FY 2023 RESULTS

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Delphine Deshayes

Good morning, everyone. It's my pleasure to welcome you to ENGIE's Full Year 2023 Video Webcast. Catherine MacGregor and Pierre-François Riolacci will present our full year performance and our medium-term outlook. Following which, we will open the lines for a 45-minute Q&A session, and with my polite request of limiting your questions to one or two only, please.

And with that, over to Catherine.

Catherine MacGregor

Good morning, everyone. I'm very pleased to be here today and to share with you our presentation on our 2023 performance and medium-term outlook. In a constantly shifting environment in 2023, I am very happy to report another year of strong performance for ENGIE. We reached the middle of the earnings guidance range that we upgraded in November, in fact, beating the earnings in 2022, which was already an unprecedented year.

We maintained a strong pace of our renewables rollout and we had a pivotal year in batteries, both through acquisition and organic growth. We made further good progress in major aspects of our ESG targets and net zero trajectory, and we fundamentally de-risked our Group as we signed the final nuclear agreement with the Belgian government in December. I want to thank all of our teams for their unstinting efforts in executing our strategy and delivering the energy transition. The results of your commitments are there to be seen in this presentation.

Summarizing a few headlines 2023 numbers, the EBIT, excluding nuclear, grew by 18% organically to €9.5billion, contributing to a 3% rise in net recurring income group share to €5.4 billion. Cash flow from operation was up sharply by almost two-third, in fact, to €13.1 billion, boosted by higher earnings and working cap improvement. And growth CapEx, which, I repeat, is always selective, always disciplined, is upby almost half, in line with our 2023-2025 business plan. And I should add that in 2023, if I take the year in isolation, 72% of our growth CapEx is eligible and 66% is aligned with the EU taxonomy, and both these numbers are up versus 2022.

Consistent with our payout policy, we are proposing a dividend of €1.43 for shareholder approval at the AGM later this year. And this corresponds to a payout ratio of 65%.

Moving to the next slide, focusing on our performance in ESG, starting with the greenhouse gas emissions from energy production in 2023, they were 52 million tons down from 60 million in 2022, and that is a big improvement, underpinned, of course, by our decarbonization journey, but also helped by lower load factors at our CCGT units, and soft demand in Europe.

The share of renewables in our total power capacity was up to 41% at the end of December, which is fully on track towards our 2030 targets. In terms of gender diversity, we have reached 31% in the proportion of women at management level, and we stay focused and committed to our aim of managerial parity between men and women in 2030. We are committed to net zero carbon by 2045 and I am proud that Moody's recently aligned our ambition with a 1.5 degree C trajectory with a solid level on the implementation of these objectives. This demonstrates our progress and compares favourably with the SBTI certification of well below 2 degree C that we received at the beginning of last year. And then looking at the coal phase-out, we are continuing on schedule for a complete exit by 2027 as we announce disconnection of two of our Chilean coal fired power units and the conversion of a third one by the end of 2025. The rollout of our strategic plan continues apace and across the board. I'll just provide some details on renewables and battery storage in a moment.

Some highlights on the other GBUs. For example, in networks, where in Brazil we won a further power transmission concession, whilst in Q4 we sold part of our stake in the gas network operator TAG. We sharply boosted our FlexGen activities with a breakthrough year in battery storage. Notably in Q4 we commissioned a significant amount of batteries in the United States. And in energy solutions, we had another strong year in district heating and cooling with an order intake of EUR2.7 billion.

Some details on renewables and battery. First of all, starting with renewables, where we have now become a substantial renewables player globally and across all the major technologies. In renewables, size matters. It makes a difference. It makes us more competitive. It makes us more influential. And you can see that we made a particular headway in North America in 2023, also adding significant capacity in Europe and Latin America, and we also expanded our platform in South Africa. At the end of 2023, we had 60 projects ongoing with 6.3 GW of capacity under construction. Of course, growth is good, but always, execution is fundamental. So I'm especially proud that we have delivered our project under budget and with an average delay of less than two months. In PPAs, where we are ranked as worldwide leader by BNEF, demand is strong. Prices remain supportive, especially in the United States. United States. We signed 2.7 GW of green PPA in 2023 and we are succeeding in differentiating ourselves through the sophistication of our offers. We notably concluded a PPA recently with Amazon which will be taking 473 MW of the output from the Moray West offshore wind farm of our JV Ocean Winds, and this is the largest green PPA that was signed in the UK.

Moving to battery and energy storage as they are clearly a key element of our strategy because it is so crucial to absorb the volatility of a power system where base load is rapidly giving way to peak load. 2023 was a pivotal year. The acquisition of Broad Reach Power was the standout event providing us a growth platform and also an early mover advantage on two key U.S. Energy systems, ERCOT and CAISO. Multiple other countries are also making strides in battery storage, and we are seeing this trend towards more hours of usage per capacity. Amongst our major 2023 highlights was the commissioning of our so far largest unit at the Hazelwood site in Australia, and also the award of a permit to construct 200 MW of battery in Vilvoorde in Belgium.

Staying in Belgium, turning to the next slide, we achieved a fundamental de-risking of our company by signing a nuclear framework agreement with the Belgium government. It is worth repeating because it is really fundamental for our group. The agreement removes all of our nuclear waste liabilities and it sets up a joint venture with the Belgian government to extend two reactors by 10 years to what we call a flex LTO operating under quasi-regulated conditions. We are on track in the process of the discussion. We expect closing by the end of this year.

A word now on our 2024 outlook. The market environment has normalized faster than we would have anticipated, although geopolitical tensions clearly are ever-present. But the energy transition still continues to accelerate.

And at ENGIE we are well-served because we have this integrated structure and this adaptability provided by a flexible asset mix. In 2024, we now expect net recurring income group share in the range of in the range of EUR4.2 billion to EUR4.8 billion, which is higher than our previous guidance. And our dividend payout policy stays consistent at between 65% and 75%.

And now I will hand it over to Pierre-Francois for details on our financial performance.

Pierre-François Riolacci

Thank you, Catherine, and good morning all. As just discussed, clearly another strong year for ENGIE in 2023, on the back of up to scratch execution and also buoyant market conditions. I'm not going to dwell further on these numbers, just highlight that we propose a dividend of EUR1.43 per share. Of course, not all of it is easily repeatable, but you know that we are committed to a sustainable and healthy growth of the dividend going forward. Let's now dive into the numbers and start, of course, with EBIT growth of 18% organically, that's plus EUR1.5 billion year-on-year driven by GEMS, by retail and by renewables. I think it's worth to note that despite the mild temperatures that you had in Q4, and especially in December, we are landing the full year midpoint of the guidance. We have overall observed in the year a positive impacts from volumes and prices. We have a contribution from commissioning notably on renewables and the result, of course, of the strong delivery of the performance plan.

