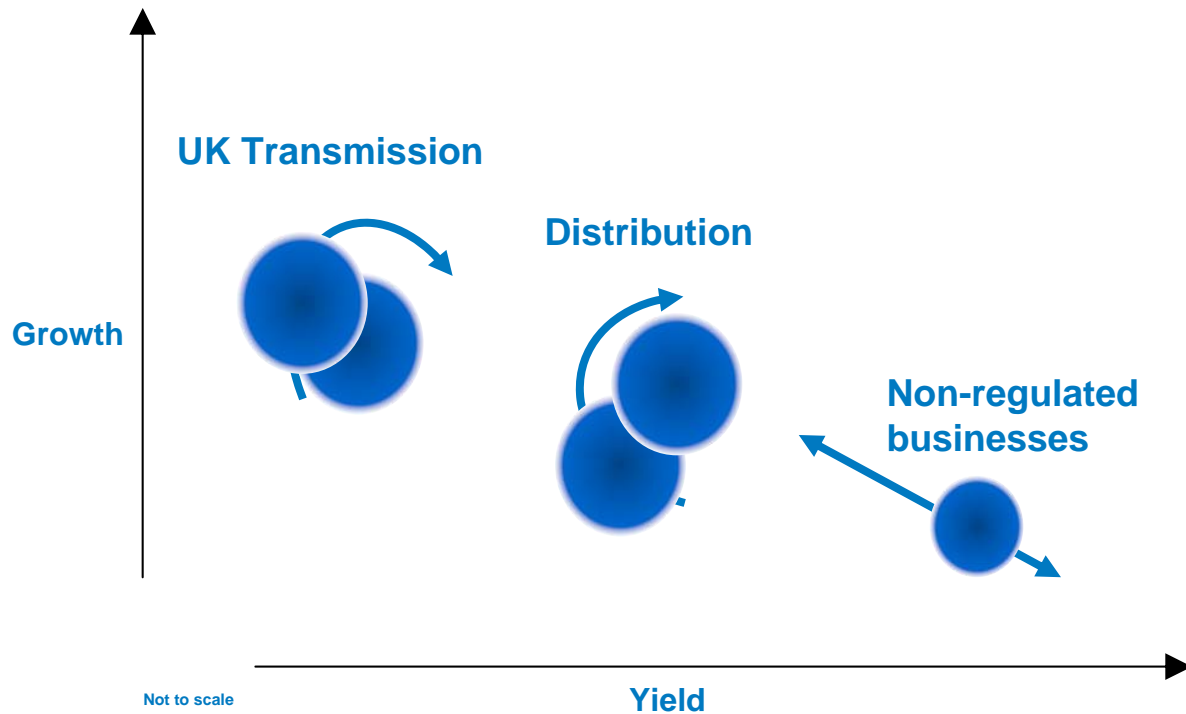


3) How will we fund this investment?



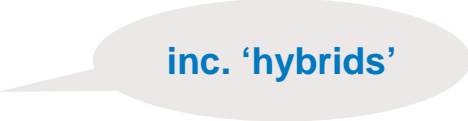
# Spread and balance of our activities adds financial strength

Portfolio of distinct regulated businesses in the UK and the US and some unregulated businesses, primarily in the UK



