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CREDIT OPINION
18 January 2023

Update

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RATINGS

**ENGIE Invest International S.A.**

| | |
|---|---|
| Domicile | Luxembourg |
| Long Term Rating | Baa1 |
| Type | LT Issuer Rating - Dom Curr |
| 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 Invest International S.A.

Update to credit analysis

## Summary

ENGIE Invest International S.A.'s (EII, Baa1 stable) credit quality is based on the company's importance and core function within ENGIE SA's (ENGIE, Baa1 stable) financial management; and the Declaration of Responsibility by ENGIE in favour of EII, according to which ENGIE unconditionally guarantees all obligations and liabilities of whatsoever nature incurred by EII from the initial issue date on 22 June 2011 until revocation of the guarantee.

EII's rating is aligned with that of ENGIE based on our understanding that the group currently has no intention of revoking the guarantee. If the guarantee were to be revoked, it would continue to cover EII's existing obligations. We could adjust EII's rating downward by several notches, following any revocation, depending on the company's standalone credit strength and any implicit support from ENGIE, which will depend on EII's importance to the group at that time.

## Credit strengths

» ENGIE's unconditional guarantee of all EII's obligations

» EII's important position within ENGIE's centralised financing structure

## Credit challenges

» The guarantee could be revoked, although the existing obligations would still be covered in such an event

## Rating outlook

The outlook is stable, in line with that of EII's 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, given the ultimate parent's significant strategic shift and associated investment programme. However, we could upgrade EII's ratings if ENGIE's ratings were to be upgraded (please see ENGIE's Credit Opinion for rating drivers).

## Factors that could lead to a downgrade

The rating could be downgraded if ENGIE's ratings were to be downgraded, the guarantee were to be revoked or EII's core position within ENGIE's financial management were to change.

## Profile

As of 31 December 2022, ENGIE Invest International S.A. (EII) was an indirectly 100%-owned subsidiary of ENGIE SA (ENGIE or the group), a leading European integrated utility. Incorporated in Luxembourg in 1933, EII owns 100% of ENGIE CC (Baa1 stable), as well as certain other investments. Within ENGIE's centralised financing structure, EII is primarily responsible for providing guarantees and intercompany loans for subsidiaries of the group. EII's income is derived from the interest and fees charged for the provision of these loans and guarantees. EII's Articles of Association prohibits it from third-party borrowing. All EII's shareholders must be ENGIE group companies.

## Detailed credit considerations

### Explicit support from ENGIE through the Declaration of Responsibility

EII's credit quality is underpinned by the company's importance and core function within ENGIE's financial management; and the fact that EII's obligations and liabilities are guaranteed by ENGIE under the Declaration of Responsibility, which together underpin the alignment of EII's rating with that of ENGIE, its ultimate parent. The Declaration of Responsibility is provided in accordance with Article 70 of the Luxembourg law of 19 December 2002. The instrument is governed by the laws of Luxembourg, and the courts of Luxembourg City have exclusive jurisdiction to settle any dispute arising out of or in connection with this guarantee.

The following factors are strongly credit positive for EII's creditors:

- According to the declaration, ENGIE unconditionally guarantees all obligations and liabilities of whatsoever nature incurred by EII from the initial issue date on 22 June 2011 until the revocation of the declaration by ENGIE.
- The guarantee extends to all obligations and liabilities of EII that arise out of contracts in force at any point between the initial issue date and the date of the revocation of the guarantee (the covered contracts), including liabilities that may become due and payable under these covered contracts after this guarantee is revoked.
- To the extent that EII fails to pay a due and payable liability arising from the covered contracts, ENGIE unconditionally undertakes to promptly pay such amounts to the creditor of such dues and unpaid liabilities upon receipt of a written demand from such a creditor of EII by registered mail.
- Payment is not subject to offset against any payments clawed back.
- ENGIE waives to the fullest extent possible any and all defence that it may have either under Luxembourg law or under French law in relation to the guarantee. Guaranteed obligations are, therefore, directly enforceable against ENGIE and would remain so in the case of the dissolution or sale of EII.

### The guarantee is revocable

ENGIE can revoke its guarantee, but we do not expect it to do so. f ENGIE were to revoke the guarantee, it would cover EII's existing obligations and liabilities arising from contracts in force at any point between inception of the guarantee and the date of the revocation. In the event of revocation, we could adjust EII's rating downward by several notches, depending on the company's standalone credit strength and any implicit support from ENGIE, which will depend on EII's importance to the group at that time.

