FY 2021 RESULTS

15 February 2022

Aarti Singhal

Thank you and good morning, everyone. It's my pleasure to welcome you to ENGIE's 2021 full-year results presentation. There are two parts to our presentation this morning. In the first part, Catherine and Pierre-Francois will cover a review of 2021. And in the second part, they will cover the outlook over the medium term, following which we will open the lines for Q&A, as usual, and with a polite request to please limit your questions to one or two only.

Thank you very much. And with that, over to Catherine.

Catherine MacGregor

Thank you very much, Aarti, and good morning, everyone. Very pleased to be on this call today with Pierre-Francois who joined us last month, hitting the ground running, I have to say, already making a great contribution.

In May last year, we announced our plan putting strategy into action, which was focused on three pillars, setting the foundation for long-term success. First, we wanted to simplify the portfolio by refocusing on our strengths and improving the business mix. Second, we wanted to significantly step up the Renewables growth. Third, to increase efficiency. To improve financial performance of course, but also to enhance competitiveness, so that we can capture the many growth opportunities that we see ahead through a returns-focused and disciplined approach. I am convinced that by consistently delivering on these priorities, ENGIE will realize its purpose of accelerating carbon neutrality alongside driving sustainable returns for shareholders. ENGIE is a responsible company. We are very mindful of our role in finding solutions with regulators and policy makers so that we address the growing need for investment for the energy transition while supporting affordability for customers.

In 2021, our teams put tremendous efforts to translate the plan into action, and the results they speak for themselves. We made strong progress on the simplification program with the announced exits of non-strategic assets totalling EUR 9.2 billion of disposals. The major of these being, of course, the sale of EQUANS, which will offer strong development opportunities for its employees. We signed or completed agreements to exit 18 countries, which means, upon completion, we will be operating in 35 countries, well on track to be operating in under 30 countries by 2023.

We also progressed on exiting coal, which now represents less than 3% of our centralized power generation capacity. And in Renewables, we commissioned 3 gigawatts for a third year in a row and of course, I'll give you more colour on this later. We revised the investment process to really sharpen the focus to increase our selectivity, which is also of course helping optimize development resources.

Overall, 90% of our growth Capex last year was invested organically, completely in line with our strategy. And we have also worked on key organizational levels. We've set up our four global business units. We have renewed the Group leadership with a healthy balance between internal talent and external experience, including Pierre-Francois. And we have updated our incentive schemes to be further aligned with the interest of our shareholders, on both financial performance but also ESG. Together, with the new leadership team, we are committed. We are committed to enhance our performance culture to make us more competitive and to drive growth, which will no doubt create exciting new opportunities for our people, further enhancing ENGIE's attractiveness to the best talent.

Turning now to our financial results. We posted a strong performance with total EBIT including EQUANS increasing 47% on an organic basis, leading to total net recurring income Group share of EUR 3.2 billion. This performance was not achieved by chance. Of course, we benefited from external tailwinds, but we were only able to post such strong results because we leveraged our integrated business model. We fully benefited from the favourable price environment as our assets delivered high level of availability and we captured opportunities from the flexible generation and we actively managed our contractual positions and we ensured strong financial liquidity. And all these results were supported by our performance plan which delivered its first impact.

We invested EUR 4.3 billion in growth Capex. Return on capital employed increased to 9.1%, driven of course by higher profitability. On shareholders' returns, the Board has reaffirmed the Group's dividend policy and proposes a dividend of EUR 0.85 per share, up EUR 0.32 from last year. We remain focused on delivering a progressively growing sustainable dividend for our shareholders.

Tackling climate change is at the heart of our strategy. We are committed to achieving our net zero ambition covering all three scopes by 2045. In 2021, greenhouse gas emissions from energy production were reduced to 67 million tons, which is down 11% from 2019. And through of course growing investments and consistent delivery, we are increasing the share of renewables in our portfolio to 34%.

On gender diversity, ENGIE had 25% women in management at the end of 2021 and here we have to work more. We have strong plans towards our ambition of reaching gender balance by 2030.

Moving to our operational achievements, starting with Renewables, a key growth engine for us. We have commissioned 9 gigawatt of renewable capacity to our portfolio since the end of 2018, leading to now over 34.4 accurately of total installed capacity. And of course, this was primarily driven by very consistent 3 gigawatts of additional capacity commissioned each year over the past three years.

Commercializing the energy from renewables is a competitive advantage for ENGIE. We signed contracts for 2.1 gigawatts of capacity, which is up from 1.5 gigawatt last year and that is confirming ENGIE's top position as a green corporate PPA supplier. And that trend continues as we see very strong demand from a range of clients across consumer goods technology and all industrial sectors.

In November, we signed an agreement in partnership with Credit Agricole Assurances to acquire Eolia, a leading renewable player in Spain, very compelling acquisition with attractive returns. Strategically, a great fit, adding to ENGIE's existing scale in Iberia and very importantly, industrially, where we will bring value in delivering the pipeline and provide multiple services to operating assets. Finally, Ocean Winds, our JV with EDP-R continues to progress in a very high growth market.

Turning to Energy Solutions, our GBU is delivering decarbonisation solutions to customers through distributed energy infrastructure as well as energy efficiency services. A great example of this is ENGIE's selection alongside our partner RATP to manage the cooling network of the city of Paris. In this case, ENGIE's technical expertise was absolutely key to this 20-year concession that covers the production, storage, transport, and distribution of the city's cooling energy with additional growth prospective.

In energy efficiency services, we signed a contract covering more than 100 sites worldwide with Faurecia, a global leader in automotive technology, supporting them in ambitious commitment to reach carbon neutrality. In Energy Solutions, our immediate focus is on performance improvement, to strengthen this platform so that we can capture fully the many long-term opportunities that we see in this business.

And now I'm going to hand over to Pierre-Francois to review the 2021 financial performance.

Pierre-Francois Riolacci

Thank you very much Catherine, and thank you also for the kind words. And good morning all of you of course, I'm very pleased to be here today in this role at such an exciting time for ENGIE. And as you can see, ENGIE is in a strong shape financially and for sure, it makes it much easier when you join as a CFO to start with a solid set of results, with good momentum, both on earnings and balance sheet.

I will not elaborate on this slide on the left part, because I will dig in, just mention that we account for EQUANS as discontinued operations under IFRS 5. You had the 2020 numbers ahead of the release. I think we are all set to go. When we compare our results with the 2021 guidance which always was including EQUANS, we of course take the total earnings. And as you can see, our 2021 results are at the top end of the guidance for all KPIs.

Let's now move to the numbers. And starting of course with EBIT growth, which is quite significant, plus EUR 1,652 million. It does include the negative effects and scope for minus EUR 163 million. FX is related to Brazilian reals and to a lesser extent US dollars and the scope negative is due to the sale of the 10% of GTT shares, which is partly offset by the sale of the 29.9% of SUEZ, which you remember contributed negatively in 2020. The organic growth is plus 42%, that is plus EUR 1.8 billion.