## Financing the future

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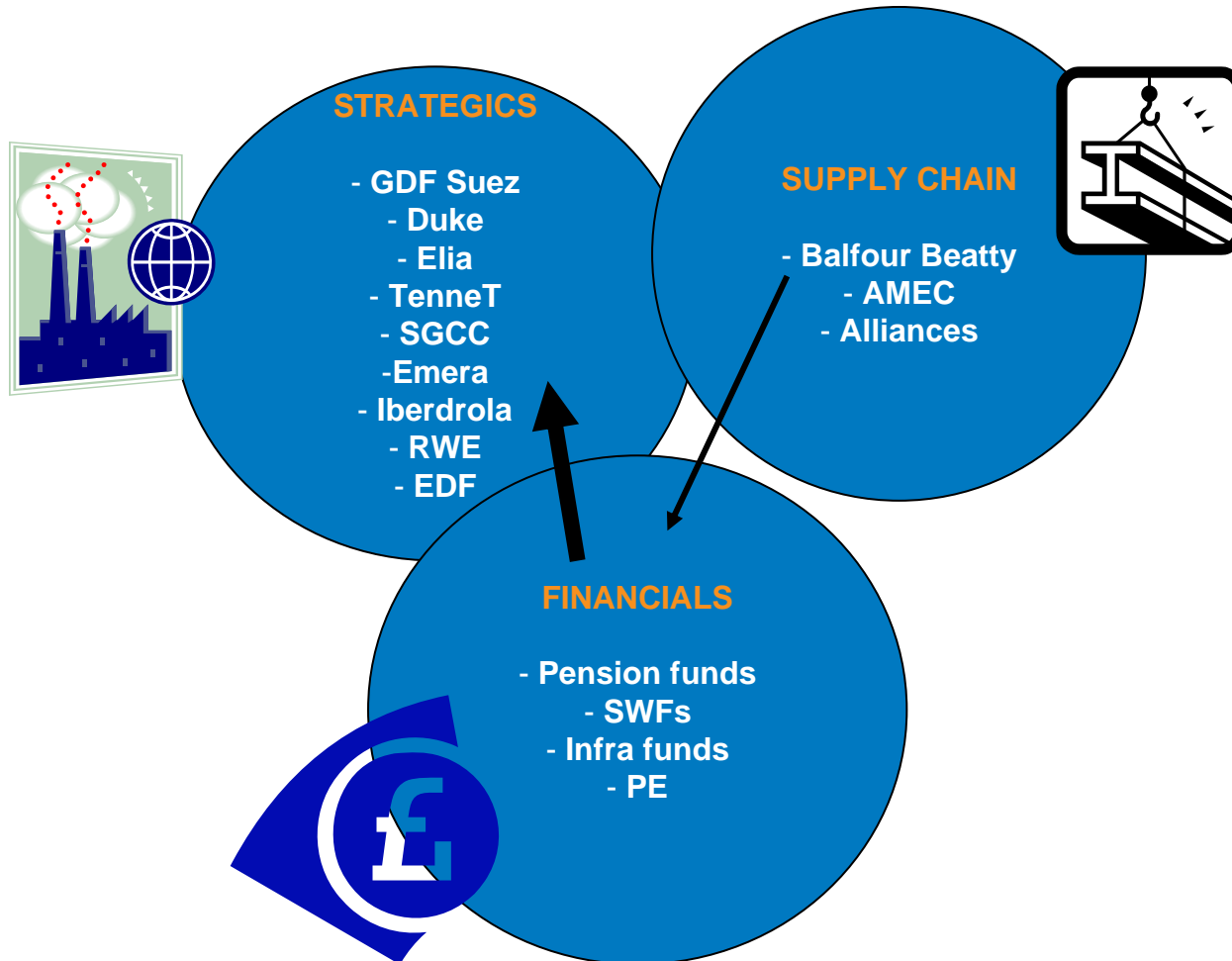
- In general, a history of on-balance sheet funding, 100% ownership and operation
  - And this model will still be desirable for many of our core businesses
- Typical tools (for any corporate) include:
  - More debt  inc. 'hybrids'
  - More equity
  - Dividend policy
  - Disposals to raise cash
- And for us, balanced/effective regulatory outcomes