### Important role of EII within the group

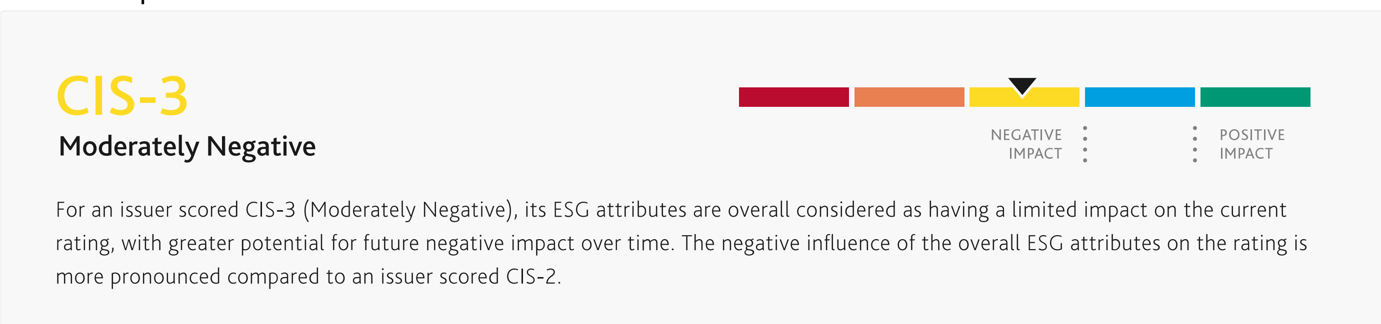
In addition, EII's creditworthiness is supported by its importance and core function within ENGIE's financial management. Its primary purpose is the provision of guarantees and intercompany loans for group companies. EII's board of directors consists of senior staff of ENGIE. EII's Articles of Association ensure that it will be strongly capitalised and require, inter alia, that it is always owned by members of the group; it incurs no third-party debt; its total commitments — that is, intercompany loans and guarantees — are at all times at least matched by its subscribed capital or subordinated parent debt; and any called-up share capital is subscribed in cash and not in kind.

We expect ENGIE to effectively maintain full ultimate ownership of EII and board representation, and its aggregate commitments to always be at least matched by the capital subscribed by shareholders.

## ESG considerations

### ENGIE Invest International S.A.'s ESG Credit Impact Score is Moderately Negative CIS-3

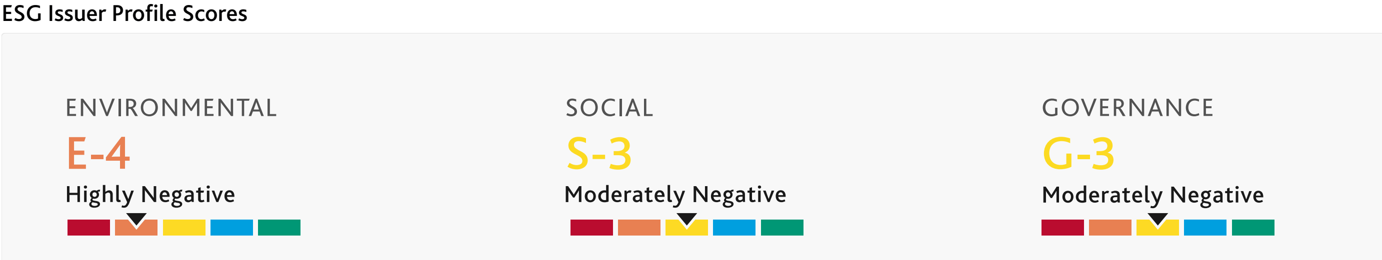
Exhibit 1
**ESG Credit Impact Score**




*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.

Exhibit 2
**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 Moodys.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

EII's rating is linked with that 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 rating methodology, published in February 2020.

## Ratings

Exhibit 3

| Category | Moody's Rating |
|---|---|
| **ENGIE INVEST INTERNATIONAL S.A.** | |
| Outlook | Stable |
| Issuer Rating - Dom Curr | Baa1 |
| **ULT 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 |
| **PARENT: ELECTRABEL SA** | |
| Outlook | Stable |
| Issuer Rating -Dom Curr | Baa1 |
| Other Short Term -Dom Curr | (P)P-2 |
| **ENGIE CC** | |
| Outlook | Stable |
| Issuer Rating | Baa1 |

*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 capare 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.*

REPORT NUMBER 1355314

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