



Wednesday, 15 November 2023

Chair's address to ASM

On behalf of the Contact Energy Board of Directors, I am pleased to share reflections and observations on the past year, provide an update on our strategic ambitions, and our views on the path ahead; a path that provides an opportunity for Contact to play an integral part in shaping the future of a truly electrified New Zealand.

This past year is best characterised by our ongoing investment in renewable generation, our commitment to decarbonise our portfolio, and the ongoing transformation of Contact to ensure that we are well positioned for the future.

Before I start, I want to acknowledge and thank my fellow Board members, our CEO Mike Fuge, and the entire Contact team who have again put in significant effort this year.

Financial Performance

It has been a year of solid financial performance achieved in an environment that has included unprecedented weather events and New Zealand and international economic headwinds.

In line with guidance, the company delivered an underlying EBITDAF of \$573 million, and in the 2023 financial year delivered investors with an annual dividend of 35 cents per share in line with the 2022 financial year.

Mike will take you through the financial results in more detail during his address.

Strategic update

As Chair, I want to reiterate the commitment and focus on delivering the Contact26 strategy - to build a better New Zealand by being a leader in the country's decarbonisation.

We're now in the third year of our Contact26 strategy. I am pleased to say that Contact is delivering against this strategy. Our focus on strategy execution and operational excellence supports not only our solid performance in the past year, but also sets Contact up strongly for future growth.

Highlights of the year

Highlights of the year include the \$1.2billion of renewable geothermal developments at Tauhara and Te Huka unit 3 currently under construction, Contact's pioneering energy agreement with industrial giant NZ Steel will remove one per cent of New Zealand's emissions, and finally we accelerated our ambition to decarbonise Contact's portfolio.

We now have a clear path and are committed to net zero emissions from our generation portfolio by 2035.

We also have a significant and well progressed pipeline of renewable development projects across geothermal, wind, solar and grid-scale batteries which, subject to final investment decisions and appropriate market conditions, we intend to progress further in the next 12 months.

This month we updated the market that the online date for the Tauhara geothermal plant is moving from the first quarter of 2024 to Q3 in 2024.

Tauhara, near Taupō, is a nationally significant renewable energy project which will have a substantial impact on the country's transition to electrification.

Tauhara is an important development for both Contact and the country. Let's not forget it was more than a decade in the planning stages, so it stands to reason, as we work through the stages of commissioning, we take a prudent and pragmatic approach to coming online.

As with all projects of this magnitude and complexity, the final stages and commissioning is complex. The Board has full trust and faith in the team that they will deliver.

Other reflections

The independent Boston Consulting Group (BCG) report, *The Future is Electric*, was released in 2022. We were part of a large stakeholder group, including gentailers and major distribution companies, who commissioned this important analysis.

BCG identified the significant level of investment across generation, distribution and transmission required to both decarbonise the energy sector and support the broader decarbonisation of the economy through electrification.

Prudent investment in new generation requires reasonable investment certainty – certainty of government policy and certainty the government will not crowd out private sector investment and allow for infrastructure to flow.

We are optimistic - given the signals from the incoming government – that the pathway for investment, and subsequent decarbonisation of our economy for the good of New Zealand and the planet – will be clear.

We have been concerned about the impact of the proposed battery project at Lake Onslow that was intended to address dry year risk. I am pleased that the parties involved in the incoming government have indicated they intend to shelve ongoing work on the Lake Onslow project. It will be a sound decision to cancel ongoing evaluation of a speculative, risky and extremely expensive venture that continued to undermine certainty in the market – a necessary condition of accelerated investment in renewable generation by the private sector.

However, as we transition to decarbonise the energy sector the issue of dry year risk has not disappeared. There are renewable projects in development across the industry that will materially reduce that risk over time. We remain of the view that Lake Onslow was not the

solution. There is now further opportunity and a positive emphasis for the industry and government to work together to find a practical and affordable dry year solution for the good of the country.

The BCG report also highlighted that current regulatory settings for both transmission and lines companies may not be consistent with, or appropriately support, the significant investment required to transition to a renewable, electric future.

The incoming government will need to focus on supporting appropriate regulation for transmission and distribution to ensure that the investment is realised. The current regulatory framework is not fit for purpose. The government needs to work quickly and effectively to develop a new framework to enable investment in those areas if we are to achieve New Zealand's carbon reduction targets in the coming decades.

Tiwai update

Contact plays an important role in supporting New Zealand industry to decarbonise and to help build and contribute to a healthy economy.

The New Zealand Aluminium Smelter (NZAS) continues to indicate a desire to maintain operations at Tiwai Point beyond 2024.

The smelter is valuable to our country, and our economy particularly as a significant exporter. It is also highly carbon efficient in its production of premium aluminium as well as a major contributor to the Southland economy. New Zealand Aluminium Smelter has also signalled that the smelter can play a key role in addressing the dry year risk through demand response.

We believe that the fundamentals for the green and high-purity aluminium production at Tiwai remain strong. We have played our part to support the extension. It is now up to others.

It would be a travesty if the parties did not reach a satisfactory agreement that gave certainty to the people of Southland and to the New Zealand economy.

Thank you

And finally, I would like to finish by thanking long-serving director Vic Crone for her eight years of service with Contact. Vic, who has also served on the Audit and Risk Committee, is retiring from Contact this month to pursue new endeavours. We appreciate the expertise, insights and guidance Vic shared during her time with us and wish her all the best.

Ngā mihi nui.

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Investor enquiries

Shelley Hollingsworth
Investor Relations and Strategy Manager
+64 27 227 2429
shelley.hollingsworth@contactenergy.co.nz

Media enquiries

Louise Wright

Head of Communications and Reputation

+64 21 840 313

louise.wright@contactenergy.co.nz