

CREDIT OPINION

18 January 2023

Update



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RATINGS

ENGIE Alliance

Domicile	Paris, France
Long Term Rating	Baa1
Type	LT Issuer Rating
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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ENGIE Alliance

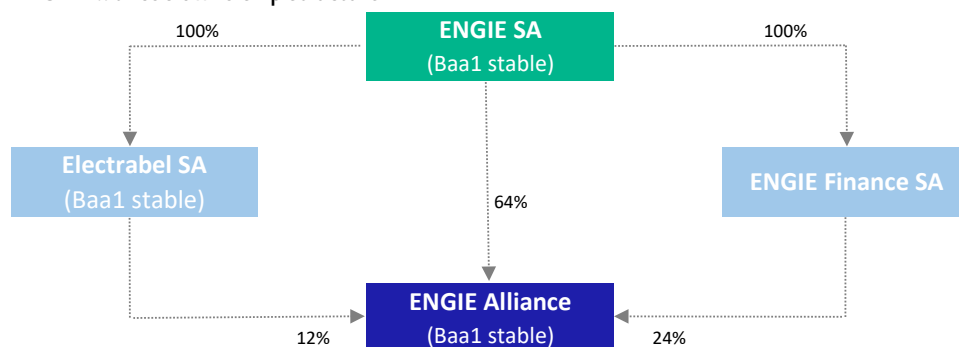
Update to credit analysis

Summary

[ENGIE Alliance's](#) (Baa1 stable) credit quality is aligned with that of [ENGIE SA](#) (ENGIE, Baa1 stable) because members of the Groupement d'Intérêt Economique (GIE), including ENGIE, have unlimited joint and several liability for the debt and liabilities incurred by the GIE.

Exhibit 1

ENGIE Alliance's ownership structure



Sources: ENGIE Alliance and Moody's Investors Service

Credit strengths

» The GIE members are jointly and severally liable for the GIE's obligations.

Credit challenges

» ENGIE Alliance is no longer used as a vehicle to raise external funding.

Rating outlook

The outlook on ENGIE Alliance's ratings is stable, in line with that of ENGIE, reflecting the close links between the company and its ultimate parent (please see ENGIE's [Credit Opinion](#) for outlook drivers).

Factors that could lead to an upgrade

Upward rating pressure is unlikely over the next 18-24 months, because of the ultimate parent's significant strategic shift and associated investment programme. Nevertheless, we could upgrade ENGIE Alliance's ratings if ENGIE's ratings were upgraded (please see ENGIE's [Credit Opinion](#) for rating drivers).

Factors that could lead to a downgrade

We could downgrade ENGIE Alliance's ratings if ENGIE's ratings were downgraded.

Profile

ENGIE Alliance is a GIE. Its share capital is owned by ENGIE, Electrabel SA and ENGIE Finance SA. ENGIE Alliance is primarily responsible for providing long-term funding and guarantees to the subsidiaries of the group. Following the merger of Gaz de France and Suez in 2008, the group decided to centralise external funding at the ENGIE level. As a result, ENGIE Alliance has not been issuing further debt.

Detailed credit considerations

ENGIE Alliance is the successor of Suez Alliance, which was established in late 2001 as a GIE, for an initial period of 99 years. A GIE is a legal concept in France under which a number of companies work together to develop or improve the economic activity of all participants. In this case, the GIE was formed as the legal debt issuing and guaranteeing entity for the group, with the aim to improve members' ability to raise funds.

The three current GIE members — ENGIE, ENGIE Finance SA and [Electrabel SA](#) (Baa1 stable) — have unlimited joint and several liability for the GIE's liabilities for the term of the structure. Under the terms of the GIE, new members become jointly and severally liable for the GIE's obligations, even for those incurred before their admission as a member, except if duly documented otherwise. A departing member remains liable for obligations incurred by the GIE up to the date of its departure, unless it repays such obligations or if the GIE creditors specifically agree that the departing member shall no longer be liable for the GIE's obligations.

ESG considerations

ENGIE Alliance's ESG Credit Impact Score is Moderately Negative CIS-3

Exhibit 2

ESG Credit Impact Score

CIS-3

Moderately Negative

For an issuer scored CIS-3 (Moderately Negative), its ESG attributes are overall considered as having a limited impact on the current rating, with greater potential for future negative impact over time. The negative influence of the overall ESG attributes on the rating is more pronounced compared to an issuer scored CIS-2.