I will of course give some details on Renewables, Network and Energy Solutions. Just a few words on the other components. Thermal is slightly down, EUR 47 million, and this is on the back of course of the strong comparison base: 2020 was actually very good. The merchant activities were also very strong this year with high spreads and also ancillaries, which were captured by European flexible generation fleet, both gas plants and the pumped storage units. But we were hit on the contracted activities mainly by higher sourcing of spot prices in Chile and this is due to poor hydrology in particular, but also overall low production in the country.

Supply was down by EUR 12 million. This is the effect of lower margins in Europe and especially in Belgium as well Romania and also some reversal of 2020 positive one-offs. And this was offset partly by higher volumes, especially related to Covid recovery on one hand and colder temperature on the other hand.

Nuclear, after three years of negative EBIT, has been posting an outstanding operational performance, with availability up from 63% to 92% and this is a tailwind for us of half a billion in results, coming both from units in Belgium and the drawing rights in France. We're also able to achieve higher prices, which is a plus EUR 700 million impact, partly offset by profit sharing taxes in Belgium, which have been increasing and reaching a total of close to EUR 150 million in 2021.

On the others, the main driver of the increase is a strong commercial and trading performance of GEMS due to Covid recovery and also the exceptional market conditions. It's good to mention that the corporate costs were actually also lower than last year.

Moving to Renewables, it's great to see that we are up EUR 92 million to EUR 1,185 million. There is a non-organic negative of EUR -116 million. Roughly, half of it is due to scope and this is a result of partial sell downs that were completed last year and another half due to FX, mainly Brazil. Without that, Renewables posted an impressive 22% organic growth, leveraging the price tailwinds and also the contribution of the newly commissioned assets. The price impact is plus EUR 335 million. It's coming mainly from hydro in France and in Brazil. And there was a negative volume effect that is reflecting the impact of the Texas extreme weather that we had early in 2021, that's about EUR -90 million, but also lower volumes in hydro, both in Brazil on the back of the drought and in France. It's good to mention that there is some link between the volumes and the price, especially in Brazil where we find some natural matching between the two effects. Last but not least, we had the benefit of the capacity that we have commissioned over the last year, that was, in 2021, mainly in the US and Brazil. And this new capacity contributed to an EBIT increase of EUR 102 million while some assets are still in a ramp-up phase.

Moving to Networks, here we have a very limited impact from FX and scope, EUR -13 million. And then an organic EBIT increase of plus 13%, that is plus EUR 267 million year on year to a total of EUR 2,314 million. The French operations are actually up by EUR 216 million and this is on the back of colder temperature as well as recovery of Covid impact in 2020. And this was achieved despite lower transmission volume subscribed and also lower tariff revenues reflecting regulatory reviews that, as you know, were expected. Temperature had a timing impact on P&L and I think it's important that you remember that it will be recouped through the clawback mechanism. It is value neutral for ENGIE.

On international, we are up by EUR 51 million with a good contribution of organic growth in Brazil, with a strong performance of TAG, but also the progress in construction of power transmission lines. And that came on top of colder temperature that we had in Europe. So a good year on the international part as well.

We move to Energy Solutions now. Energy Solutions that benefited from a positive scope and this is due to the disposal of the stake in SUEZ which was loss-making this year. The FX impact is broadly neutral. With that, we are reporting on Energy Solutions a broadly flat organic EBIT variation. And this is reflected: two positives and one negative. The positive one, first positive, is distributed energy infrastructure activities, which are increasing the EBIT by EUR 14 million to reach EUR 385 million. And this is on the back of strong operating performance as well as colder temperature for district hitting in France. Good progress of energy efficiency services, EBIT is up by EUR 74 million to EUR 126 million, much better, and of course benefiting from the Covid recovery which was leveraged because we had also a strong operating performance. Good to see we are back in a decent profitability. But these two improvements were actually offset by the higher cost that we had with the development of EVBox. Contribution of EVBox is down EUR 90 million year on year. And it's fair to say that the operation in 2021 were disrupted mainly due to the supply chain squeeze that happened in these markets. The plan is to turn around the operations gradually in 2022 and in 2023, driving a significant EBIT improvement. We will at some point resume the process to monetize these assets, which is a good asset in the fast-growing markets, when we are comfortable with capacity to achieve the full valuation now that we have terminated the agreement with TPG in December 2021. More broadly, I would like to highlight that the turnaround of Energy Solutions is on its way as evidenced further by the strong backlog increase and also the significant margin increase on EBIT, excluding EVBox, clearly Energy Solutions is lining up for growth.

How do we convert these improvements in operations into net income. You can see that depreciation and amortization is stable and we have a mature asset base, which is offsetting the increase of depletion in the growth drivers. The net interest expense was up. It was mainly driven by a higher cost of debt and driven itself by the higher Brazilian rates. So the average cost of gross debt was actually 2.63%. It was up 25 basis points compared to last year. The tax charges were EUR 400 million higher and this is of course on the back of higher profit, partly offset by a lower effective tax rate at 29.3% in 2021 versus 30.5% in 2020. And this lower tax rate is mainly due to the use of unrecognized tax losses, notably in Belgium, as well as a decreasing standard tax rate in France, and this is achieved despite significant negative one-offs in 2021. Just to mention that minority interests were also slightly lower. All in all, we achieved a good conversion of EBITDA improvement into net recurring income.

The reported net income Group share is also positive EUR 3.7 billion in 2021, that is EUR 800 million more than the recurring net income. It does include EUR 1 billion of impairments, which are mainly related to our operations in Latin America, but it does include as well EUR 1.1 billion of capital gains coming from the sale of the 10% shareholding in GTT, including the revaluation of the 30% stake that we still retain, but also the earnout on the 29.9% shareholding in Suez. We had, on top of these two times, a commodity mark to market, which is positive for EUR 700 million, which gave this EUR 3.7 billion reported net income.

How do we convert these earnings into cash flows? I think that CFFO being down at EUR 0.3 billion, it could look a bit disappointing, but you really need to double click. The operating cash flow is actually up EUR 1.3 billion, slightly short of EBITDA improvement, and this is due to the contribution of GFOM, which is actually so-called pay to us for an extension of the concession, and also as a contribution of US tax equity which are reducing investments. The real point that we had in 2021 was working cap variation, which is negative by EUR 1.4 billion. This is due to margin calls, which was the cash outflow of EUR 2.2 billion in 2021 due to the higher prices, but also to more stringent cash collateralization rules which are imposed by the clearing houses.

I would like to highlight that excluding margin calls, working cap variation is actually positive plus EUR 0.8 billion and the CFFO would have been improving by nearly EUR 2 billion year on year. This is an outstanding performance that shows the operational leverage of ENGIE when it comes to cash generation. Now let me spend one minute on the margin calls. You know what it is. It’s a way to mitigate the counterparty risk on the hedging instruments through the cash collaterals. It’s clear that there is no material economic or financial effect overall as the margin calls by design, they equalize over the life of the financial instruments. But there are timing effects on the CFFO as you could see. And that’s why good margin calls management is absolutely critical in the kind of market we have today.

