

Time to accelerate

Interview with Chris Peeters and Bernard Gustin, the CEO and the Chairman of Elia Group

GRI 102-14
GRI 102-15

2018 saw Elia Group shift up a gear in a number of areas. Now that Elia has acquired an additional 20 percent stake in 50Hertz and a new local investment partner has come on board, the partnership between Elia in Belgium and 50Hertz in Germany is stronger than ever. Together, the two companies aim to become one of Europe's leading groups of transmission system operators. The context in which they operate is changing rapidly and becoming increasingly supranational due to the energy transition, the emergence of new market players, innovative technologies and the rise in digitalisation. The only option is to move forward - and quickly, rather than slowly.

Why is Elia Group in such a rush to change?

Chris Peeters: It is what society expects of us. The UN climate change conference in Poland once again highlighted the urgent need for action. The way things are going now, we are heading for a temperature increase of 3.2 degrees Celsius. That is completely unacceptable. Progressive countries are trying to speed up the energy transition: for instance, Germany has decided to increase its share of renewable energy to 65 percent by 2030.

Bernard Gustin: Our activities are central to the issues that most concern young people today: the climate and the rise in digitalisation. Our grid has equipped us with the resources we need to respond to this. We are making the energy transition possible and ensuring that it is progressing at the right pace. We want to move forward with digitalisation too.



“Ten years ago, we, as a system operator, were just another boring, regulated transmission monopoly. Today, we are central to the issues that are most important to society: the climate and the rise in digitalisation.”

Bernard Gustin -
Elia Group Chairman

The technology is available. As a leading energy company, we have to live up to our responsibility, along with the distribution system operators and the rest of the sector. This is a key shift in our role. Ten years ago, we, as a system operator, were just another boring, regulated transmission monopoly.

Chris Peeters: We are also seeing a trend towards convergence. Technologies and market parties are moving ever closer to one another: heating and mobility are going electric, and a third horizon is opening up through Power-To-X. The pieces are all in place for major changes to be made very quickly. Of course, this means that Elia Group will have to adapt too - both locally and at European level, since the integrated, low-carbon economy will be a European economy.

Bernard Gustin: That is why it is still extremely relevant for the Group to operate in two countries through Elia and 50Hertz. Our shareholding structure may be Belgian, but if you look at our figures and our activities, you will see that we are just as German as Belgian. And although we are not the biggest player in the market, our unique position has made us a European leader in our industry. We intend to fully live up to our responsibility and will seek further opportunities to become an even stronger European player.



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Chris Peeters -
Elia Group CEO

Was that also the Group's reason for increasing its stake in 50Hertz?

Chris Peeters: Definitely. It is time for us, too, to accelerate. We want to bolster our profile as a European Group that actively assists local and European policymakers in devising the energy system of the future. Our vision paper on digitalisation and the consumer-centric energy system is a good example of what we can do. We have put forward concrete proposals to advance the goals set by the European Commission's Clean Energy Package. Operating in two countries that currently have different approaches to the energy transition gives us real added value, which is directly relevant to present developments in Europe. The acquisition was a good move in financial terms too. The market reacted favourably to news of the additional stake.

65%

SHARE OF RENEWABLE
ENERGY IN GERMANY
BY 2030



our share price is rising, going against the prevalent downward trend. The acquisition will have a major impact on our internal structure too. 2019 will see us expand some group functions to cover areas including IT, purchasing, innovation, finance and communication. We want to move towards a structure that allows our talent to make an active contribution to our international activities, which will give us an edge in the 'war for talent'.

Bernard Gustin: Our additional stake in 50Hertz is so much more than an extra 20 percent in a company in which we already held a 60 percent stake. The acquisition has given us a far more solid base in one of Europe's key countries. We are one of the few system operators to operate in two countries and have experience with international expansion. This puts us in a good position to grow further and exploit new developments. For instance, we will be looking to make digitalisation a more prominent part of our profile in 2019. Our size enables us to set up a dedicated team and devise a range of concepts.

The additional stake in 50Hertz is not the only thing that has changed. The Group's investment partner is different too. IFM Investors from Australia has been replaced by KfW Bankengruppe (KfW) from Germany. Why is it so important for the Group to have local roots?

