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Corporate participants

- Rodrigo Costa – Chairman and CEO
- Gonçalo Morais Soares – CFO & Executive Director
- João Conceição – COO & Executive Director
- Madalena Garrido – Head of Investor Relations

Participants:

- Flora Trindade; CaixaBank; Analyst
- António Seladas; A|S Independent Research; Analyst
- Ignacio Domenech; JB Capital Markets; Analyst
- Sara Piccinini; Mediobanca - Banca di credito finanziario S.p.A.; Analyst

Madalena Garrido
Thank you very much, Nadia. Good afternoon, ladies and gentlemen. Thank you so much for attending REN's 2021 Results Conference Call. We will have with us today our executive team, Rodrigo Costa, the CEO; João Concei ‹o, the COO; and Gonçalo Soares, our CFO.

Rodrigo will kick it off with his opening remarks, and then João and Gonçalo will guide you through the main highlights of our 2021 operational and financial performance. We will then move to the Q&A session, in which we will be taking your questions. I will now pass the floor to Rodrigo.

Rodrigo Costa
Thank you, Madalena. Hello, all. We are here today to go through the 2021 performance and the results. And I just want to say that we had 2 very difficult years in the last months. Starting with the global warming, we moved from droughts to floods, fires and hurricanes. And then we have several waves of COVID. We thought that the problem was solved, then it came back, then we thought again it was solved. We came back again.

We were super lucky with the vaccination performance. And -- but the fact is that we have a lot of economic disruptions. We are dealing -- still dealing with charters, all sorts of industrial components. And we had also negative impact on the availability of our workforce. And I think this is a common problem across many industries. And somehow, our sector was somewhat protected from the problems that other commercial sectors have.

More recently, we saw the energy prices increase. And now we are dealing with war, which is, of course, a 2022 fact, not the 2021 fact. But it's very hard now to be able to talk about what is going on and not thinking about the problems we have today.

The good news is that we were able to deliver on all the items we control. I think the vast majority of what we want to do, we were able to do it. We even were able to recover some of the delays of the past year. Operationally, we did a good job. Also, all our stuff on the administrative side, I think, performed very well.

We found our way to deal with COVID. And this is the type of company where you have 50% of the people, they have operational roles and 50% of the people have support roles. And people who have to be climbing the towers, fixing the lines, working with the transformers. Those guys, they work [24 by 24]. And we COVID or without COVID, we have to do our jobs, and we were able to do so.

We also had a significant change on the regulation towards the end of the year. You heard us talk about that. I think you have most of the details. And I think we are in a good path.

Sales remain, I would say, our top financial challenge. It's seriously arming our bottom line. And of course, we are not giving up on the process. We keep going on, on the courts. But still, we are waiting for the government decision. The new government just took place or was elected and it will take place next week, in fact.

And I think above all, we believe that the energy transition is something that is one of our top priorities. It is an opportunity for all our sector. And especially for us, I'm sure we will be able to deliver, although we have all these challenges, I'm sure we will keep doing a great job.

I must confess that our focus is not -- it's not on 2021. It's really on 2022. And we have, again, from the global warming challenges, the energy transition projects, the new regulation, fears of inflation and the fact that we have award next door will keep us very busy in the coming months.

And -- but again, I think we remain quite positive. And somehow, I think this is an industry sector that is protected at least from the revenue side, and we just need to keep a big operational focus and do great job. As well as Madalena said, now we go through the presentation, and I will invite Gonçalo to take over.

Gonçalo Morais Soares
Thank you, Rodrigo. Good afternoon to you all. Thank you for joining. So very good sales 2021 was [risk] year. 2022 is starting even in a more let's say, darker note. But 2021 was a tough challenging year, but it was a year that I think we can consider very successful.

So we have major delivery on the investment front in Portugal, and we were able to accomplish all the targets within the business plan guidance that we have defined and some of them even I would say, above the interval that we have to find ourselves as you can see, reached EUR 460.8 million, a decline of 2%, slightly better than on the third quarter that it was declining closer to [3%], but driven mostly by the same things.

First of all, pressure on RAB and remuneration rate. Secondly, a decrease on the incentive that we have, the [EA] incentive because in 2020, as you may remember, it was abnormally high or exceptionally high and third because we were also impacted by the high cost of electricity namely in the terminal.

The International business was basically flat or stable in this period. Net profit came down around 11% to EUR 97.2 million, despite the fact that we were able to improve yet again a little bit the average cost of debt for the company.