I'm going now to be a bit more granular in the key variations per business and starting, of course, with renewables, which stands slightly above EUR2 billion. The scope impact is positive due to acquisition in South Africa, in Europe, albeit rather late in the year. Looking at organic growth, we achieved a positive 19% increase. We see a continued positive price effect, notably due to a favourable comparison against last year. We had some buybacks for more than EUR100 million. However, better capture prices were largely offset by taxes, notably for hydro in France. We had some positive volume effects, again resulting from a better hydrology in France. We had commissioning of a renewable CapEx for EUR167 million in year, which is of course great. Performance is positive, albeit a bit limited due to the G&A, which are reflecting some high inflation that we had in the year. We take everything in our G&A variation. Now, negative Others is mainly due to significant DBSO margin that we had in '22 and that we don't have any more in '23, in line with our strategy as announced in the previous years. So again, record year for renewables. All variables being basically favourably aligned.

Networks EBIT is down EUR107 million organically. It's a 5% decrease, mainly driven by lower volumes in France. Indeed, in France, volumes were down, especially in distribution networks, as a result of energy sobriety, but also another warm winter. It's very important to highlight that we are protected by the French regulation against these lower volumes through a clawback mechanism that will actually apply from the start of the new regulation that is this year, 2024. In addition, the regulated French business benefits from an inflation protection, inflation indexation of the regulatory asset base, which mitigates over time the impact of inflation on cost. It is worth to highlight that in 2023, GRT gas received additional revenues from capacity subscribed between France and Germany. Abroad our business has been performing well. In Europe we saw some positive tariff increase as well as higher margins for storage activities in the UK and in Germany. And in Latin America we have posted a chunky 22% organic growth due to the full commissioning of Novo Estado power lines in Brazil but also increased performance especially in TAG in Brazil.

As you can see now on the graph on the left side energy solution was significantly impacted in '23 by two one-offs in the U.S. and in the Middle East. You remember that we are facing cost overruns for the construction of combined heat and power production plants on two contracts in the U.S. We have booked a provision for onerous contract of EUR150 million in H1 2023. A remediation plan is on track, we have strengthened our project management capabilities to bring this project under control, also make sure that it does not repeat in the future. The second one off of EUR38 million relates to the recognition of a deferred tax liability in our Tabreed participation because there was a corporate tax that was actually created in '23 in the UAE. Aside from these not recurring items of these two items, Energy Solution is doing well across the board, posting a healthy 10%

organic growth in EBIT. Operational performance translates into EBIT margin improvement at plus 63 basis points, notably on energy performance and management. Commissioning impact on local energy networks and sustained commercial development with increased selectivity are also contributing. This leads us to be confident for the delivery of our ambition in the coming years.

For FlexGen in Europe, we were significantly impacted by the market normalization during the year with a steady and fast decrease of prices. CCGTs have been often out of the market and generation volumes have accordingly significantly decreased. Our locked position from the past hedging have helped us to capture higher spreads, but offset by a lower level of ancillaries from the record high in 2022, while at the same time our CRM activities saw significant growth. Market volatility is reducing and as such we have captured less value from a flexibility asset in Europe. Those headwinds in Europe were somewhat mitigated by the situation in Chile, which has improved in 2023, and the year-on-year variation benefits also from the negative impact that we had in '22 due to the extraordinary tax contribution in Italy. Overall, it's a strong year for FlexGen in 2023 after a record year in 2022.

Retail EBIT is up EUR587 million organically year-on-year, including a significant timing effect. You remember what we said in October, the fourth quarter would remain strong compared to last year, as the latter suffered from a substantially negative impact of timing effect. We had again some timing impact on Q4 2023, but to a far lesser extent. So, that timing effect explains half of the strong price performance that we achieved year-on-year. This plus portfolio management resulting in better margins compared to '22, where you remember we were lossmaking. Then comes a negative volume impact due to the mild winter but also the customer sobriety which is partially offset by some sourcing optimization. All in all, significant recovery year for retail despite the mild winter.

Let's move now to our Nuclear activity, where we see a strong decrease of the contribution, minus EUR0.4 billion stemming from the same drivers that we have discussed throughout the year. You can see here the comprehensive impact of the closure of the two units, Doel 3 and Tihange 2 for more than EUR500 million. And for the sake of clarity, this is including the Nuclear tax impact of these two units. Then the positive price effect over the period is actually fully offset by the increases in inframarginal tax rent cap and the specific Nuclear tax that we have in Belgium. Volumes are positive on the back of very high availability in our Belgium operation. And last but not least, depreciation and amortization as a result of the '22 triennial review of the provision is increasing. So a good year from an operational standpoint, but contribution getting lower.

Let's move now to our last business line. We go to other activities, mainly GEMS, which have delivered a EUR1 billion organic growth year-on-year on the back of good market conditions, but also great execution. These results are coming from the performance drivers, again, that we have commented during H1 presentation. I'm not going to come back on that. And as expected, the second half for GEMS was negative year on year mainly because of this unfavourable comparison basis. You remember the second half in '22 was stellar but also some timing effect. It is worth to notice as well the progress made on the cost structure that translates into higher EBIT in the bridge. That is a plus EUR71 million that you see in green and a lot of hard work but good to see that it is coming through.

Let's now look a bit deeper into GEMS financial performance and what it means for the future. We've shown here some details on activity, geography and commodity both for '22 and '23 and you can see that that split is balanced and of course in line with ENGIE's portfolio, ENGIE's footprint. One, client risk management and supply represent about 40% of GEMS total EBIT an increase versus '22 and this part is actually less subject to market variations than the asset management and optimization. Two, most of GEM's EBIT is coming from Europe in line with our footprint. However, geographies outside France and Belgium had an increasing contribution in 2023. And three, as far as commodities are concerned, 42% of the EBIT arises from power and 58% from gas and other. A bit more exposed to gas then, but rebalancing towards power.

Now, a quick word on the results phasing in-year. We faced unprecedented market conditions in '22 and '23 with significant cross-year and intra-year effect. As expected, GEMS had a very strong first half in '23 and the second half decreased due to market normalization, but also with large variations of technical reserves and timing effect. Winter/summer seasonality is embedded in some contracts which benefit to H1 for a couple of hundred millions, and that is reversed in H2. For 2024, we expect the underlying EBIT contribution close to EUR2 billion based on strong performance of our client risk management and supply activities, and also high margin contracts, which are locked in. On top of that, we expect also continuation of provision reversal, both being somewhat related. Last but not least, bear in mind that there will be, as usual, some seasonality in the year. So not all quarters are the same.

A few words on the performance plan. As you see, we achieved about EUR700 million gains on performance over '21-'23, above our initial target of EUR600 million. Main contributor remains operational excellence from standardization and industrialization of our processes, procurement gains and savings, and also contract renegotiations. Continued improvement is now the bread and butter of our GBU organizations. Overall, it's a great performance knowing that high inflation has negatively impacted our performance on G&A. We will continue to simplify and optimize our G&A cost structure. We have further identified, for example, new reservoirs of productivity addressable with new technology. We have, for example, 15 generative AI projects dedicated to that in a secure environment. Last point, turnaround of our loss-making entities is a bit below our expectation, and we are very attentive that all necessary actions are taken to improve the situation.