You need strong balance sheet so that, for example, you can use LCs or letter of credits instead of cash. You need a very strong risk control and liquidity framework, because you need to stay in control in these very high volatile markets. And then you need excellent trading capabilities, because you need to be able to structure transaction in such a way that you minimize the cash requirements, for example, full liquidity swaps. All of that was actually excellent with ENGIE in 2021 and clearly is a serious competitive advantage going forward.

Cash generation, how do we use that cash. Of course, through our capital expenditures, which I think in 2021 is also a good illustration of our capital discipline. The growth Capex are running high at EUR 4.3 billion, albeit lower than indicated, but it shows that there is no complacency when it comes to expected returns. Very focused on the co-energy transition activities on net zero, fully in line with our indication, also with a significant share more than 90% coming from organic projects and it does pay tribute to the strong pipe and its quality. The maintenance Capex reached EUR 2.4 billion. You know it's a key component of our performance optimization. Pleased to see that. And last but not least, we funded our nuclear provision for EUR 1.3 billion as expected.

How is this cash generation leading our balance sheet and credit metrics. You can see that the net financial debt is increasing by EUR 2.8 billion to EUR 25.3 billion from December last year. It does include the EUR 2.2 billion of margin call impact that I just mentioned. And of course the proceeds of EQUANS are not yet part of this bridge that would be recognized at the closing of the transaction, which is expected in the second half of 2022.

The economic net debt is increasing by EUR 0.9 billion as the increase of the net financial debt is partly offset by the decrease in post-employment provision and also of course because of nuclear provision funding is already accounted for in the economic net debt. Therefore, we benefit of a slight improvement of our net financial debt to EBITDA on the back of the strong growth of EBITDA. But we have a significant improvement of our economic net debt to EBITDA ratio, which is at 3.6x, a significant decrease compared to 2020 and comfortably within the guidance, which is ≤ 4x. Lastly, there is no recent change on the rating, which is in line with the strong investment grade we want to stick to.

And with that, I will hand over back to Catherine.

Catherine MacGregor

Thank you, Pierre-Francois. Turning now to the medium-term outlook, we are indeed strongly positioned to capture the opportunities that are presented by the energy transition. There is the need for massive investments driven by countries, cities, corporates that are looking to decarbonise energy and address demand growth. We have a strong conviction that no single technology can be the solution to delivering a smooth and affordable energy transition. And this is where our integrated business model positions us strongly.

Starting on the left of this slide, ENGIE is among the world leaders in renewables. We own and operate all major technologies. We are active in key growth markets and we are continuously strengthening our renewables platform. Moving across to the box number two, ENGIE's strength in renewables is complemented by a large portfolio of flexible generation assets that includes our CCGTs, as well as pumped storage plants which are absolutely key to addressing intermittency.

We also have deep experience in gas activities and energy storage, which are critical to ensuring a balanced energy mix that supports the security of supply, this affordability, this overall system resiliency, which is going to be so important. All of these power and gas activities are increasingly needed together to deliver integrated solutions. This is why we have put ENGIE's energy management expertise in the middle of this picture. We have built this expertise over two decades and we are very proud we have among the best professionals in the market. It is a clear competitive advantage, particularly when you consider that the energy markets will become subsidy free over time with potentially shorter PPAs, more merchant exposure. We have strong expertise in commercializing renewables, in monetizing flexibility, in managing risk, in enabling the future of renewable gases. This unique energy management expertise helps us make the link between our flexible asset portfolio and our large customer franchise in energy markets. This access to customers, the strong relationships really give us an edge in capturing opportunities to decarbonise their activities to reduce energy consumption and to green the energy mix.

This integrated model is built upon the strength of world-class industrial GBUs and crucially upon our strong local anchorage. We have a deep understanding of our local markets and stakeholders from starting a project to commercializing it. This is the result of years of constructive engagement with local suppliers, customers, regulators, policymakers… helping them find solution that enable the delivery of their energy transition commitments.

I'm going to give you a few examples: in the context of growing intermittency, transmission operators across Europe are looking for flexibility products. In the Netherlands, we monetise flexibility through a tailor-made solution. We sold ancillary services to TenneT by combining the flexibility of our thermal assets with demand response from our customers. Another example is how we have combined B2B supply and renewables. We signed a 25 year contract with BASF to offer 20 terawatt hour of green power through a unique multi-country, multi-technology approach that gives us the choice to deploy the most value accretive renewable asset. And through a partnership with Equinor, involving both GEMS and the Thermal GBU, we will be producing a low-carbon hydrogen from natural gas in Belgium. The target is to install up to 1 gigawatt by 2028. The low-carbon H2 will be used as feedstock to decarbonize heavy industrial processes as well as CCGTs. There are so many other examples from across the Group such as the partnership with CMA CGM to produce synthetic LNG to decarbonize shipping and 150 megawatt battery storage project in Australia to capture excess renewable energy.

Let me now update you briefly on some of our key priorities over the medium term. In Renewables, we are on the path to accelerate growth. As you may recall, we are targeting 50 gigawatt of total installed renewables by 2025. We will be stepping up to an average of 4 gigawatt capacity addition per year from this year to 2025. This ambition is supported by a robust pipeline of around 66 gigawatt of identified projects. You can see on this slide an updated view of this pipeline, which shows you the mix of technology and the spread across different geographies. You will see that we have 7 gigawatt of secured or under construction capacity, 31 gigawatt in advance development, a further 28 gigawatts under development. The 2022 capacity therefore is already secured or under construction and for the period 2023 and 2025, the total 12 gigawatt expected capacity addition is very well supported with a strong cover ratio of 2.8x.

In Energy Solutions, we are focused on capturing several megatrends. $4 trillion of annual global investment is required, which is about 3x the current level to reach the sustainability pledges that policy makers, countries, and companies have made. District heating and cooling networks are experiencing, as a result, around 5% growth globally and distributed solar is forecasted to grow double-digit until 2025. We have international leadership in this domain with very strong client relationship. So, we aim to add 8 gigawatt of low-carbon distributed energy infrastructure by 2025, which is well supported by a EUR 14 billion pipeline of opportunities. And as we look to 2024, top line growth alongside higher cost discipline and better efficiency focus is expected to drive a strong improvement in margin, with a significant EBIT growth. So these two growth engines are complemented by the stability, cash generation, predictability of our networks' activities. We are obviously a leading player in gas networks in France. We have around EUR 29 billion in RAB (Regulated Asset Base) and this is expected to increase by around 1.5% per year over the period 2021 to 2024 and then we have our international assets, which represent capital employed of EUR 3.8 billion, we call it, quasi-RAB. It has grown around 12% since 2019, and this growth is coming from the commissioning of power lines, but also the expansion of our TAG assets.

Important to the outlook for Networks, but also for the rest of ENGIE is the absolute crucial role of gas. In the next decade, we will see new CCGTs being built that will use of course more efficient technologies to meet the power demand, ensure the system resilience. In Germany alone, we expect more than 20 gigawatts of additional capacity to be built. Gas will support the hard to abate sectors, and by 2050, as you can see on this slide, gas consumption will be predominantly low-carbon. Of course, ENGIE is super well positioned across this entire renewable gas value chain. We have ambitious 2030 targets, all underpinned by a variety of projects with increased investments on biomethane and hydrogen.

