

Outlook



Over the next few years, the global gas market will see a significant rise in demand, driven by the Americas and China, where the growth in the need for energy will go hand-in-hand with an increasingly important role played by renewable energies, more efficient technologies and the progressive transition away from other fossil sources and towards natural gas.

In Europe too, gas will continue to play a central role in the decarbonisation process, in line with the objectives defined (2020 Climate-Energy Package) or being defined on a European Community level (Clean Energy Package), in particular making a considerable contribution to the transmission and thermoelectric sector, in view of the progressive move away from coal production and the rise in intermittent renewable sources. Use of the latter, which are difficult to programme, will require greater support by natural gas, which is instead a programmable source. In Italy, volumes will remain basically stable. The European natural gas demand trend, supported in particular by the reduction in the use of coal, coupled with the decline in domestic production, will require the development of new import routes.

In this context, Snam envisages speeding up its investment plans (5.7 billion in the five years 2018-2022), with a confirmed focus on replacements and maintenance, so as to continue to guarantee maximum resilience, flexibility and efficiency of the existing infrastructures.

One quarter of the investments made in the next few years will also involve development initiatives, such as the strengthening of the network to the south, the connections in the north-west, the service of the local market and cross-border flows, the network in Sardinia and the strengthening of the Fiume Treste storage plant.

As part of the investments plan, 850 million euro will go towards the Snamtec (Tomorrow's Energy Company) project, the aim of which will be to speed up Snam's capacity to innovate and its assets to make the most of the opportunities offered by the evolution of the energy system. The Snamtec project will focus in particular on four areas:

- greater operating effectiveness;
- reduction of methane emissions (-25% in 2025);
- energy transition;
- innovation and strengthening of distinctive competences.

The project will also give a further boost to the programme to reduce operating costs that was launched in 2017, increasing the already ambitious **efficiency** target up to 60 million euro when fully operative.

The development of the investment plan, the consequent expansion of the RAB and the cost cutting plan, will be key elements in assuring the growth of results. Snam also believes that it can benefit from a growing contribution towards its revenues through the introduction of additional performance-based incentives envisaged for the fifth regulatory period. These, in addition to the contribution made by Italian and international associates, and that by new businesses in the energy transition, in which Snam intends to play a leading role, will, in 2022, contribute to approximately one quarter of the Group's Net Profit.

As part of the **energy transition business**, the Company plans to invest, directly and as part of a partnership with other operators, in the development of infrastructures to produce biomethane from waste or agricultural waste. Investment in the sector is in addition to that envisaged in sustainable mobility. To this end, investments are expected in the development of methane and biomethane refuelling stations for cars and buses, exploiting the technological excellence and leadership position of Cubogas, a subsidiary of Snam4Mobility, and the development of small liquefaction plants (SSLNG) for heavy goods transport, industry and residential.

Snam Global Solutions, which is the division offering services dedicated to international gas sector operators, will gradually expand its contracts portfolio, assisting its clients in the integrated management of transmission and storage networks and the regasification of LNG, offering cutting-edge technology in infrastructure management services. The activity will help foster the development of the globalisation strategy, launched with the acquisition of foreign associates and which record a growing contribution towards the economic results.

As regards the **financial structure**, the optimisation carried out in the last three years has led to a significant reduction in the average cost of debt. The action taken will also make it possible to reduce the risks connected with a potential change to the global macroeconomic scenario. The Company's management will, finally, be focussed on guaranteeing an appealing, sustainable remuneration of its shareholders, whilst maintaining a balanced financial structure.