Let's now look on the main items on net results. No mention of EBIT. Net financial expenses are up EUR0.2 billion due to higher cost of debt, but also higher discount expenses on long-term provisions, mainly nuclear. Albeit, better than expected, with limited cost of carry and also higher returns on cash. Income tax is up by EUR0.5 billion and the effective tax rate is at 27%. Taking all this, the net recurring income stands at EUR5.4 billion.

On the right side, you see that the net income is EUR3.2 billion below the recurring net income and this is due to three main items. The first one is, of course, the impact of the Belgian agreement that we signed, which is EUR4.4 billion negative. We have also booked impairments for EUR1.3 billion, notably on coal power plants in Chile and on specific portfolio of renewable assets in the U.S. Third, we recorded a profit of EUR2.4 billion on mark-to-market of energy derivatives net of tax.

Let's move to the cash part. The cash flow from operation CFFO amounted to EUR13 billion, up EUR5 billion compared to last year. One methodology point is that the impact of the GEMS market reserves is reflected in both the operating cash flow and the working capital set in the working capital. It's a wash on the CFFO.

And therefore, when you look at the year-on-year improvement, it comes primarily from the reversal of the '22 high level of net working capital, you can notably see the reversal of our gas inventories, but also in the bill revenues, which is of course driven by market normalization. This was expected, but even better when you see it in the numbers. The negative impact on Nuclear is mainly related to the G2 taxes in Belgium that were paid.

Net financial debt increased from EUR24.1 billion to EUR29.5 billion with significant maintenance and growth investments, high dividend paid in '23 and also the funding of our nuclear phase out. The economic net debt is also increasing mainly due to the increase in the nuclear provision on the back of the agreement signed with the Belgian government. The leverage ratios remain strong with economic net debt to EBITDA at 3.1x, well below our 4.0 threshold.

Let's now conclude with our guidance for '24 which is based on the market prices at the end 2023. You will find in the appendix the details of the assumptions. 2024 is of course marked by uncertainties in market environment and downward pressure on energy prices but remember that we have hedged a large part of our open position this year. We expect a range of EUR4.2 billion to EUR4.8 billion of net recurring income in '24 below 2023 but well above 2021 which is a better basis of comparison in terms of price environment.

With that I turn back to Catherine to present a short outlook for the next three years.

Catherine MacGregor

Thank you. So now to our medium-term outlook for 2024 to 2026. I will start by emphasizing that the energy transition momentum is accelerating and unstoppable. We did see some bumps in 2023 with, for example, debates over affordability and also the impact of higher interest rates, but the headwinds are outweighed by the tailwinds. I can refer you to the ambition that was stated at the end of the COP28 to triple renewables by 2030, but the facts also speak. EU renewables power generation was up by a record amount in 2023 and accounted for 44% of demand. Whilst not only was coal-fired output down by 27%, but gas-fired production was also significantly down. In a marginal cost system, the accelerating deployment of renewables in my view, amply demonstrates that they can be affordable. More than ever, I am convinced that our growth strategy based on a combination of green molecules and electrons is the right one for a manageable and affordable energy transition. So I have no hesitation in maintaining an unwavering commitment to the same strategy, with focus, of course, on consistency of execution and adaptability to fluctuations in our market environments. We will add more flexibility to our output and our offers to complement the constantly acceleration of renewables. We will continue to offer on-site infrastructure to support our clients in their drive to decarbonize. And we will optimize our infrastructures both on gas and power to ensure that supplies are secure.

Our commitment remains total to net zero carbon by 2045. We are well on the way to our renewables target to 50 GW by 2025, 80 GW for 2030, unchanged since 2021. Our ambition is to produce 20 TWh of green distributed heat, cooling, and power by 2030. And this is for our District Heating and Cooling, and on-site production activity business line. We believe strongly in the growth outlook for District Heating and Cooling networks, essential for decarbonization of cities, where we rank amongst the largest operators. We are committed to building a green gas business via biomethane and hydrogen that extend the full length of the value chain. And although it is true to say that setting up the right conditions for investment in green hydrogen is progressing more slowly than we would like, I am convinced that hydrogen remains a fundamental enabler of this energy transition. The will and the need are absolutely there. And we are well in advance in battery storage, already halfway to our 10 GW capacity target for 2030, if I look at what we have on operation, under construction, and on secured capacity.

In renewables, we again extended our pipeline in 2023 by 12 GW to 92 GW. Over half of this is either secured or in advanced development. And we have a well-balanced geographical and technological mix. Having such a pipeline is very important. It expands our selectivity in choosing what to go ahead with and what to walk away from. And being a leading renewable player gives us greater profile, more control over our supply chain and our purchasing power. So we can be ruthless in achieving or exceeding our return expectation with a spread of 150 basis points to 250 basis points over WACC.

Turning to Networks, the French regulator, CRE, has announced the remuneration of network businesses for the upcoming four-year regulatory period starting this year. The regulator has, as we would expect, taken account of the lost revenues from the low gas volumes in the last regulatory period. They also have taken some account of the recent rises in inflation and in interest rates, which had the effect of limiting the decline in the returns for this new regulatory period. The introduction of a nominal remuneration rate on new investment gives us a different trajectory with more revenues and cash flow at the beginning. Those decisions reflect the regulator's view towards the long-term sustainability of gas tariffs and safeguards the long-term viability of gas network assets essential to the energy transition. Our international power network business is on a growth path where we are significant in Brazil and Chile, countries where we have a long established presence which provide stable regulatory framework and in fact in Brazil also greenfield project opportunities. Last year, we won a tender process for a 1,000 km concession in Brazil, and that should come on stream in 2026. There is a significant need for investment to reinforce power infrastructure. Without it, the energy transition simply cannot work, and at ENGIE, we have the know-how to play a part in this trend.

This next slide discusses how we aim to get the most value out of our fleet of flexible generation assets, as it is not just about spreads and volumes anymore, it's also about grabbing the near-term opportunities in the context of power markets that are moving inexorably away from base load and towards intermittent production sources. You can see the sheer scale of price movements on the day ahead Dutch Power Exchange last year on this slide, with this chart on the left-hand side that shows the daily difference between the highest and the lowest priced hours. This shows the opportunities that are available to us to maximize short-term price movements, opportunities that can only become more frequent. And to take advantage of this, data is the cornerstone, moves in demand, temperature, wind spin, sunshine, to name but a few. And of course, then it's the capacity to act on this data to meet the needs of our customers and to create the maximum value for ourselves. And this is a domain, of course, where we are accelerating the deployment of the very latest AI technologies. As I already mentioned, battery storage, or BESS, is for us a crucial a crucial component of a truly flexible power generation combination. Following our acquisition of BRP, as well as substantial organic expansion, we jumped forward in an industry where the early mover advantage is vital. So we expect to have 2.4 GW of BESS capacity by the end of this year, which is close to double the 1.3 GW operational that we had at the end of 2023.