For example, with our subsidiary Storengy in France, we launched the first underground green hydrogen storage project in a salt cavern. In another project led by GRTgaz and the German gas network operator, we are aiming to convert 70 km of existing gas pipelines for 100% hydrogen transport, and we have many, many more.

Before I comment on the financial outlook, a quick update on Belgium. As you know, nuclear activities there are planned to stop by the end of 2025. So we are preparing for an orderly phase-out. The Belgian government has proposed a new draft law, which is expected to be voted in spring 2022. This draft law focuses on the availability of funds against nuclear provisions. It proposes a timetable for the funding of dismantling and waste management costs by 2030. So, if voted through, this would lead to an additional funding for dismantling cost to 2030, representing up to around EUR 700 million per annum in 2022 to 2024. We don't expect any change to economic net debt from this draft law under discussion. The next triennial review of the nuclear provisions towards dismantling costs and waste management will take place later this year. Similar to the 2019 process, the review will consider any updates that would be required to the nuclear provisions based on discount rates and review of baseline scenario for cost estimates.

Let me now turn to the medium-term 2024. We are really maintaining a very consistent approach to our strategic plan. Most of the simplification and disposals are now behind us. So, we are going to focus on disciplined long-term earnings growth, driven mainly by investment in Renewables, higher resources from Energy Solutions and a resilient contribution from Networks. We will continue to drive significant improvement from the performance plan and overall, we expect to more than offset the reduction from Belgian nuclear, leading to progressive growth in earnings and dividends.

Over to Pierre-Francois for the key financials for the outlook of 2024.

Pierre-Francois Riolacci

Thank you, Catherine. I will try to give you some colour about how we're going actually to drive this steady growth of earnings and you know this value creation framework and you are familiar with it. I'm not going to elaborate. The key message here is really about consistency. We want to use the same KPIs that would be refreshed of course, to be continued or updated when needed. We want to stick to execution with 2023 commitment that we want, of course, to further up. And with that, we believe that we have a strong value creation proposition.

Let's start with the first earnings driver engine growth and therefore with capital expenditures. On the back of a strong pipe, I think that Catherine was pretty adamant to praise it. We are able to confirm a EUR 15-16 billion growth Capex target for 2021-2023. We are actually well on target with 60% of this Capex already invested or committed fully in line with the announced split, i.e., with a specific focus on Renewables, Networks and Energy Solutions.

For 2024, we expect consistently about EUR 5 billion of growth Capex to be invested mainly in the same key activities. With regard to the maintenance Capex, we also maintain indicative expectation of about EUR 2.5 billion a year on average, progressively decreasing over time. As part of our performance effort, capital discipline is also for maintenance Capex, of course.

We like capital expenditures, but of course we want to deliver value out of it and that's of course at the center of our attention. In line with what we communicated last May, we maintain a strict discipline for investment decisions. This is about strategy, making sure that the investments are aligned with our priorities, geography, energy transition, focus on where we have a competitive advantage, so that we can leverage our industrial or operational expertise. That's one criteria. Second criteria is of course financial. It's about value creation. It will serve our P&L contribution and last but not least, cash generation. And the third criteria is about ESG. You know that we have demanding on the CO2 emission, but also on some of the very important criteria like biodiversity or resilience to climate change and a few others.

This financial discipline at least is reflected by our project IRR internal rate of returns at the final investment decision date and you have a graph on the left, which is showing some recent project and give you an idea where we are. Clearly, they are all considerably higher than the weighted average cost of capital. This value creation is expected of course to contribute positively as well to our return on capital employed, which we expect to maintain at the high level achieved in 2021, proving that our growth Capex are actually not dilutive against our 2021 reference. Albeit, of course, there may be some yearly valuation based on the pace of growth.

There is a second engine to the growth of our earnings, which is the performance plan. 2021 was in line with our expectation, albeit at the low end and this is due to the loss of EVBox that we had not expected to have to this extent in 2021 based on the disposal process. We are, however, confirming our ambition of EUR 600 million net EBIT contribution from 2020 to 2023. And beyond that period, we target a continued improvement effort with the same kind of magnitude of yearly contribution to our earnings.

There are, as you know, always, new tools, new processes, IDs… to improve performance and the operational culture of ENGIE. With the right push is a perfect ground to leverage this opportunity and the three main levers will be the operational excellence, we can leverage our new GBU organization big time, the improvement of support functions that is targeting G&A and of course, fixing our loss-making entity. The tools, the teams, the plans, they are there, they are in place, and 2022 will be about execution and follow-up with each business, and also corporate, that will contribute.

So two key drivers of our earnings on growth and performance, but also simplification is progressing, and I think that we are already well underway. The close of signed transactions will reduce our net financial debt by more than EUR 9 billion. They are fully consistent with the main objectives that we have presented in May as it was explained by Catherine. Today, these disposals include EQUANS, 11.5% of GRTgaz, Suez, the EUR 0.6 billion additional top-up on the 29.9%, plus about 2% remaining stake that was completed this year. ENGIE EPS, 10% of GTT and also some countries and core business exits. We are not going to comment on the other ongoing disposals, but the list is materially unchanged so you should expect the same dilution, about EUR 0.6 billion between 2020 and 2023 including EQUANS. This is only due to the high valuation achieved so far that we are able to actually upgrade our initial indication to at least EUR 11 billion over the period 2021-2023 for globally unchanged perimeter and the same P&L dilution. Beyond 2023, for 2024, we expect to reduce this disposal level, but we will keep on performing a sound portfolio management like in the housekeeping mode.

Now I move to the expectation on earnings, but before I need to stop on the context of the commodity market. And you know that since last summer, commodity price expenses had very high volatility and reached unprecedented levels. Of course, a large part of our revenues is immune to market prices, but we still have some substantial merchant exposure, mainly for outright power production with nuclear and hydro in Belgium and France and for CCGTs as well as pumped storage in Europe. Again, large part of this risks and opportunities are progressively hedged over three years, but we are never fully hedged for the future, because we need to keep some flexibility for the short-term. As an example, we start 2022 with 20% open position for nuclear and hydro in Belgium and France. This residual risk and opportunities in normal circumstances can be managed within the bandwidth of the guidance. And that's why it is usually based on the reference of the December 31 forward curves. This volatility today is just too high to use one single day reference and we decided to base our 2022-2024 expectations on the average of the H2 2021 commodity forwards to give a more balanced and stable view. We don't want to end up with a mark-to-market of the guidance given the volatility that we have today in the market.

