Outlook

Natural gas is establishing itself globally as an increasingly plentiful and competitive energy source as well as an immediate and economical solution to decarbonisation, with a significant growing forecast for **gas demand** in future years, particularly in the Americas and China.
This central role will be reinforced thanks to both the rapid development of renewable gases, specifically within the biomethane chain, which will be able to grow solidly in Italy also due to Snam's investments and the numerous initiatives in progress worldwide to produce hydrogen from renewable sources at increasingly competitive costs.
In Europe and in Italy there has been a recovery in demand in recent years, associated with the growing need for imports from diversified routes in the light of the decline in domestic production and in view of various countries gradually abandoning thermoelectric production from coal. In Europe, import requirements grew by 30% since 2014 and is expected to rise further in the medium-term, while in Italy, according to joint Snam-Terna scenario published on 30 September 2019, gas consumption to 2040 is expectedly to be essentially in line with current consumption, with renewable gases (biomethane and hydrogen green) playing an increasing part.
Snam has forecast an increase in **investments** for 2019-2023, bringing them to €6.5 billion, around 14% higher than in the 2018-2022 plan, thanks to the greater contribution of new energy transition businesses and the increase in investments in replacements (1,000 km of network replacements are scheduled over the time frame of the plan) in order to continue to guarantee the maximum resilience, flexibility and efficiency of the existing infrastructures.
Investments in the **SnamTec** project (Tomorrow's Energy Company) are projected to be €1.4 billion, with the goal of accelerating Snam's innovative capacity and its assets for taking advantage of the opportunities offered by the development of the energy system.
Through the new plan to 2023 Snam intends to strengthen its role in **energy transition** increasing its presence in the biomethane sector, which will play a strategic role in the decarbonisation journey and confirming its commitment to sustainable mobility and energy efficiency. In addition, it wants to be among the pioneers in the use of **hydrogen** as the clean energy source of the future in energy transition, establishing a business unit with the task of evaluating potential pilot projects and contributing to the development of the supply chain.
Environmental, social and governance factors (**ESG**) are increasingly integrated in the Company's management and strategies. From an environmental perspective, methane emissions are expected to fall by 40% to 2025 (with 2016 as the base) compared with the 25% target of the previous plan. There is projected to be a 40% reduction in CO_2 emissions to 2030 thanks to the launch of the conversion of six gas-electric hybrid power plants which will also contribute to the flexibility of the electric system and to energy efficiency actions at buildings. There is also projected to be a 40% reduction in CO_2 to 2030 from electricity consumption thanks to greater recourse to solar power.
At the level of governance, the Shareholders' Meeting approved the permanent inclusion in the by-laws of provisions that guarantee the minimum representation of one third in corporate bodies of the less represented gender and a new policy was adopted to promote diversity and inclusion within the company. On the issue of combating corruption, Snam is one of the four companies (the only Italian one) to have forged a global partnership with Transparency International and, since the beginning of 2019, it has already carried out 5,000 reputational checks at suppliers and third-parties.
Snam expected to reinforce the **efficiency plan** launched in the second half of 2016, with an additional €65 million of anticipated savings to 2023, with 2016 as the base, compared with the €60 million in the previous plan. At a cumulative level, €51 million has already been recorded for the period 2016-2019, the target previously planned for 2021.
The **optimisation of the financial structure** over the last three years led to a reduction in the average cost of borrowing from 2.4% in 2016 to around 1.3% in 2019, including the effects of non-recurring items. The actions implemented also make it possible to reduce the volatility of the cost of borrowing, which is estimated to remain stable at an average value of 1.4% over the time frame of the plan.
In addition, with the objective of aligning the financing strategy with its sustainability targets and expanding its investor base, the first Climate Action Bond has been issued which sets the rules for the issuing of bond loans aimed at financing investments under the scope of environmental sustainability and to April 2019 the margin of the sustainable loan was reduced by €3.2 billion.
As regards the impact on costs, including potential and forecast cash flows, of COVID-19, identified by China on 31 December 2019 in the city of Wuhan, capital of the province of Hubei, to date the company is unable to reliably determine any repercussions on the 2020 results or any implications for subsequent years. Based on the current and latest information available, also due to the nature of the business carried out by Snam, the company expects limited impact linked to the above circumstances.
Snam immediately implemented all the necessary measures to ensure the continuity of normal business operations and the energy security of the country.
At present, Snam is unable to fully assess and quantify any effects on development initiatives and suppliers or customers resulting from the pandemic and the uncertain macroeconomic context.
This also applies to assets held by the Snam Group outside Italy, specifically in France, Austria, Greece, Albania and the United Kingdom.