These advances allow us to further the power of our integrated business model, which truly makes us unique. First, to this fleet of flexible assets that we are developing. Second, to our portfolio of B2B clients that demand more and more bespoke solutions. And third, to the expertise of GEMS tracking all trends and orchestrating the whole connected process.

As a quick reminder of GEMS activities, we have two categories. We have the asset optimization, which is upstream and downstream, the client risk management and supply. The asset optimization business derives its EBIT through developing and maximizing a flexible portfolio of power and gas assets, as well as offtake contracts. So here we are taking fullest advantage of market volatility. The client risk management business is customer-facing, and EBIT is driven by margin and by management fees, and far less so by prices. And in the context of the energy transition and an uncertain geopolitical context, the large energy users need all the help they can, given decarbonization and electrification trends. And they are willing to attach a higher value for such a product. Our expertise in this field is well recognized. The most recent annual Energy Risk Commodity Rankings of March 2023 put us at number one global natural gas dealer and number two global power dealer. So GEMS represents an indispensable part in the growth that we are anticipating for the group over the coming years and Pierre-Francois will detail further what it means in terms of numbers.

These structurally growing activities underpin our medium-term financial outlook. Looking ahead to 2026, which will be the first full year of the Belgian Flex LTO in nuclear. We estimate our net recurring income group share in the range of EUR3.7 billion, EUR4.3 billion. We are reaffirming our dividend policy, which is unchanged from the past with a payout of 65% to 75% and a minimum of EUR0.65 unchanged. And we continue to target a strong investment credit grade and economic net debt ratio no higher than 4x EBITDA.

Now turning to Pierre-Francois for the detail of this outlook.

Pierre-François Riolacci

Thank you, Catherine. And now let's get a closer look to this plan and how it will drive our profits going forward, and of course let's start with the '24 EBIT excluding Nuclear. As you can see on the graph we expect of course the prices and volatility to normalize with a negative impact at minus EUR1.9 billion year-on-year in '24. Our activities exposed to merchant prices have still some open positions even for as you know limited by a hedging strategy. Also retail significant price effect in '23 is expected to reverse partially and this is included in this number.

Second, volumes have a neutral impact. We expect some tailwind on the temperatures, but hydrology on the other side was favorable in 2023, and we also expect ancillary services in FlexGen to go further down. Investments are paying off. Commissioning should drive an increase of close to EUR0.5 billion, mostly coming from renewable networks and also our battery business in the U.S. Performance is expected at plus EUR0.2 billion, coming from all the businesses.

Now, if we look a bit further down the road, in '26, it is worth to spend a couple of minutes to see our earnings power on that year. As you can see in the blue bars, the core business EBIT CAGR is quite impressive, a double-digit figure over five years. That's good. Of course, the last two years were exceptional due to the level of prices and volatility, and this is expected to normalize by 2026. That's a negative impact of minus EUR2.9 billion -- minus EUR3.5 billion that you see on the graph, and that will hurt our activities exposed to merchant prices. But this will be largely compensated by investments and performance. Investments will be the main driver of growth, mostly coming from renewables, but also from a Broad Reach Power acquisition in the U.S., and from Networks, and from Energy Solutions. Performance will also sustainably support EBIT growth in all our GBUs. Nothing new actually in this waterfall that was detailed during the market update, but it is another proof point of how it is unfolding, including and up to 2026.

A key contribution to our earnings is coming from growth, and we have indeed many opportunities to invest in our core business and we plan to stick to what we told you during our Capital Market Day last year, selectivity and discipline. The graph on this slide shows for all significant projects over '21-'23 their respective IRR and you can see that on average these projects have exceeded our targeted return of WACC plus 200 basis points. It demonstrates strict compliance with financial criteria. Moreover, to reflect the increase of interest rate in 2023, we have revised twice our hurdle rates in Q1 and Q3 upwards. WACC has increased year-on-year by about 50 bps and the average IRR of projects in '23, this is not a coincidence, are also 50 bps higher than the average in '21-'22. Going forward, our profitable growth is supported by healthy pipelines and also excellent operational capabilities in our core countries. Selectivity will stay at the heart of our investment decisions and will stick to a spread of 200 bps above WACC.

Before we go through the guidance, GBU per GBU, I would like to focus on GEMS and Nuclear. For GEMS, we are confident our normalized earnings are actually increasing. First, market environment is stabilizing, rebasing with still more volatile and severable levels compared to prior crises. Second, GEMS geographical expansion combined with geographical spread generate new opportunities. Third, expanding the asset base under GEMS management, like with batteries, will turn into also more opportunities and potential for profit. And fourth, the customers flight to quality and the demand for complex product like green PPAs as consumed is benefiting to GEMS. As a result, we expect the normalized EBIT of GEMS to be at EUR1.5 billion with customer-related activities becoming predominant and asset related activities gradually transitioning towards new businesses.

Let's move now to a quick summary on Nuclear. ENGIE signed a final agreement on December 14th with the Belgian government. The key principles, you know them, I'm not coming back to it. I will simply highlight the cash payment for the transfer of our waste liabilities in two installments, a bit less than EUR12 billion in '24, a bit less than EUR4 billion in '25, funded by cash and assets fund. So what does it mean in '26? In '26, there will be no more merchant risk on the Belgian operations, and it means that the nuclear waste obligations will be transferred to Belgium. So we stay only with our drawing rights in France in terms of merchant exposure for about 1 GW. To conclude, as a result of plant shutdown in Belgium and LTO and reduced risk exposure, we expect a more stable EBIT contribution between EUR0.2 billion and EUR0.4 billion.

So what are the main EBIT drivers for the other GBUs on a three-year horizon? Starting with the positive side, of course, renewables. We expect 14 GW of new capacity over '24-'26, and continued improvement of availability and global performance. So EBIT is expected to keep on increasing against 2023, which is a demanding year, and despite lower energy prices. In '26, EBIT from renewables will basically double compared to '21.

Networks will benefit from inflation impact on the RAB and from the claw-back mechanism on volumes and cost that I mentioned previously. Investments will also contribute to the growth in France and most notably, of course, abroad.

In energy solutions, growth will come half from CapEx contribution and half from performance, of course, from a low point in 2023. On the other side, on the back of the normalization of the energy market, both on price and volatility, we expect GEMS EBIT not to stay at 2023 level, but they should reach near the normalized EUR1.5 billion EBIT that I just mentioned.

And on FlexGen, acceleration in batteries and increased capacity remuneration mechanism is expected to only partially offset lower spreads captured and the market normalization.

In retail, after a low in '22 and a high in '23, margins should stabilize in between over the next few years.

Let's have a quick look on the cash inflows and outflows. Sources of funds should reach between EUR50 billion and EUR55 billion, most of it coming from operating cash flows. The EUR4 billion disposal is mainly fueled by the TAG partial disposal in tax that we completed in January, but also the finalization of the coal exit of the geographical refocus and the disposal of some loss-making entities. Excluding nuclear phase-out, the cash outflows will stand around EUR60 billion for the four years. Maintenance CapEx should be EUR10 billion to EUR11 billion and gross CapEx expected to be EUR29 billion to EUR33 billion. Dividends to shareholders and to minority shareholders in our subsidiaries and also a couple of other elements should land between EUR17 billion to EUR19 billion.