As you can see, CapEx increased a lot from EUR 173.3 million to more than EUR 230 million this year. So it was a very strong and moreover, centers who have reached this impressive number of more than EUR 300 million, EUR 309 million last year.

We'll also go through a little bit more the ESG commitment that we've made last year, and we are reinforcing. But now to talk a little bit more also about how the operating environment is working and quality and all of that, I'm going to pass the floor to an that is going to go over those sections. João?

João Faria Conceição
Well, thanks, Gonçalo. Good afternoon to you all. Moving to Slide 5, you have basically the we consider to be the 3 major issues in terms of the contracts where we operate. But all of them started basically last year, but they are going through 2022.

The first one is obviously the setup of the new regulatory model for our electricity business. As you know, by the end of 2021, 15 December 2021, the Portuguese regulator closed the definition of the new model that will be applied for the next 4 years.

As a recap, you have a brief summary, basically. It's a move into a TOTEX model for our electricity operations. Having said so, the regulator decided to keep for the assets that were transferred into operation before the end of 2021. They decided to keep the same methodology as we were used to, namely considering the extra RAB that we gained from the efficiency by applying the reference cost mechanism. And also by keeping the 75 basis points premium over the base RoR.

For the old assets pre-2022 or after 2022, there is -- there was defined a base rate of return of -- with a starting rate of 4.5%, which kind of get close to the one that we were having until the end of 2021 and an efficiency factor for both our transmission activities as well as system management of 1.5%.

This incentive mechanism that Gonçalo mentioned, the [ERSE] mechanism, was replaced by new -- this new improved technical performance mechanism. It's a mechanism that has embedded 3 indicators related to the combined availability rate of our infrastructure, the interruption time and the interconnection capacity. And this mechanism now range from minus EUR 20 million to EUR 20 million maximum.

A second new thing that the regulator introduced was this efficiency sharing mechanism, which, in fact, will compare by the end of the regulatory period, our performance, our real performance versus what was expected in these conditions that were set by the end of 2021. And based on the result of this comparison will imply sharing or recovering some extra money depending if we overperform, if we underperform versus what was expected.

An important point is that this new improved technical performance, this IMDT mechanism will not be entitled to the consider in this efficiency sharing mechanism.

In addition to that, we have a new base law for the electricity sector. This is the overall rules, legal rules that will apply through to the sector. Some important change in terms of some of our activities, namely in terms of network planning and as well as operation.

Last, in terms of the energy transition, we have been working on the development of our bet on the hydrogen. And we apply to this PRR recovery resilience plan that Portugal is implementing. We have applied 3 projects. And in fact, 2 were selected in this first phase.

One of them is actually linked to this hydrogen world and basically to create green [hydrogen value] in the area of Sines with a specific dedicated pipeline, some infrastructure for the blending of hydrogen into the natural gas system and some R&D components, which we are relatively positive that our proposal is a very good one and hopefully, it will be accepted by the final appraisal that parts states will perform in the next weeks or a few months.

Additional to that, we also applied a second project to try to foster our mobility, power mobility project in order to use the network infrastructure, transmission infrastructure to specific charging of electric vehicles directly linking the charging stations to this high-voltage infrastructure.

Moving on and jumping to Slide 7, you have a summary of the technical and technical figures of 2021. After Rodrigo and Gonçalo, I'm the third one to say that it seems that it was flat to quite long ago because everything is changing significantly in these technical parameters. We got the end of 2021 with a slight increase in consumption on electricity versus 2020, basically recovering from the lockdowns that have been already mentioned.

Our renewable share in terms of the electricity generation was more or less stabilized, slightly higher than 2020. We almost reached the 60% of renewable share on all the electricity that was consumed in Portugal throughout the 2021 year.

In terms of the quality of service, I think we did a good performance. Average interruption time increased slightly to 0.05 minutes of interruption time through the whole year, whereas the combined availability rates, we said it have 98.66%. Bear in mind that these 2 indicators are the ones used for these IMDT incentive mechanism.

But the thresholds that the regulators set for these 2 variables. We are still in the comfortable zone, just to give you some reference, the threshold for the combined availability rate is 97.5%. So we kind of more than 1% above this value, whereas the interruption time and the regulator requires us to have an interruption time below 0.96 minutes. And so being at 0.05, we are still quite a comfortable margin.

In terms of the gas transmission, 2021, we saw a slight decrease in the consumption. And the reason for that, it was because it was a good year for renewables, namely [hydro] generation of electricity, meaning that the combined cycle plants were not used so much, and therefore, there is a direct reflection on the consumption of natural gas.