On that basis, if we turn to 2022, you can see that despite very good performance in 2021, we still expect to increase further earnings in 2022. The main drivers are some significant tailwinds, the gross investment, of course, because there would be newly commissioned capacities in Renewables, there will be growth in Networks in Latin America, there would be the contribution of the improved performance plan and also the continued turnaround of Energy Solutions. There would be higher prices for nuclear and hydro in France and there would be also some reversal of the 2021 headwinds that we had like the Texas extreme weather condition we had in Renewables, but also the thermal in Chile. There would be also some headwinds. And again we'd get the reversal of the 2021 good points like the cool temperature for networks and supply in particular. We'll get also lower nuclear volumes because the first reactor will be started in Belgium next October. We will have also the impact of the lower, albeit smooth regulated asset base remuneration for French networks and also the impact of some further coal exits that will affect Thermal.

Note please that net recurring income is expected to increase at a higher rate than EBIT and this is due to an expected decrease in the tax rate. I mentioned that in 2021 we had some significant one-offs that will go away and the tax rate is expected to come down from 29% in 2021 to a range of 21%, 23% in 2022. On the mid-term, up to 2024, we do expect earnings growth throughout the period. And this would be achieved despite negative price effect. This price effect, as you know, they are coming from the forward curve due to the backwardation.

There will come also, despite the declining remuneration of some of the regulated assets, and also some reduction of volumes from the expected phase-out of nuclear, but despite that ENGIE's EBIT is actually expected to grow at a low-single digit CAGR from 2021 to 2024 and I would even say a mid-single digit CAGR when you exclude nuke. Compared to our 2023 expectation that we have shared last May, we now expect higher earnings in 2023, mainly due to commodity price assumption update. The key drivers of this growth are growth investments and performance improvement, despite the headwinds that I just referred to.

So last slide to summarize this financial outlook, which is again based on average price scenario. I will not go through the details again, but the key messages are clear. We are ambitious, but realistic in our earnings syndication and guidance, with a healthy growth of earnings throughout the period, with reasonable albeit supportive price assumptions. We will stick to our discipline and execution on growth Capex and disposals. We'll keep a relentless focus on performance and we will stick to stability and consistency when it comes to dividend policy and rating commitment.

Just for reference, if we were applying the usual approach of assuming prices as at the 31st December of 2021, it would arithmetically translate to significantly higher net recurring income for the 2022 to 2024 period. It would be a plus EUR 600m in 2022, plus EUR 400m in 2023 and plus EUR 200m in 2024. And you could play with new more recent curves, that would just induce more volatility in 2022 and probably add a further upside in 2023-2024. Again, we don't want to play that game.

With that, I'm back to Catherine for the wrap up.

Catherine MacGregor

Thank you very much, Pierre-Francois. So just a few key messages for today. Indeed, we posted strong results, delivered at the top end of the guidance range. I would like to take this opportunity to thank all ENGIE teams again for their commitment, for their hard work. We have made significant progress at pace towards the execution of our strategic plan, and we are accelerating investments in line with our climate ambition, notably in Renewables with a very clear focus on returns. And I firmly believe that ENGIE's core capabilities, our assets, our integrated business model, and of course highly engaged, professional, committed teams, all position the Group very strongly to execute and also to create value.

Thank you very much for your attention and we can now open the lines for questions.

Q&A

Operator

Thank you. (Operator Instructions)

We have a first question that's coming from the line of Vincent Ayral from JPMorgan. Please ask your question.

J.P. Morgan

Yes, good morning and thank you for taking my question. Congratulations for these very strong results, that is following two guidance upgrades and it seems ready to repeat the feats and congratulations as well for the very good presentation, good charts and information on the guidance and power prices. It's really appreciated in this context. So plenty of questions here, commodity, working capital requirement, tax rates, Renewables, supply chain issues, taxonomy. There are plenty to be asked, but as we need to stick to two, I will focus on the clock, if I may say so. And let's talk power price. You've provided your assumptions here indeed. They are quite conservative when we look at where H1 this year was trading on the forward curve and basically would like to, if you could provide us with some level of net recurring income sensitivity to a move, I don't know, 10 EUR/MWh, you could even do 50 EUR/MWh where prices are, that would be very interesting.

The second question is straight on nuclear. You're talking about your nuclear exit by 2025 which you made clear your goal. Yes, Belgium is facing a real secured supply issue and in a few years' time, and the Elia report is expected mid-March. Could you talk about these topics, the FANC so the nuclear safety authority publicly said it could reorganize the regulatory process. So life extensions of Doel 4 and Tihange 3 could be done. So would you be considered for an extension of these directives and help basically if this is where the government finally decides and it's been postponing the decision forever, but now it's just three months to do so. How do you see yourself protected in the case that the nuclear liabilities are not capped, so will you be considering here potentially a regulated life extension than the cap of the liability. Is it the type of things you would be open to discussing with the Belgium government? So two questions, sensitivity to power price and nuclear life extension and cap in liabilities. Thank you.

Catherine MacGregor

Thank you. Thank you very much, Vincent, and thank you for the nice comments. So, I'll take, I'll start with the question on nuclear and then I pass it on to Pierre-Francois for the second question or the first question rather.

So on nuclear, you've got it right. We are expecting yet another report around mid- March, which is going to look at the whole security of supply of Belgium. You know, our understanding is that the situation in Belgium, albeit feels quite politically sometimes, let's say, agitated, the reality has not changed much. And therefore the security of supply reports, including the number of CRM capacity that has been secured through last year's exercise is going to convince the government to stay the course and indeed, you know, confirm the exit of nuclear by 2025 as it was reaffirmed again last year. But you are right to say that that decision, you know, black and white is not completely taken yet. From the ENGIE standpoint, though, very consistent to what we've said all along, which is, we do not see any scenarios where we will have time to extend two tranches beyond 2025 should we be asked. So, I understand your point on FANC end, but you have to realize that there is a lot of other factors to be considered. You have of course, you know, the security and the safety of operations, which the authority that you're mentioning is important, but there are a lot of other aspects, including, you know, the fuel, including other countries permitting, including potentially a new CRM. There is a number of things, not to mention, of course, major investments in the assets that we continue to believe that we do not have time to do that before 2025. So I understand your point. But really, from our point of view, absolutely no change and we are planning, as I've mentioned in my slide, for an orderly phase-out of nuclear by 2025. And I think you've pointed out the good news that we are able to make up for the loss of contribution from these nuclear tranches despite the good result that we saw from nuclear in 2021.

Pierre-Francois, you want to comment a bit on the power price sensitivity?

Pierre-Francois Riolacci

Yes, thank you and you're testing my new skills, but I will do my best and of course it's a very good question and to be very candid, I asked the same thing, is there a way that we could easily model our exposure to price and of course it is much more complicated than that, because you have of course different power prices depending of the day and the low, then the peak and then you have also an exposure to gas. We have the exposure to the clean spark spreads. So it is actually all set of assumption that need to be factored in and that doesn’t make the modelling that simple. That’s the reason why we have indeed chosen a scenario and given the sensitivity to that scenario. And that’s really to frame the discussion. And I don’t think that we are prepared to go much further than that, and you should be careful indeed to just to use rough calculation because there are again many things that can play, including the new curves, the nuclear tax in Belgium that will offset part of the earnings. So there are a lot of parameters. And to be very candid, this is not what we are after for ENGIE. I mean, the way we want to drive the dialog with you guys is much more about the value creation in the long run. And of course, we have the sensitivity to prices, but this is kind of a short-term thing. I think it’s more important that we keep the dialog on where we can actually make the difference in the long run and drive this value creation. That’s why we don’t want to create confusion with too many mark-to-market of our results each quarter.