Chris Peeters: Local roots are essential for us because our activities are intrinsically linked to the local context. To be successful, it is vital to understand the local market and have your finger on the local pulse. Our new German partner has an excellent insight into the local context. KfW is a German investment bank and is thus closely connected and highly sensitive to local political developments. This is important because it allows us to better judge the pace at which we should carry out developments and makes it easier for us to seize future opportunities. Ultimately, we need to ensure that our achievements also benefit the local community. For our German partner, this is a strong incentive to work with us to make our partnership a success.

Bernard Gustin: It is extremely challenging for a multinational group to strike the right balance between integration and having local roots. While integration is essential for boosting our performance on the integrated European market, we also want to respect local identity. That is why it is very positive to have a strong local partner. For me, the changes in the Group's shareholding structure are one of the highlights of 2018. The changes took place in two stages, each lasting six weeks. Our teams were under tremendous pressure but they pulled everything off in the end, which is a testament to their dedication.

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How can Elia and 50Hertz strengthen one another?

Chris Peeters: We are moving towards the future together. And the future appears, in part, to lie in offshore energy. Offshore energy is set to grow exponentially in the seas in which we operate. As we integrate new technologies and innovations, we will need new skill-sets, so stepping up our offshore activities is a major concern for us. Not only will it change how we manage our technical infrastructure, it will also create a new dynamic in system management. I am thinking of 50Hertz's Combined Grid Solution project, the world's first interconnector connecting two wind farms between two countries. The amount of available interconnection capacity will increase and decrease depending on the wind. How can you bring that capacity to market while also ensuring that the market can take maximum advantage of something that will, by its very nature, be highly variable? It is an extremely complex issue, but we are very excited to be working on it.

Bernard Gustin: I was very impressed by the positive response of the international press to the launch of the Nemo Link project to build a subsea interconnector between Belgium and Great Britain. The specific skillsets of the Group's two companies complement one another perfectly here: offshore (50Hertz) and interconnections (Elia). Nemo Link is an entirely new activity that will be added to our profile in 2019 and is sure to have an impact on our figures. At the end of the day, that really matters for a privately-held company.

Elia Group wants to be a leading European energy company. But what does that mean to you?

Bernard Gustin: To me, it means building on our diverse activities to become one of the biggest system operators in quantitative terms, but also thinking about the future. We are a regulated monopoly and thus have a societal role that sets us apart from other, entirely privatised operators.

Chris Peeters: With that in mind, we are working with innovative technologies and exploring new ways of thinking about the energy system of the future. To me, being a leader means setting the tone in the move towards a low-carbon society and contributing to a social debate that reaches beyond our company. In 2019, we will work with the sector to launch several pilot projects on digitalisation in which the user will have a greater role. But we need to think in supranational terms too, and reflect on how we can use our infrastructure more efficiently at European level. Consumers expect it of us, and Elia Group wants to play a pioneering role in this regard.

Bernard Gustin: We are also planning some fairly substantial investments. In Belgium, we want to enhance our role as a European energy hub by further developing offshore activities, building additional interconnectors and upgrading the domestic grid. Our projects in Germany include the construction of the SuedOstLink, which will carry the growing volumes of renewable power generated

in northern Germany to consumption centres in the south of the country, and the further expansion of offshore activities, like the development of the Westlich Adlergrund 2 cluster. We also aim to excel in safety by taking both our own standards and those of our suppliers to an even higher level.

Finally, who would you like to thank in 2018?

Chris Peeters: I would like to thank our employees and our grid users in Belgium and Germany. A special mention also goes to the Board of Directors, which helped the Group to move towards a more growth-oriented approach with the deals it concluded over the past year, aided by highly professional, constructive collaboration on the part of the German authorities and our new partner. We look forward to a year of fruitful cooperation with KfW, our regulators and the various local, federal and European authorities in 2019.

Bernard Gustin: As well as my fellow directors, I want to thank Elia Group's management and staff. 2018 was a very busy year, with many events and developments to be handled on top of all our usual work. There is always some degree of apprehension about any change. While our people were sometimes tested by the events of the past year, their dedication gives us the confidence to continue with our transformation into an international group. This is a vital step for our Group.