So cash outflows are a bit higher than cash inflows. Net debt is going to rise for a few billions over the next years, but the credit ratios will stay within our target. Economic net debt to EBITDA will increase until 2026 due to gross investments and to a lower contribution from Nuclear and GEMS in that year. But it will remain below our 4.0x guidance and it is expected actually to come back to our normalized bandwidth of 3.2x, 3.5x after 2027. As I said before, if and when needed, we will adapt our investment plans to our financial capabilities and we keep flexibility in our asset base.

Let's now turn to ENGIE in 2026 and how it compares actually to 2021, which was not a bad year, you may remember. First, ENGIE will be simpler and more focused. Two, ENGIE will be significantly de-risked with a nuclear phase-out in Belgium and a lower relative EBIT contribution of FlexGen merchant activities. Networks and Energy Solutions show resilience through inflation protection and growth with only residual exposure to merchant. Renewables offer 70% of contracted or regulated revenues. And the third, ENGIE, will have unlocked profitable growth with increased contribution from Renewables, from GEMS, from Networks. ENGIE will be very well positioned to capture growth opportunities while the needs for renewable energy and power infrastructure are massive. GEMS will operate as a franchise, leveraging volatility and market optimization but with no directional positions. Last but not least, ENGIE would be greener with a material shift to green power generation.

To finish, let's look at our EBIT, excluding Nuclear, and the net recurring income Group guidance by 2026. Details on our assumption, again, can be found in the appendix. I've already commented in detail the EBIT expectations, also the '24 net income, so just to focus on one point, in 2026, we are expecting net recurring income between EUR3.7 billion and EUR4.3 billion. It is significantly above pre-crisis level. '26 EBIT, excluding Nuclear, and net recurring income are expected to be, respectively, 66% and 33% above what they were in '21, showing how the Group is actually transforming it at that base, while growing profit, and despite increased interest rates.

This outlook is close to the guidance that was presented a year ago, albeit slightly above in '24 and '26, and despite a significant rebasing of energy prices, and thanks to the increased sustainable contribution from GEMS and the positive impacts of claw-back and higher interest rates on networks. We have kept our dividend policy unchanged with a pay-out of 65%, 75% on NRIgs with a floor of EUR0.65 per share.

With that, I will hand over to Catherine to conclude this presentation.

Catherine MacGregor

Yes, thank you. And to finish, I would like to draw attention to this journey that Pierre-Francois just described between what we might call the old norm of 2021 and what we might call the new ENGIE of 2026, which will be again the first full year of the Belgian nuclear LTO. We expect the new ENGIE to generate earnings powers of around EUR4 billion based on far stronger foundation. And how are we achieving this? By simplifying the Group, by improving our performance through better focus and adaptability, by derisking, notably with the removal of the Belgian nuclear waste liability milestone, by aligning the group to the growth tailwinds of the energy transition with this combined effect of boosting our ability to attract top talent.

All of which leaving ENGIE a more stable and far stronger group in 2026, more stable with limited merchant exposure and a strong cushion of regulated and contracted business, always though retaining this full and unrivaled potential to maximize the myriad of opportunities presented by the energy transition.

Thank you very much. And I think we can now turn to the Q&A session.

Q&A

Operator

Thank you. This is the conference operator. We will now begin the question and answer session. The first question is from Arthur Sitbon with Morgan Stanley. Please go ahead.

Arthur Sitbon

Hello. Thank you very much for taking my questions. I have two. The first one is my impression from the slides and from what you have been saying is that 2026 is the year of trough earnings. That is the year when you will have had the full impact of normalization on commodity prices and full impact of the nuclear closures. I wanted to check if this is consistent with what you see. And after 2026, I suspect that's when we really start seeing the organic growth coming from renewables, energy solution and batteries and driving net income growth. Is that correct? And what would be your idea of ambition for the pace of growth on these more normal years? That's the first one.

The second one is just to make sure I understand the net income targets for 2024 to 2026. I think commodities assumption are as of the end of December, commodity prices have come down quite significantly since then. But you've been talking about a decent resilience to that. Is it possible to have a sense of the impact from the mark-to-market on this target? Thank you very much.

Catherine MacGregor

Yeah. I'll start with the first, and Pierre-Francois will complement and take the second. I think you've got the picture right. We have this transition journey between now and 2026. I think we showed you that in 2026, our merchant exposure, notably with the Nuclear shutdown / change in model, is going to be drastically different. Of course, we will continue to have some merchant exposure, it will be more limited.

And then, given the investment plan that we have, the ambition that I've shared with you, the 80 GW in renewables, the batteries, obviously our network and regulated asset base, we are indeed planning to start growing nicely from 2026, as a result of this investment plan and the targets that we have shown you. So we really are going, '26 is indeed a pivotal year for us, hence, the emphasis on the new ENGIE.

Pierre-Francois Riolacci

Thank you, Catherine. Actually, it's a nice transition to answer the other question about the guidance, because of course, I mean, our model is not based on betting on the prices. I mean, we have this consistent strategy with investments, with performance that we should not neglect. And of course, this is what we are building, this growing base year after year. Now, of course, we have residual exposure to merchant prices, even if we are de-risking, and even in '26, we'll get some, we have now. We know also that the transition is not completed, which means that we will have decent prices, we believe, in the mid-term for quite a few years, fuelled by the investment requirements on one hand, but also by the rise in power demand, which is growing with electrification.

Now, clearly, we know that we are today under pressure in terms of prices, we see that. What can we say? In the short term, for 2024, we are not going to mark to market the guidance every month, that's for sure. Of course, as we are releasing the numbers, we have run our views on end of January prices, and I can confirm that we are within the guidance, with the prices that we had indeed at the beginning of the year and end of January. Remember that our merchant positions are significantly hedged for '24, from 62% to 75%, depending on the different exposure, average 71% at the end of last year, and gently increasing as the year is passing by. Remember also that we have some natural hedge, some buffers coming from taxes, for example, the sliding scale that we have with CNR and the French Hydro, for example, the intramarginal tax, which is still in France, and which is hitting Flex Gen. So we still have some buffer. That's why for '24, we believe that indeed we have some visibility. Now, in the mid-term for '25 onwards, clearly again, our strategy is based on growth, but also equally protecting shareholder returns. This strategy is underpinned by strong cash generation.