Operator

The next questions come from the line of James Brand from Deutsche Bank. Please ask your question.

Deutsche Bank

Hi, good morning and also well done from me on the good results and a good presentation. I have three questions and I’ll keep it to two questions. Firstly, on Thermal, interested in how your contracting looks on your

European gas plants for the next couple of years. You did provide a bit of detail in the Thermal slide on kind of split to merchant and contracting. I wasn't quite sure whether to interpret that as literally as your contracted position for next year or whether you are just making a high level distinction between have long-term contracts and operate merchant. Obviously spark spreads in the near term are generally very high, depends a bit on the market. So I'd be interested in how much exposure you have to that over the next year or two.

And then secondly, on the French gas networks, you highlighted the RAB growth over the next few years being kind of around 1% or so. So a lot of, you said you have gas networks starting to talk a lot about hydrogen and in some cases, that's not really affecting the investment over the next few years, but maybe from the mid-2020s. Do you see scope for significant investments related to hydrogen to be kicking in at some point for your gas networks in France and for your RAB growth rates to pick up at some point. Thank you very much.

Catherine MacGregor

Yes. Okay, thank you for the questions. So let me start maybe with the hydrogen, because I think it's obviously a really good question and you pointed out that our RAB is going to be increasing over the next 2021-2024 period. That RAB increase in indeed is not going to come much from hydrogen, but rather from normal investment as well obviously as biomethane. So, you know, in France, we are seeing real traction on biomethane. Biomethane, as you know, has the benefit of being produced locally and it's exactly the same molecule as the natural gas, the fulfil of natural gas, so it's a direct one to one drop in replacement. However, it does need some investment in our networks because you need to be able to inject biomethane into the networks.

So, in the period 2021-2024, when you talk about, when you think about renewable gas, it's more going to be around biomethane. In the longer run, though, you very right to say, in the example I gave on GRTgaz is a good example of that, where we are looking to potentially being able to transport hydrogen or a blend of hydrogen and that will require investment. So, the example that we gave was about 70 km pipe that we are trying to, that we will try to use to transport 100% hydrogen, and for that, you will need some investment to be able to be hydrogen proof and of course, in that case, that would provide RAB growth opportunities in the future. But again, not necessarily super visible on the period 2021-2024.

So, then there is a question around our thermal fleet, maybe just a few comments that I'll make to say that we're obviously extremely pleased with our thermal fleet in Europe and kudos to the team that have, that you know, are making sure that it's available, flexible and that it fully plays its role of stabilising the network because it does that as well as obviously producing electricity in peak demand. So, we have, we still have a few open volumes in those assets so we hedged some, we have so the open volume, but good balance that we are pleased with and obviously we are really using this fleet to be playing its absolute required role of stabilising the energy system as we need to in Europe in this very volatile times. But we're not providing necessarily the percentage between hedge and open. We have some hedge, and we continue to have some open volumes.

Deutsche Bank

May I just ask a follow-up on that. I thought it was quite interesting to see you disclosed your capture spark spreads in Europe, which I'm not sure that's been disclosed in the past. You might not want to comment explicitly on those, but I'll just try. But do you see those directionally, do you think you can capture higher spreads over the next few years or there are already quite good spreads you captured in 2021 or would you see spreads being more stable?

Pierre-Francois Riolacci

I mean, I have very fresh science. So, I need to be very careful, but bear in mind that situation is very different also depending on the season. So when, you know that in the winter, we know that we are going to use our gas plants. So that's when we of course target max availability, and this is already in the market that it will come. When it comes to the summer, that's where indeed some tension on the power market can create some further opportunities because then we don't know if they are going to be used. So, it does of course open a bit of a different hedging position, because there is an uncertainty and there is here a potential to capture a higher spread depending, of course, on the balance of the market. So, be careful with data and probably we need to be, to go for a longer history of data if we want to draw conclusions.

Deutsche Bank

Great, thank you very much and well done, again.

Operator

The next question comes from the line of Peter Bisztyga from Bank of America. Please ask your question.

Bank of America

Yes, good morning and thank you for taking my question. So two from me, please. Firstly, could you walk us through what the implications for ENGIE would be in the, so let's call a hypothetical event that Gazprom doesn't fulfil its supply obligations to you on your long-term contracts and also if Nord Stream 2 never goes ahead due to sanctions?

And then my second question is on your dividend. So you've clearly flagged that there is potentially quite a lot of upside to your earnings this year if you had to mark to market. And I'm just wondering how you deal with that with respect to your dividend policy, because you've reiterated your sort of pay-out ratio range, but you've also said that you want to progressively, you know, grow a sustainable dividend. So, I'm just wondering whether you'd sort of consider dropping below the bottom end of your pay-out ratio range this year just to make sure that you can, you know, deliver that nice stable sustainable growth going forward. Thank you.

Catherine MacGregor

Okay. So very, very typical questions indeed on Gazprom. Really what I can share with you is the fact that you know Gazprom historically has been a very reliable partner to ENGIE, fulfilling its long-term commitment, long-term contracts, and we have seen that, you know, for years and years and decades of operation with Gazprom. So from that standpoint we are somehow reassured.

In terms of Nord Stream 2, as you know, we are financing partners and we will be looking obviously at Nord Stream 2 and its future with great attention, not just because we are a financing partner, but also because we believe it is important to the security of supply of gas in Europe. And this is maybe how I would also answer your question, which is not just about, you know, ENGIE and Gazprom, but rather in terms of security of supply for Europe, for the gas, but also for power that it is indeed very, very important that we are able to get the imports from Russia because such an important contribution of our power supply comes from these Russian gases. So it is indeed a very, let's say, potentially tense situation should we envisage not to have obviously Russia delivering gas and that the consequences would be well, well beyond ENGIE's only.

And then I think you asked questions around dividend and progressive growth. And I think this is obviously very, very good point that we will be looking at a sustainable earnings growth, turning into sustainable dividend growth.

We're really looking at long-term stability. We're looking for consistency. Long-term sustainable growth is where we have been looking at and this is indeed some of the reasoning behind how we've decided and recommended to the Board of Directors and to the AGM rather the pay-out of dividend that we're proposing.

Bank of America

Okay. Thanks very much.

Operator

The next questions come from the line of Rob Pulleyn from Morgan Stanley. Please ask your question.

Morgan Stanley

Hey, thank you very much. Two questions, please. First one, if I may, regarding growth. Last year's CMD guidance was for high-single digit EPS over the medium to long-term following the disposal of EQUANS. Just looking at the guidance for 2024 and taking into account what seems like pretty conservative assumptions on power generation and also on FX, the CAGR is sort of 4.5% to 6.5%. So, I'm just trying to see sort of post 2024, a) should we assume growth accelerate and b) through which drivers?