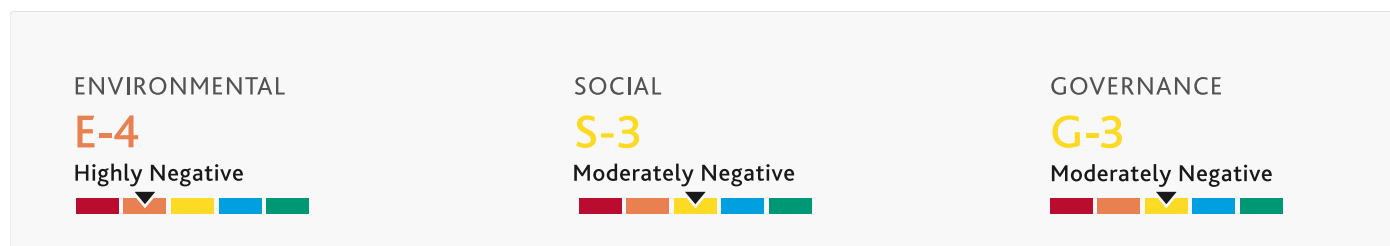
Source: Moody's Investors Service

ENGIE's ESG Credit Impact Score is moderately negative (**CIS-3**), indicating that its ESG attributes are overall considered as having a limited impact on the current rating, with greater potential for future negative impact over time. ENGIE's **CIS-3** reflects a high exposure to environmental risks, reflecting a likely rise in nuclear liabilities. The effect of these considerations on the rating is mitigated by ENGIE's moderate exposure to social and governance risks, including the risk of stranded gas assets.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

Exhibit 3

ESG Issuer Profile Scores



Source: Moody's Investors Service

Environmental

ENGIE's high environmental risk (**E-4** issuer profile score) reflects its exposure to high carbon transition risk, given the contribution of gas transmission and distribution assets to earnings (c. 39% of EBITDA in 2021) whereas the energy transition law which plans a natural gas phase out by 2050 in France. This also takes into account the group's large investment programme to increase the share of power output from renewables. The risk includes the group's exposure to high waste and pollution risks due to the high likelihood of an additional increase in costs associated with nuclear waste storage and nuclear decommissioning following the next triennial revision (2022). Its nuclear and hydro fleet (35% of the group's installed capacities in 2021) also exposes the company to low to neutral risks of water management and climate risks.

Social

Moderately negative social risks for ENGIE (**S-3** issuer profile score) reflects the fundamental utility risk that demographics and societal trends could include public concerns over affordability, public expectation that utilities act as public service, utility's reputational risk. These pressures could turn into adverse political intervention, as evidenced by the future French natural gas phase out. This also includes nuclear and gas exposures and associated risk to public health. ENGIE also has moderately negative exposure to risk to public safety as a gas leak or explosion, although unlikely, could have significant negative impact on the group's reputation and financial situation.

Governance

Moderately negative governance risks for ENGIE (**G-3** issuer profile score) reflects the recent management turbulences, resulting in material changes in long term strategy, associated with the substantial ownership of the French State (c. 25%, including a golden share).

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Methodology and scorecard

ENGIE Alliance's ratings are aligned with those of ENGIE, which in turn is rated in accordance with the [Unregulated Utilities and Unregulated Power Companies](#) rating methodology, published in May 2017, and the [Government-Related Issuers Methodology](#), published in February 2020.

Ratings

Exhibit 4

Category	Moody's Rating
ENGIE ALLIANCE	
Outlook	Stable
Issuer Rating	Baa1
Senior Unsecured -Dom Curr	Baa1
ST Issuer Rating	P-2
PARENT: ENGIE SA	
Outlook	Stable
Issuer Rating	Baa1
Sr Unsec Bank Credit Facility -Dom Curr	Baa1
Senior Unsecured	Baa1
Subordinate MTN -Dom Curr	(P)Baa2
Jr Subordinate -Dom Curr	Baa3
Commercial Paper	P-2
Other Short Term -Dom Curr	(P)P-2

Source: Moody's Investors Service

Moody's related publications

Credit Opinion

» [ENGIE SA](#), 1 September 2022

Press Release

» [Moody's downgrades ENGIE's issuer rating to Baa1; stable outlook](#), 9 November 2020

» [Moody's changes outlook on ENGIE and subsidiaries, affirms ratings](#), 5 May 2020

Issuer Comments

- » [ENGIE SA: Higher Belgium nuclear provisions and inframarginal rent cap are credit negative](#), 21 December 2022
- » [ENGIE SA: Acquisition of 40% share in EDP's hydro assets in line with strategy, modest weakening of financial metrics](#), 20 December 2019
- » [ENGIE SA: Rising Nuclear Provisions Will Weaken ENGIE's Credit Metrics](#), 13 December 2019
- » [ENGIE SA: Acquisition of TAG stake aligned with ENGIE's strategy; moderately negative leverage impact](#), 12 April 2019
- » [ENGIE SA: Updated strategy and 2018 results are credit supportive; Loi PACTE signals changing relationship with French government](#), 7 March 2019

Sector In-Depth

- » [Europe's electricity markets: Tight supply will keep power prices high and prompt further government intervention](#), 16 November 2022
- » [In Europe, high energy prices will not derail the energy transition](#), 30 November 2021

Industry Outlook

- » [Unregulated electric and gas utilities - Europe: 2023 outlook negative on heightened risks from ongoing energy crisis](#), 28 November 2022
- » [Unregulated electric and gas utilities - EMEA: 2022 outlook stable as intervention risk, high capex overshadow earnings growth](#), 9 December 2021

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

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