So if prices were to go down and stay low, lower for longer, then we'll take action. Of course, we are not going to just look at the prices and results coming down. We will mitigate the impact. We will act on our cost base and operations to protect earnings and cash flows. And there is still room for improving the cost base in ENGIE. We have also flexivility in our asset portfolio to tune down the CapEx spend. For example, in '25, we have only 50% of our CapEx which are committed. We do have this flexibility to move, to postpone, to cancel, depending on strategic priorities, and of course, returns. And then, if needed, we can also step up in disposing some assets, subject to good valuation, of course, and no impact on strategy. All actions will be gradual, will be commensurate to the market environment that we are monitoring, of course, on a regular basis, with priority to delivering the strategy, and always discipline capital allocation.

Operator

The next question is from Harry Wyburd with BNP Paribas Exane. Please, go ahead.

Harry Wyburd

Good morning, everyone. Thanks very much for the presentation. So, two from me. First one's on, again, on commodities, so can I just make absolutely sure I understood what you just said correctly, so you would be within the guidance ranges you just presented, based on commodity prices as at the end of January, so just to check that's right.

And then specifically looking at GEMS, one of the factors you mentioned was locked-in profitability on gas contracts. So I wondered, could you give us some flavor of how important that particular component is, and how long are those gas contracts hedged for, so are they hedged until '25-'26 or are these very long-term contracts which are now hedged and locked-in profitability until the 2030s?

And second one's very different, it's more strategic, so one of the things you mentioned in the Belgian nuclear deal was that it gave you additional flexibility on some of your international electricity assets, and I wondered if you had any ideas of how you might use that flexibility. I mean you just mentioned, you have some optionality on disposals without impacting the strategy. I guess, you've got some international fossil-fired generation assets, which are perhaps lower growth than other parts of your business. Would you look to use that flexibility from the Belgian nuclear deal to rethink some of those assets? Could you even raise your exposure to renewables perhaps through your LatAm business? I guess, EDP brought out their minorities in Brazil. So just a bit of color and flavour on how you might use that additional flex from the Belgian nuclear deal. Thank you.

Catherine MacGregor

Maybe I'll start with the last one, and I think you're right to point out to this deal as really a key de-risking moment for us. We talked a lot about the waste liabilities, but we also have indeed some more flexibility in our asset base. At this stage and what Pierre-Francois described is that we don't have any changes to our to strategic plan, I think we've pointed to about EUR1 billion a year disposal program, which is really more of a normal housekeeping activity that we do in general. And so right now, this is the main plan. I think what we are talking about is that if we wanted to use this flexibility, if prices, beyond what we are seeing today, were to stay low in the mid-term, then we would have flexibility in our asset base, and we would be using it based on what we said, the obviously value, and assets less core and less aligned to the strategy. And I think I will leave it at that.

Pierre-Francois Riolacci

On your first question, yes, you understood correctly that indeed with the forward, as we could see at the end of Jan, we confirmed that we are in the guidance. And then, I did not mention gas contracts, I mentioned contracts in general, this is including gas. But what is important is that, indeed, these are all the contracts related to downstream, so the commercial sales that we are doing. You know that we have this principle that we hedge at inception, which means that when we are selling, we are also securing the sourcing, which means that then, for the duration of the contract, we have locked in the margin.

And I think that's what I was alluding to, and it can cover the supply part. So it's about power, it's about gas, it's about energy as well. So it's different parts of the business of GEMS. We can, indeed, have longer-term contracts, which can be, indeed, beyond one year. Some of them are actually two years, three years. And the longest of them, they take us up to early '26, which helps also to give us a bit of visibility. And as you can imagine, it is fading away with time. And the good news is that, up to now, we have been able to still lock in decent margins on this multi-year contract, which is a strong support to the visibility we can have on GEMS. I'm not going to enter in much more details. As you can imagine, this is also commercial information.

Operator

The next question is from Ajay Patel with Goldman Sachs. Please go ahead.

Ajay Patel

Good morning, and thank you very much for the presentation. I wanted to return back to Slide 39, please, the one on GEMS. I look at history, and you see in 2021, GEMS made EUR500 million or so of profits. And in broad terms, the sustainable guidance is broadly three times this number going forward. When you look at the drivers in your presentation, you can see that the key drivers, be it price and spreads, geographical spreads, volatility, have all come down substantially and look like they're like that in the market right now. What gives you so much confidence that you can deliver that EUR1.5 billion, and could you maybe use the variables that you highlighted on Slide 39 to give us a better idea of what the bridge looks like, so that we can have confidence that number is there and can be delivered? It just seems very large, relative to if I compare it with other utilities.

And then the second one is on the dividend. Your guidance has EPS going down, while the transition is happening and we find that base level of net income to grow from. And I was just thinking, how do you approach that in regards to the dividend? If EPS is falling for the next few years, will you adjust the payout ratio to assume a more stable dividend progression? Or we shouldn't think like that, that's unfair, and you will just take that decision on a year-to-year basis? Any clarity there would be great. Thank you.

Catherine MacGregor

Maybe on the second question, of course, the payout ratio has the benefit of being a range, and we plan to use the full range, and that will be decided every year. As you know, we have had good results for the past two years now, and so we've used the lower end of the range. Now, as variability will kick in, and we've showed you how, we might choose, obviously, the range. The idea is we fully understand the sustainability and growing dividend pool from our investors' share. And if we can do that while staying in our pay-out ratio, that's something that we obviously could be using. But there is no "a priori" decision on that.

Pierre-Francois Riolacci

Thank you for the question on GEMS, we've tried to give you a bit more colour about the split in geographies, and products, and also commodities. That is very important. But compared to 2021, we are not talking about the same, GEMS. I mean, in 2021, the supply business was loss-making. I mean, today, this is a sustainable business. We have reorganized all the flows. We have our pricing model, which are there. We have our processes, our tools, our knowledge. And now we are making a stable, profitable business, which is a commercial business of selling. And we are today, we have a platform which is delivering hundreds of millions euros of EBIT. Of course, if the market is really buoyant, it can go as high as you have seen, but it is a resilient platform that we have built with a sound commercial business that is delivering value. So that part, which was slightly negative, actually, in '21, is now a good, profitable base.

Another key lever, of course, is linked to geography. In '21, GEMS was largely focused on France and Belgium. Today, GEMS is also covering the rest of Europe, increasing in the U.S and still adding geographies. So we have a tailwind because we are accessing more markets. So it's not only about leveraging new volatility, it's also leveraging existing volatility, existing margins, which were not properly leveraged before. So you can see the impact of driving the transformation of GEMS, clustering the business together, and really delivering the integration, that's on geography.

And the third engine, which is very important is the new products which are emerging. Because we have now new product, I mentioned green power, I mentioned batteries, it's clear that this is a new scope that GEMS can leverage. So when we go for the acquisition of BRP, we are also generating some extra business because we get that position on batteries. And then there is some value also made available to GEMS because that's part of the model. You cannot compare the former GEMS of '21 and the one on '26. Because, if you take the same kind of prices environment, the earnings power of the new GEMS is much bigger, because there is now a sound commercial business, which was not the case. We have a larger geography, and we have more products that we can actually tackle.