The second one is a much simpler question and that is on Slide 42, you talked about the weakness in supply, which seem to be below everyone's expectations. Could you just add a little bit more colour as to why Belgian margins were under pressure? What's happening in Romania and given the guidance for improving supply what gives you confidence these issues will pass? Thank you so much.

Catherine MacGregor

Okay. So let me start with the first question. When you look at beyond 2024, of course the tailwind or rather the headwinds from the nuclear stoppage will be behind us. So the underlying business growth will be fully felt across ENGIE without having such a strong headwind, and so it gives you a little bit of review of how we see growth beyond 2024 and 2025.

Maybe on supply, Belgium margins, you want to comment Pierre-Francois? Thank you.

Pierre-Francois Riolacci

Yeah, I mean, thank you for the question on Belgium. Indeed pressure on margins, this comes from a different point, but of course it is driven first and at most by the price variation. So you know that we have campaigns where we actually sell based on the current price, our monthly campaigns. So the more volatility you have, the more it is difficult to make sure that you perfectly hedge your opposition when resourcing and of course supplying to customers. And to be very candid, we had some hiccup in the hedging in Belgium, which are fixed. But that's given the sharp increase of volatility. That was one thing.

Then the other thing is that we have more of social tariff which is a kind of tariff shield which is provided in Belgium. That's also another impact that hit us. And last but not least, we are also the last resort provider in Belgium like in other countries, and it means that when small players are actually leaving the market, we have to take actually these new customers on-board and they are coming with quantities, which are not always hedged. So, you can see that it is of course putting some pressure on our margins. They are not significant amount, but they do at the end of the day add up and then we have this pressure.

We have also in Romania, I would say, intense dialog with authorities because there is a clear push back from the authorities to the price increase and it is something that we are discussing with different mechanisms. It's not again a massive effect in 2021, but it gives a good idea of the level of pressure that you have today and with this question of the affordability for the regulators.

Morgan Stanley

Thank you very much. I'll turn it over, because there's lots and lots of questions.

Operator

We have the next questions coming from the line of Emmanuel Turpin from Societe Generale. Please ask your question.

Societe Generale

Good morning, everybody. First of all, a very warm personal welcome to Pierre-Francois. Very good to have you back in the scope of French utilities. I would like to focus my questions on slide 32, which in my eyes summarises very well the investment case in ENGIE right now which is maintaining reasonably high returns achieved in 2021 over the coming years, with a lower risk within the portfolio, essentially decline in merchant, while maintaining nicely rising amount of capital deployed. My first question is to check on that last point. Based on my calc, taking into account total Capex minus depreciation, taking into account also the remaining scope effects, we should have capital invested in the business rising by mainly EUR 5-6 billion between 2021 and 2024. Do you kind of recognize that order of magnitude?

Number two, focusing on the chart on the left-hand side, very interesting set of examples, that's current projects I understand. First of all, for Renewables, these are expected IRRs, asset IRRs including DBSOs on tax equity on average for those IRRs how much, how many points of IRR do you see in the actual DBSO assumptions that you see. And another way to look at these green points, between the low and the high points, you've got a very deep difference. I would expect the lower IRRs to be many vanilla projects in France, can you confirm? And could you give us a couple of examples on how you can achieve those higher kind of mid-teens IRRs? What sort of geographies or sort of technologies, what's the magic sauce that ENGIE is using?

And finally, for the thermal projects, are they contracted or merchant projects. Of course, the risk level is very different between those two asset classes. If you could shed some light on the attractiveness of the returns you are looking at. Thank you very much.

Catherine MacGregor

Yes, thank you, Emmanuel. And I think it's a very good and important question that you're asking. Obviously, when we look at our investment policy, as you know, we have a WACC+200 bps policy which translate into the graph that you say. With Renewables, we have a bit of wiggle room that we give ourselves. We go between 150 and 250 bps around that figure, and we try to remain cantered at the 200. Of course, the WACC varies. It varies depending on the country risk profile, the risk of the project, of course, are a contribution to the vision of the WACC. And so, in certain places where indeed very low risk country, country risk profile, which is low technology that is very low risk as well, obviously, you will see a bit of a lower IRR and examples of that could be indeed solar plant in countries in OECD type of countries.

Now, higher IRR are not, by the way, necessarily countries where super high-risk, super high technology, it can be, but sometimes it is also our ability to draw more value from certain project. And here I would highlight the fact that, in countries where we have already projects in construction, we are able to win very competitively additional projects because we have fairly de-risked the execution and therefore able to drive better returns from this project. And it is really this idea of doing as much as possible in places where we have a platform, where we have already the construction companies, the EPCs, the people, the talent and therefore, and often even the connection infrastructure ready that we can run, you know, deliver some higher IRR. And examples of that, by the way, it can be in the US, but also in Brazil where we able to draw higher IRR from some of our projects because of that. So, it's really a combination of factors.

You want to comment on the DBSO impact on this IRR, Pierre-Francois?

Pierre-Francois Riolacci

Yeah. But this is a project IRR, so it is excluding DBSO. So, it’s not actually impacting the numbers that you have here. It would come on top of it and would indeed boost the IRR if it was to be taken into account, but again this is not necessarily always our model, and we want to focus on the project value creation first and then we have some financial optimization that can come on top of it.

And on the capital employed point, I think that, again, I'm very pleased to see you again. And you've been not only very smart to sneak a lot of questions in two, but also very good questions. So, yes, and I think that, let's say, that the level of magnitude of capital employed increase is consistent with what you would expect. The reasoning is not wrong and of course, with a significant increase in the Renewables as you would expect, which is driving this capital employed growth.

Catherine MacGregor

And maybe just, Emmanuel, as a reminder, we have said that we would be looking to keep more of our renewable assets on our balance sheet. So directionally, excluding obviously Ocean Winds, you should see DBSO margins reducing over time.

Societe Generale

Thank you very much.

Operator

The next questions come from the line of Sam Arie from UBS. Please ask your question.

UBS

Hi, good morning everybody. Thank you and congratulations everyone today and welcome Pierre-Francois. I would like to just ask a follow-up if I can on, I think it was Peter's question, on the global gas markets. And in particular, there seems to have been some possible positive news this morning on the Russia, Ukraine situation. So I guess what I wanted to ask is, you know, in the scenario where Russian gas flows to Western Europe, were to bounce back quickly to normal levels, how quickly would you expect gas and power prices to do the same to normalize in Europe and what do you think that normal level would then be? And if I can squeeze in a sort of part B as far as related to that, really interested to know, do you have any sense of where discussions are going in Europe on the carbon price and if the recent energy crunch and high price levels are creating any pressure on legislators to…

Catherine MacGregor

We didn't hear the end of the question. Did Sam get disconnected, yes?

Operator

Yes. The participant got disconnected. If we go for the next one, the next one meanwhile goes for the line of Ajay Patel from Goldman Sachs. Please ask your question.