## Financing the future – cont'd

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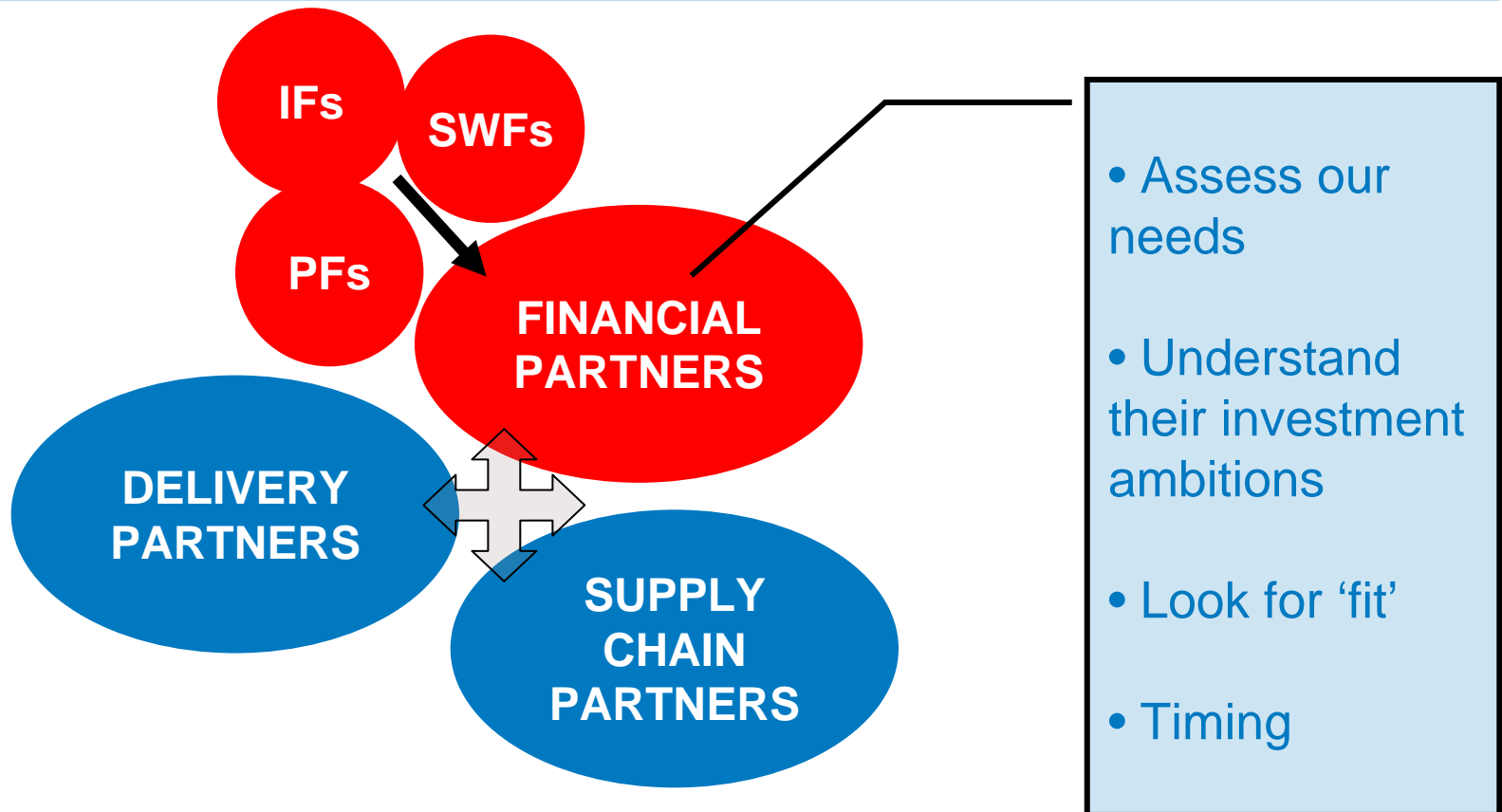
- Desire to add additional/new 'tools' to finance the future
  - Retail bond in 2011 - £260m
  - Canadian bond this month for C\$750m
  - Strategic partnering...