Availability rate of our transmission infrastructure in gas was very high, approximately 100% as 2020. And in what concerns to our distribution activity in the Portg‡s we saw in terms of quality of service, a slight decrease in some of the indicators, namely in the emerging situation with the response time up to 60 minutes.

And the reason for that is because the number of emergency that we [were called] increased significantly due to the fact that activity, normal life activity increased as we got out from the lockdown period.

Just one final word that this was the year 2021. And now in 2022, everything has changed because we are going through a severe dry season.

Hopefully, it's raining now in Portugal and is expected to rain in the next few days, which is obviously very good for the hydro production because until now, we have seen this hydro production reducing significantly, and it's so far being compensated by natural gas with combined cycle plants and as well as the interconnection capacity with our other Spanish system. And with that Gonçalo, I give back to you.

Gonçalo Morais Soares
Thank you, João. So moving to Slide #8 is just a recap of the main numbers, I almost went over all of them.

Net debt, as you can see here, came down around 14%, and I'll go include that a little bit more in the next slide also, but this is very much in line with what we had in the third quarter as main messages.

Okay. If you move to Slide #9, and we look at the consolidated view of EBITDA before going the evolution is, as I said, a little bit better than the third quarter, but the high energy traffic still wish it down. So on the RAB remuneration is what I had explained before, the rates in the asset size itself.

On the OpEx contribution, there was a little bit of pressure, as I told you, and then it's the incentive that affects the other revenue. I say that if not for the #3, which is, I'd say, abnormal variation and the energy price that you would probably see an almost flat EBITDA year-on-year. As of the components of the EBITDA, what you see is electricity going up a little bit. RAB transmission coming down a little bit and then international and gas distribution more or less stable year-on-year.

Looking at Slide 10. This is exactly what you have seen also on third quarter. This doesn't change. So everything at the floor, there was no change here in this information.

Let's move to CapEx on Slide 11. So as I had told you, this was very good year. I think that operations delivered strongly on the investment they had to make. And bear in mind, it was still a year where you still have impact of the pandemic and still they delivered very, very strongly.

So we have in Portugal, this CapEx of almost EUR 238 million, and our guidance in the business plan was EUR 180 million to EUR 220 million. So we are not only very happy to be managing to beat the target that we set ourselves, as we are proud to also be contributing to this acceleration of Portugal's decarbonization.

Okay. That translates also in terms of transfers to RAB. So extremely strong, driven by not only the strong CapEx this year, but also some recuperation for us from the previous years.

If you look at both years transfer to RAB and you look at both years CapEx and [a map] you see that both numbers are closer together than wrap and CapEx on every single year. [An] electricity was basically several big lines that were put in place in [Alentejo], where we are reinforcing the network for the new solar projects that will come in the near future. Also in the North where new hydro plants are being connected and should start this year to operate.

Gas transmission continues to do smaller but normal as I mention an investment and gas distribution continuing to push the expansion and the identification of the net debt. So looking at the evolution of RAB, what we see is this recalibration of higher weight of electricity and lower weight of gas.

And although this is exactly what we have in our business plan, this, I'd say, bigger focus on electricity. We also do believe that recent events mainly reinforce ever more the significance and the importance of the gas network. Gas network is clearly key in promoting the decarbonization and promoting the security of the supply of Portugal and European countries in general.

Going a little bit deeper to Slide #13 and looking at how it breaks down for every business, electricity, you see that there is a bigger impact in terms of RoR or (inaudible) impact, but you have a positive compensation coming from assets. So there is a kind of a mixed impact there.

In gas transmission, both are negative. That's why the impact itself overall is bigger than in electricity and gas is basically stable versus what we had before.

Looking at Slide 14 and at OpEx. So this trend of increased -- improved versus third quarter. We were growing CapEx almost 9%, 8.8% on third quarter. So we ended up at 5.2%. So there are good recuperation, but it was still challenging. And so as I said before, one of the main challenges was clearly electricity cost. This went up around EUR 5 million last year versus 2020. And that explains basically almost all of the change in core external costs.

There was also an increase in insurance costs last year of around EUR 1.8 million. And we are planning or we are expecting that this year, this should be optimized and probably the cost of insurance should come down, although the general risk environment is still kind of worsening. And so these insurance costs were actually compensated by an effort in O&M that was available to compensate costs but not the overall [pre].

Personnel costs were basically normal salary adjustments, nothing but the number of people in Portugal was exactly the same in 2020 as it was in 2021, okay? So we will -- we are and we will continue to be committed ever more, especially now within this new regulatory model to look for efficiency and strive to create value there also.

