



Investors & Analysts' Briefing

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EDPR decides to exit its Colombian projects

Madrid, December 19th 2024: EDP Renováveis ("EDPR") decides not to proceed with the investments in its 0.5 GW wind projects in La Guajira region in Colombia.

In 2019, EDPR decided to enter the Colombian market through two projects, Alpha and Beta, with a combined capacity of 0.5 GW, located in La Guajira region, a good location in terms of wind resources, and an expected generation of 2.5 TWh/year, which would make a decisive contribution to Colombia's energy diversification and transition national objectives. The two wind farm projects obtained environmental permits in August 2019. In the auction promoted in October 2019 by the government of Colombia, EDPR contracted PPAs for 1.7 TWh/year of renewable energy over a 15-year period starting in 2022, together with associated PPA liabilities and guarantees. Subsequently, EDPR contracted a substantial part of the capex, namely 90 Vestas V162-5.6MW turbines and BOP, to fulfil its obligations under the PPA. These correspond to a major part of the investment and responsibilities that EDPR still has today.

During the restrictive lockdowns imposed by public authorities in response to the COVID-19 pandemic in 2020-21, the environmental permitting process for the required 81 kms interconnection line suffered significant delays. In mid-2021, to minimize the negative impact of the energy shortfall from the PPAs obligations, caused by lockdown-related delays, and to streamline the ongoing construction efforts, the turbines designated for the two projects were transported and stored in a port infrastructure in La Guajira.

In late 2022, after a change in Government, substantial adjustments were requested for the interconnection line environmental permit, creating a material delay in the development process, including the increase in the number of local indigenous communities involved (from 56 to 113). Since then, EDPR developed several initiatives with the new elected Government and Regulator, highlighting the urgency of measures required to rebalance the economics of the projects, that was also impacted by other material developments such as (i) the unavailability of other transmission assets that were planned to be constructed and operated by third parties in the region (ii) the approval of new legislation with adverse impacts on the economics of the projects vs. the initial investment assumptions (iii) the significant increase in construction costs (iv) the devaluation of the Colombian Peso and (v) the increase in financing costs. In response, by August 2023, the government published Decree 1276 containing important emergency measures, but this decree was judicially annulled in October 2023, maintaining the unbalanced situation of the projects.

EDPR took several steps to remediate the situation and reached bilateral renegotiation of 80.7% of the total PPA volumes of energy, with the consequent suspension of the energy delivery for more than 2 years. In the meantime, the environmental permit for the interconnection line has been submitted to the National Environmental Licensing Authority (ANLA) and is expected to be granted in February 2025. However, as of today, no visibility has been attained on the improvement of the regulated revenues' framework, such as reforms to the "cargo por confiabilidad" mechanism and other potential measures, which EDPR and the renewable energy association of Colombia have defended as crucial to enable the construction of wind projects.

In the 1Q24 results presentation, EDPR informed the market that it would review the economic viability of the two projects in 2024.

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Following a detailed review of the projects, and given all of the above, EDPR considers that these projects do not meet the company's investment criteria and risk profile and has therefore decided not to proceed with the remaining investments required to build the wind farms. The company will continue to take all the necessary legal actions to protect EDPR interests in Colombia.

Given this decision, EDPR estimates potential losses associated to these projects of up to €0.7Bn, including the full impairment of the projects and €0.2Bn related to guarantees and estimated liabilities potentially to be paid in the future (only the €0.2Bn are incremental to net debt beyond 2024). These amounts will be treated as non-recurring events, having no impact on either the recurring net income or the company's dividend policy.

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.

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