Strategic partnering is attracting interest from a range of players (illustrative)



With some moving beyond their traditional roles →

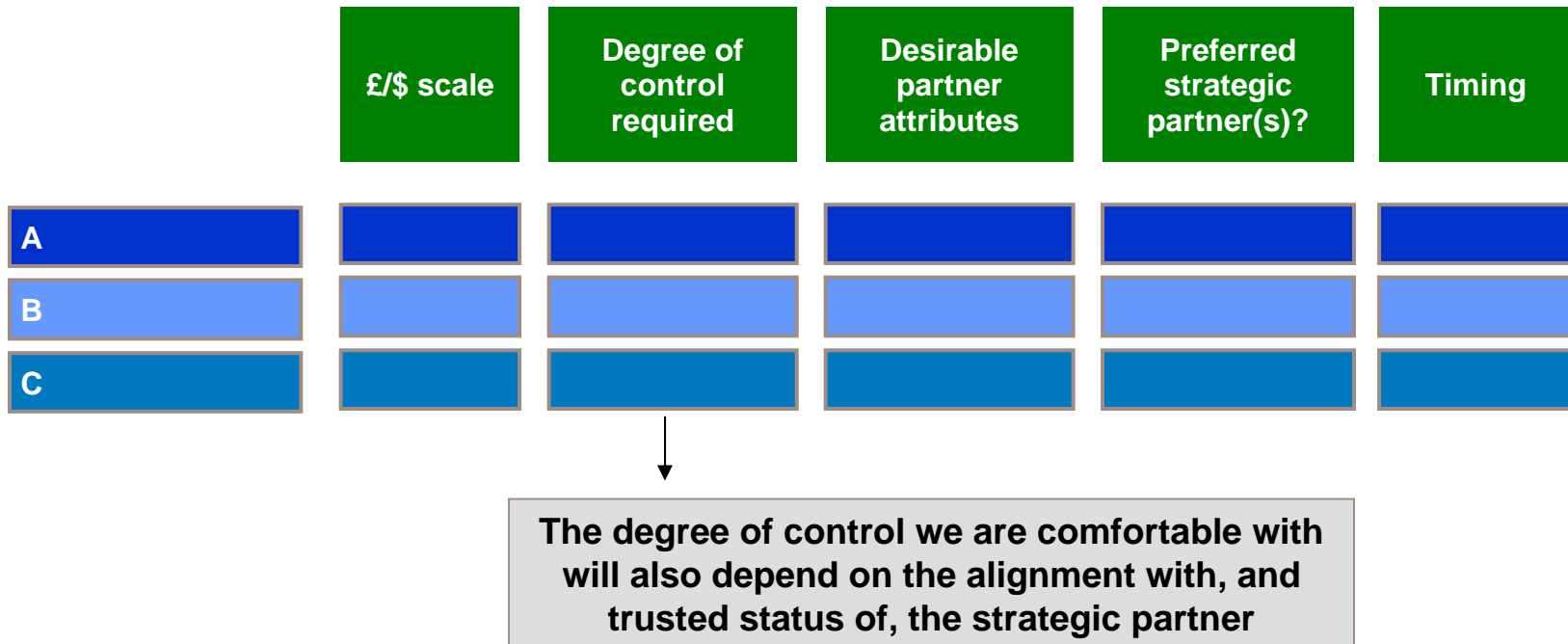
## Strategic Partnering



**Future potential: Aligned, long term partners for select parts of the Group**

## Different partnering options need different approaches

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## What is important to us (and potential partners)?

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- Stability (political, regulatory). GB 'reputation'.
- A realistic rate of return
  - Efficient / competitive
  - But recognising the risks
- This is a global market
  - For our shareholders
  - And also for financial partners

## Priorities

- Secure positive regulatory outcomes
- Set clear financial strategy and dividend policy in 2013
- Drive growth and investment over next 8 years
  - Double size of business by 2021
- Manage portfolio to secure optimal shareholder value



## Final thoughts

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- We have an unprecedented programme of expenditure to help transition the UK to a low carbon future
- We have enhanced our financing ‘toolkit’ for the future – always seeking to avoid disturbing the attributes that investors and lenders like about us
- A company keen to partner - for the right opportunities
  - Not just for finance, also for expertise/insight we lack
- To partner successfully, we need to find commercial and cultural alignment – and work at it!



# nationalgrid