Catherine MacGregor

And with fundamental and structural industrial movement, Ajay, I would add, probably pointing to semiconductor industries and data centers, which are developing massively, as you know, to support the AI revolution. All this needs a lot of energy, and it needs energy fast and it needs energy decarbonized. And here there is significant demand in the market, for example, in the United States, calling for green PPAs, but not just PPAs when there is sun or when there is wind. They want 24/7 green PPAs. So there is a massive demand for sophisticated, reliable green electricity. And the GEMS people are among the best people to provide that. So the customer part is going to be helped by this demand, which is very structural. It's because they need it now, this movement is happening. And so that is obviously helping us being very confident in this EUR1.5 billion core EBIT level of GEMS going forward.

Operator

The next question is from Louis Boujard with Oddo. Please go ahead.

Louis Boujard

Yes. Good morning. Congratulations on the earnings. Thank you for taking my question. Maybe two questions on my side. The first one would be focusing a little bit on the impairment. Of course, ECL, the impairment from the coal asset is not a complete surprise, because we had already the figures 10 days ago. But regarding wind and solar, in the U.S., more specifically, I would like to know, if it is related to company-specific elements or if it is related to the market environment that has been maybe tougher than initially anticipated, considering that the framework for the time being, notably in the IRR, has not necessarily moved. It's been a little bit of a surprise here. So could you elaborate and give a bit more details on this topic?

My second question would be related to switch from GEMS to go to the nuclear, notably in Belgium, and maybe having a little bit more granularity regarding the contract that is currently ongoing. I think that the press rumoured a CfD price of EUR81 per MWh for the 10 years extension. Do you confirm these figures? And as well, can you tell us if it's already a nominal price that includes inflation going forward, or if it's a real price that could eventually be revised in the coming 10 years, depending on the inflation movement that we can see? And what would be the next final milestones that you see in 2024 to finalize this deal? Thank you very much.

Catherine MacGregor

So maybe just to start on the milestones and then hand it over to Pierre-Francois. Remember, so we signed end of December and there are two really key streams that are going to be unfolding in 2024 on track, leading us towards closing of the transaction before your end. And those two streams are legislative work, which is actually progressing well, both at the Council of Ministers level and now we'll be about to go into Parliament, so this is for the change in law, law that will obviously be very important to secure in a hardwired fashion this agreement for us going forward, and it's, as you know, there is going to be Belgium elections during the year. So obviously the fact that this agreement will be compatible and hardwired in the law is obviously very, very important. So that's ongoing.

And then the other thing is the EU, because as you know, there is going to be a contract, a CFD type of contract, and indeed it does need to be approved by the European Commission. So again, this is a stream that is going, as well as obviously the deal on the cap, which will be also looked at. So it is ongoing. So two streams, nothing really to report. We are on track and so towards the year end. So we have not published the price of the CFD, so no comment on that.

Pierre-Francois Riolacci

Yeah, we can share with you the principle of the contract. So the CFD price, as we speak, is not yet determined. It will be determined once we have the LTO plan. And the LTO plan is depending, of course, on the discussion that we have with the safety authority, so it will be only just before the LTO that we get a provisional price. This price will be applicable for the first years, and then in the contract, it is planned that there will be a revision after a few years, so basically when the LTO work is completed, there will be a revision, I think it's '28 or '29, from the top of my head.

When we stop, we look at the actual cost, we look at the actual CapEx, at the actual OpEx, and there will be new tariffs that would be set for the second period. So it's really protective, and that was the way it was structured. Now, the government was very keen that we get exposure on the upside and on the downside, which is, of course, fair, so to get some incentive as an operator to be as good as possible, and we have accepted that, but to a limited extent, so that we have a strong protection of our returns, which are, of course, regulated returns.

So you should not expect a double-digit IR on that kind of asset, because it is, as you know, de-risked in terms of merchant exposure, but also on the cost side. So we are really protected on the cost side by this revision period that will come, and covering the second part of the transaction.

Then on the impairment in the U.S you have, let's say, a little half of it which is linked to one wind farm, where we had technical issues with one OEM, Nordex, to quote it, where we have availability of facilities which are running around 30%, even less sometimes. So clearly, we have an issue there. We took the full hit. We have been, of course, conservative. I want to highlight that there is no claim which is recorded, but clearly, we will defend our rights. And for us, that's one domain, and we don't have these turbines elsewhere. So it's a very local issue, which is indeed company-related, so that's very clear.

On the second part, the bulk of it is linked to one market, one portfolio of assets, SPP, where we face the basis risk to a significant extent. We are not the only one. I think it's well known in the market, and this basis risk has been hurting us. As you may know, we have restructured all our PPAs which are on this portfolio, so we are now in control of operations. So we decided to take the hit, which is related to this deterioration of the market and assumptions, which were are not actually fulfilled, again, on one specific portfolio. It's a project that was started a few years ago, so we had to fix it, and now it's done, and properly done. We took the lesson from it.

Operator

The next question is from our next question is from Arnaud Palliez with CIC Market Solutions. Please go ahead.

Arnaud Palliez

Yes, good morning. Thank you for taking my question. I would like first to go back on the impact of lower energy prices. I just would like to know what is your outlook for the rest of the year regarding gas prices. If I remember well, you were in your previous scenario you were rather concerned about some potential tension on gas prices during the summer, so I would like to know if it's still the case. That's basically my question, the 2024 outlook for both natural gas prices and power prices.

Catherine MacGregor

Okay. So I think, it is fair to say that the view on gas supply is today rather a positive picture in the sense that we have experienced in Europe a very mild winter, and so we will be exiting storage with a very, very high level. So the situation in gas in terms of security of supply for Europe is actually very good, and that obviously drives a lot of things. There was questions on this summer about power availability, but given the gas situation, we really don't expect at this stage too much tension in the market. And so in terms of the rest of the year, how it will unfold, I think it's fair to say also that should translate into a winter '24-'25, which should also be quite smooth from a security of supply standpoint. I would say all these and caveat it very much by saying that there are a lot of things happening in the world. There are geopolitical tensions. There is the situation in the Red Sea.

And while today, because of the physical presence of the molecule in abundance in our continents, and the fairly depressed demand in Asia, in China notably, we have not seen so much impact from these geopolitical tensions, but that could come back. Remember that the volumes that were issued from Russia to the continent have not been replaced anywhere in the global markets. So those things have been removed. So that means that the balance that we're able to find today also lies quite a bit on demand suppression. So also we're quite vocal to say that demand has come down, and so the fact that we have fared so well in terms of physical supply on gas was also helped by demand which, for some of the industrials was down up to 20%.

And so I caveat obviously what I've said, '24 should be a good year, but caveating with, potentially volatility that could come back quickly should geopolitical tensions arise, and we should also keep an eye on the demand, very early signs in January, for example, that the demand is coming back slightly, obviously industrials taking advantage of the prices having dropped quite a bit. So we will be looking at the situation carefully, and then obviously, this is a bit more midterm, we should be looking to the additional LNG capacity that will come in '26, but I think until then, just bear in mind that there's been a lot of the supply on global gas market that have been removed and that we've done quite well so far, but any one event, geopolitical tensions, infrastructure breakage or strong recovery in demand could change this picture.