Goldman Sachs

Good morning and thank you very much for the presentation. And so my question is just the one. I'm just thinking that if we look at all the targets relative to last year, you set guidance which indicates that your cash flows are improving, also potentially if you take the current forward curves even more so. If you look at the disposals, you've upgraded that to be at least EUR 11 billion which is clearly larger than the EUR 9 billion to EUR 10 billion before, but growth Capex doesn't change. And so my question is that, what are you intending to spend the additional cash flows on? Is it to redeploy on acquisitions or is it held back for some other reason? Just an idea or just to complete the picture would be very kind.

Catherine MacGregor

Okay. So, yeah, thank you for the questions and also to be pointing out that indeed the sales of EQUANS have allowed us to use the same principles on our disposal program, indeed, to look forward to a bit more proceeds which some of it will come a bit later this year. So that is really on the positive side. Of course, in terms of principles of investments, really we'd be looking at very…

Goldman Sachs

I lost her. Can you -- I can't hear anymore.

Operator

Ladies and gentlemen, please standby. The conference will continue shortly.

Goldman Sachs

Hello. I'm not sure if you can hear me my side, but I can't hear you from your side. So it may be worth moving on.

Catherine MacGregor

40%, 45% of our Capex is going to go -- to go into Renewables specifically. So, yes, we'll be looking at continuing to invest, always balancing the three pillars. Obviously the balance sheet and Pierre-Francois mentioned that we are indeed looking forward to a healthy credit ratio from a net debt to EBITDA point of view. Obviously, shareholder returns via dividend policy, with sustainably growing dividend that you're going to see some of that this year of course and then investing in the business as much as possible.

We also have, as a possibility, ability to continue to simplify the Group by sometimes looking at a few projects where we have minority interest that we would be looking at potentially buying, again in order to remain more in control of our assets to continue to be able to have a better share of these assets that are mainly de-risked that we know very well. And in those cases, we would be looking at doing that in some cases, but the main answer is investing in our priorities, balancing growth and returns and we feel we have a lot to do in the coming years and a lot of good, good, good opportunities.

Goldman Sachs

So just a follow-up, because it cut out a little bit during your reply, Catherine. Does that mean basically as we roll forward through time and things become a little bit surer and Capex projects become clearer, there is the potential to add to those growth Capex numbers on the stronger cash flows and disposal proceeds that you've indicated today?

Catherine MacGregor

I mean, yeah, potentially we will not be limiting our growth Capex as long as we obviously can continue to balance the three pillars that I have mentioned. In 2021, to be fair, we have been quite selective. We only spent EUR 4.3 billion in growth Capex. We are looking to accelerate that to be around EUR 5 billion a year to 2024. But should that equation continue to strengthen as it has, and as it is today, we obviously will be looking at potentially increasing that growth Capex, again in a very, very disciplined approach in line and very much in line with how we've described our capital allocation discipline that we want to apply going forward.

Goldman Sachs

Fantastic. Thank you very much for the answer.

Operator

We have the next questions coming from the line of Michael Harleaux from BNP Paribas Exane. Please ask your question.

BNP Paribas

Good morning. Thank you very much for taking the time to take my question and thank you so much for your presentation that was very insightful. So, I just have one question and a quite naïve one, if I may say so. On the guidance and power prices what you're saying is that if you were to look at the forward curve, things would be even more enticing than they are currently, which is great, but you are not going that far. Hence my question is as follows. Why are you not going that far? Is it simply because you want to be conservative, which is laudable or is it because you're telling us something about commodities in general that we do not know? Essentially this is you giving us a view on the commodities market without saying so? Thank you very much.

Catherine MacGregor

Yeah. I mean, honestly, I think you should not read too much and we are not in the business of forecasting commodity prices. Frankly, it's very, very difficult. I think as you were trying to ask the question about how we see the commodity price is evolving, it's really, really difficult. So, no, we're not taking a position. There is a bit of conservatism indeed in the assumption that we took. However, there is a scenario if commodity prices were to normalize from H2 onwards, that we would be in the scenario that you have mentioned. So we have realistic scenario that would allow us to deliver what we said. But obviously, there is also a lot of upside scenarios which is what we've described, and Pierre-Francois very, very clearly laid out today, in order to be very, very transparent in the impact of the commodity price on potentially on this guidance. But really we're not taking a position on future commodity price. And maybe to remind the 20% open positions which are exposed to this price, which is why we're taking this approach. Thank you

BNP Paribas

Thank you for your answer. That was very helpful. Thank you.

Operator

(Operator Instructions)

The next questions come from Louis Boujard from ODDO. Please ask your question.

ODDO

Yes, thank you very much. Good morning to everyone and welcome to Francois. Regarding, I have in fact two questions on my side. The first one would be regarding the slide page 24 more specifically. You talk here with 8 gigawatt of potential investment and at the same time we see the buoyant market notably in terms of commodity prices and electricity prices. So I would expect that eventually the potential IRR that you might be able to extract into this business might be in fact up oriented in the past few months and eventually within a value to look into better returns than what could have been expected. Could you confirm that in the current environment, in spite of the competitive environment, you are in a situation where in fact the potential for growth is pretty good and pretty attractive in this kind of a division which could constitute quite a large and significant part of your growth in the next few years?

My second question would be dedicated to the Belgium, and more specifically to the auction that you won, 1.6 gigawatt. We know that we will have to refurbish a little bit the market here with the closing of the nuclear plants. Could you please give us a quick update on where you stand on this auction and if it's still okay or if there is any issue on the Vilvoorde project. Thank you very much.

Catherine MacGregor

Okay. Thank you, Louis. Yeah, definitely Energy Solutions experiencing strong market growth and what is extremely exciting about this business is that, first of all, we have a number of opportunities that come our way, where there is not one day where I meet a CEO or my team meets industrial clients, cities, schools that are looking at help to decarbonise their operations. And so we are almost overwhelmed by the number of opportunities which we tried to translate and be very clear with these EUR 14 billion number, which is really mind-blowing. But what is very interesting is that, yes, there is competition, but at the same time, a lot of the value we bring to this operation is our energy expertise, ability to decarbonise. So it's not just a price war, it's really the value that we bring through our unique expertise and the ability to do solar, to do energy efficiency, to do upgrade and big Capex project etcetera, etcetera.

So we are very differentiating and so indeed it does give us a strong competitive edge. And this is why I wanted to point out on the Climespace renewal on the cooling system in Paris, is that we were selected a lot based on our technical expertise and of course this is value that we are able to create. And so therefore, I am very optimistic about this business. Now, it is really coming from the EQUANS process. It's still a quite diverse business, so we are really working very hard with the management team obviously to focus, focus, focus on the high value creation. And that's really what, the work that we are doing right now, so really exciting. And of course the pipeline is such that we are able to cherry-pick and to really select the right projects, which is fantastic.

And then I think your question on CRM auction, so we have won two new gas projects, both under development. One is going through a re-permitting process. So this one is a bit more challenged from a permitting standpoint. The first one is really going well Les Awirs and it's under development.

ODDO

Thank you very much.

Catherine MacGregor

You are welcome. Okay. I think we are now just arriving at the end of the session. So thank you very much for the questions and for bearing with us for this hour and a half. Thank you so much.

Pierre-Francois Riolacci

Thank you.