



Investors & Analysts' Briefing

Reuters: EDPR.LS
Bloomberg: EDPR PL

EDPR informs about clawback taxes in Romania and Poland renewables generation

Madrid, January 9th 2023: EDP Renováveis, S.A. ("EDPR" or "company") informs to the market about regulatory developments in Romania and Poland where it operates 521 MW and 697 MW of renewables capacity respectively.

According to the European Union Council Regulation 2022/1854 of October 6th 2022 (Regulation), on an emergency intervention to address high energy prices, emergency cap mechanisms should apply on realized market revenues only, including hedging operations against fluctuations in the wholesale electricity market. This is necessary to avoid harming producers who do not actually benefit from the current high electricity prices due to having hedged their revenues against fluctuations in the wholesale electricity market.

In this context, governments in Romania and Poland have recently introduced emergency clawback mechanisms to restrict the revenues earned by renewable energy producers and other market participants. In Romania a 100% tax is applied on revenues over 450 RON/MWh as well as a withholding tax on behalf of offtakers. In Poland a clawback mechanism is applicable to non-CfD¹ energy with 100% tax on revenues above 345 PLN/MWh for wind projects under Green Certificate (GC) scheme and the corresponding strike price for projects under CfD scheme.

EDPR considers that these new legislations in Romania and Poland do not follow the European Union Council principle of clawing back only realized market revenues as both ignore financial hedges in place within EDPR. These financial hedges follow the company's low risk strategy to secure long term revenues and to remove electricity prices volatility on the company's earnings. Ultimately, these new taxes may result in the cancelation of the effects of the existing risk management strategies legitimately implemented by renewables producers resulting in taxation of unrealized profits, clearly against the Regulation principles.

These developments in Romania and Poland have a direct impact on EDPR, that will have to pay the taxes as if it was benefiting from current high electricity market prices, without consideration of costs incurred with the associated financial hedges in energy markets. This non consideration of financial hedges can result in unreasonable payments and potential costs estimated at €0.3 Bn in 2023, depending on the evolution of electricity wholesale prices, final interpretation/implementation of the recently published legislations and their compatibility with international agreements in force.

EDPR will pursue all legal actions to contribute to the return to a fair rule of law that may support the much-needed investments in renewables in these countries and within the European Union.

This information is disclosed pursuant to the terms and for the purposes of the article 17 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council.

EDP Renováveis, S.A.

¹ Since 2019, new projects in Poland compete for a Contract for Difference scheme (CfD) in auctions

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