Operator

The next question is from James Brand with Deutsche Bank. Please go ahead.

James Brand

Oh, hi. Good morning and well done. Good presentation. Good release. I had a couple of questions on GEMS. Firstly, you have gradually been giving more disclosure, but I find there's still a lot of confusion from investors as to exactly what is in GEMS. So you've kindly split out the more stable area of client risk management and supply, and then asset management optimization. Maybe you could just give us a bit more detail exactly what activities are in the two different parts and a bit more granularity there, I think that would be very much appreciated.

And then secondly, you've talked about underlying EBIT in 2024 close to EUR2 billion, and how the trends there are improving, if anything? And then you've guided for EUR1.5 billion in the medium term, which is great because I know that a lot of people worried about the EUR1 billion going into stake. So it's great that you've increased that. But maybe you could give us a bit of detail, what are you expecting to normalize between 2024 in the medium term, between the EUR2 billion and EUR1.5 billion? Thank you very much.

Pierre-Francois Riolacci

I start maybe with the normalization and what is driving these step down in profits from the very high of EUR3.5 billion to the EUR1.5 billion, I think that we've been very transparent that GEMS, the core driver of performance is, of course, volatility. And it's clear that now volatility is normalizing, it's still higher than it was pre-crisis. And we believe that it will stabilize probably at a somewhat higher level, still it is coming down. So that's the key driver. So, if you take the asset management part, for example, to be very clear, the geographical spread that we have on gas and the different geographies, this is something that can help GEMS in a significant way.

Now you've seen that these spreads have been narrowing, which is normalization, that's completely fine. It doesn't mean that they disappear, but they are much smaller than they were. So that is part of the normalization. Then same goes for bid-ask. I mean, if you have a bid-ask, which is very wide, that's more on the customer side, that clearly when you have a higher bid-ask, you can make more profit if you are selling and if you are dealing, on this quantity. So you have these very concrete drivers, and I clearly encourage you to look at these two indicators, because they are indeed quite important for us. So that's part of the market data points, which are normalizing over the period. So that's the kind that you can think of.

Catherine MacGregor

On the activities, let me try again. So on the clients and risk management, I think that's fairly clear. We have clients and we sell them energy. It can be power, it can be gas, it can be products. And it's also risk management, which means we help them cover their flexibility, their power exposure, gas exposure, etc... So we have a range of services. And so drivers of that, of course, is our own market share, which obviously through the crisis has increased because flight to quality, but also clients being much more strategic about how they procure energy. They want to understand carbon emissions, so they want decarbonized products, they want sourcing, also a guarantee. They want to understand where it's coming from, they want sometimes biomethane, they want all kinds of stuff, and so obviously not many providers can give them that, so they turn to the big players like ENGIE, and so that is also securing this market share.

And then, what I've described earlier, which is very structural trends that are happening in markets where we are more and more present, such as in the United States, where we obviously are strengthening our presence in GEMS, and we are taking advantage of this growth. So that's on the client, supply and risk management. On the assets management, think of it as, we have a portfolio of assets and then there is a market with volatilities, and we are playing in this market, optimizing, and leveraging the flexibility that we have within our portfolio to maximize value. So that's very generic, but think about, on the power side, we have, for example, CCGTs that we can decide to put on line or not, or decide to buy in the wholesale market. If for example, it makes more sense to be able to go to the market. So that's the sort of decisions that the GEMS teams are making. And of course, the wider portfolio we have, and the more flexibility we have within this portfolio, the more value we can extract.

So what is also important is that what we have shown you in the slides where you see the intraday volatility, obviously, that means that if you are present in the market with flexible assets, you can go and capture this volatility. This volatility is structural. It's here to stay. It is a direct consequence of the deployment of renewables in the key markets because renewables, they are fantastic, but they do increase very much the intraday volatility. So that gives also a range of opportunities for GEMS, particularly on the power side. And then we also have on the gas side, and I think there was one question about this, is that we have in our portfolio, gas contracts. And while there is not so much we can do on the price, because we do tend to hedge on inception, we have flexibility in those gas contracts, for example, delivery points. And depending on the spread, for example, we can have geographical spread. Obviously, we can extract more or less value from these gas contracts.

Again, we are not a gas producer, as you know, apart from biomethane. But those gas contracts, we consider them as assets that help us derive value. So I hope that helps, James, but these are really the two legs of GEMS, and as we're trying to explain, fundamental structural trends that makes us very comfortable with the EUR1.5 billion.

Pierre-Francois Riolacci

And I realize maybe I wasn't completely clear on when the normalization will occur. We expect, basically, in '26, we should be very close to this normalized amount.

Operator

The last question is from Piotr Dzieciolowski with Citi. Please go ahead.

Piotr Dzieciolowski

Hi. Good morning, everybody. I have two, please. So the first one, I wanted to ask you about your performance plan. You exceeded the EUR600 million target, and Pierre-Francois mentioned that ENGIE has some room to further decrease the cost base. Do you think about putting a more formal new efficiency program in the company? So that's the number one.

And the second question, there was an article that ENGIE could potentially sell its 30% stake in Senoko Energy. So I just wanted to have your comment on it, whether you think about that would make strategic sense for you, or why would you want to do this type of a transaction? Thank you.

Pierre-Francois Riolacci

Thank you. On the Senoko, we don't comment for now, so there will be no comment on this operation. I think it was already mentioned by Senoko themselves, so we'll stick to that.

And then on the performance plan, yes, we achieved EUR600 million. You may remember that during the market update, we had a year ago, we mentioned that we expect a contribution of performance for about EUR200 million a year, and we plan to deliver that. You remember, we started with a performance plan in '21, and clearly, there was a need to put pressure on the cost and efficiency. I think, as I mentioned, the GBU organization is really working very hard on that, and very well, with strong delivery, so we see the benefit. Now, we are moving more to a continued improvement, but in our numbers, we have embedded the contribution of about EUR200 million efficiency every year. So which is very close, actually, bang in line with the EUR600 million plan in three years. So we expect this effort to keep going. And there is room for that, because when you are growing, you are actually increasing your asset base, you get maturity of assets, and then you can do more. And of course, the more you learn, the more you can do. So we see the organization being more fit for this performance, and very confident that we can deliver this EUR200 million, which are contributing to the EBIT growth, so that's a net -- net cost.

I mentioned also that if indeed the market was going to be lower for longer, we need to take action. It means also that we will probably indeed go further on this EUR200 million, and find some further savings. And it's clear that in operation, but also in the cost structure of ENGIE, which is, as you know, a large organization, there is room to find more efficiency, leveraging, for example, new technology, which are there, on which we're working now on a regular basis, and we see further potential. And in a way, we'll go for this potential, but not with the same level and the same sense of urgency, depending on market environment.

Catherine MacGregor

This call, thank you very much for your participation, and for your questions, and looking forward to seeing you on the road. Thank you.