Looking at the international business in Slide #15, you can see that it's basically stable. Just making a comment politically, you have a new government that was just elected and came into office a few weeks ago. We are waiting and seeing. We believe and that the signs of at least the market take a positive view on how things are. It's a little bit early. We believe that in terms of energy, the policies are going to be very similar to what they were, but we have to wait and see.

Talking about energy, there, the environment is very similar to the one that João described about Portugal. But I'd say even a little bit more severe, so they still have. They also have a drought. They also increased gas consumption, which is not bad, but they also had to increase as of now, coal in diesel in terms of generation, which is even worse as the spread in the system, I think, is a little bit higher.

Looking at our assets, Electrogas. It has the gas pipeline slightly tougher year because one of the contracts that they have ended last year. But -- and on the back of what I just told you about the use of gas in the country, we are expecting actually Electrogas to have a very positive year, even a record year in 2022.

As of Transemel, it continues to grow. And despite the fact that there was a little bit of tariffs and some delays. It also had a revision of assets that was positive to the company. So EBITDA grew over 20% last year. CapEx was a little bit delayed and should recuperate now in 2022.

So we will still be growing next year. we are looking at small organic opportunities. But as of now, we are kind of doing what we have to do in the company to continue to grow it in the footprint that it has, okay?

In terms of below EBITDA on Slide 16. So in terms of financial costs, we were able to push is 20 bps below what we have before. So now it's around [1.6], the average cost of debt. And it was a good job, but we are clearly now in an ever more challenging environment. Inflation is creeping up. And so we do not expect to see this to continue to go down.

We are seeing more signs from central banks that trade will probably go up at least much more signs that they will go up rather than they stay where they are. They will come down. I think that it will be expected that it should not continue to come down, but we are and we continue to be in a very comfortable position. I'll talk a little bit about net debt in the next slide.

In terms of taxes, it's almost 45% tax rate with sales, it is still penalizing the company. There is no news or no changes or no upside. And everything, I'd say, is the same on that front, we keep fighting it, but it's still there. And so there is no news that we can give you on that front.

There was a little bit. We typically recuperate certain items or discussions that we have with tax authorities every year. In 2020, it was a particularly positive year in that respect. We did recuperate something this year, but it was less than in 2020. So you see come up a little bit the effective tax rate, but we would say that the tax rate of around 28.5% is what we plan as a stable tax rate.

So Slide 17 is just the overall picture of all of these impact that I told you that resulted in this drop of 11% in net income. But more than that, moving to Slide 18 and talking about debt.

Again, what you see here is a very strong reduction in debt, and it's still the same thing as you saw on the third quarter, basically driven by tariff deviation. As we have explained before, this was mostly driven at trend ratings level because of the prices of electricity and the high usage of the gas plant and of the coal plant that we had last year, and we have closed down meanwhile during most of 2021.

And during this year, I can tell you, we would be and we are going to be refunding this deviation in 2022, most of it on relating to rent trading. But -- and also anticipating a little bit your questions, what we are seeing is extremely high prices in electricity. So you probably will -- we should expect more deviation, more positive deviation.

So we don't know yet, it depends but if it's going to be in the same level or not, but they are still material. So they are not small deviations. So I'd say that it's not going to go back completely to normal during 2022. I think it's going to be more than a 1-year trajectory.

Again, it's not bad, but it's not something that we like because it messes up the management of our treasury, but it doesn't really -- it's not really an issue. That being said, it kind of pushes a little bit more any refinancing needs that we have towards the end of the year or towards the beginning of 2023. We are completely and very comfortable with our financial position.

Slide 19, just to give you a final comment on the evolution of the [stock] here. It was pretty good. We had a of 15.5% compared to well, slightly below the index in [Port] compares pretty well with our peers and the sector in Europe.

Just talk me about how we share against the business plan and going to Slide 21. So we have said in the business plan that one of the key components was the investment growth. We delivered on that high service quality levels, we delivered on that.

ESG, we are still also developing that a lot, and (inaudible) will talk about that a little bit more. And regarding [Coles] financials, we continue to pursue the same and policies, we had very stable ratings and reactions to the business plan, and we continue to see a lot of stability in our ratings moving forward.

In 2022, you can see that in the main 4 objectives that we had. So we were able to deliver on EBITDA, completely within the target. Net profit is the same, complete within target Net debt is even surpassing the target because of that kind of abnormal situation, but we would be -- even without that, we would fulfill it we are surpassing the backend.

More importantly, in the last one, we are clearly delivering on CapEx, and we expect to be clearly delivering on CapEx in 2022, which we expect also to be a strong CapEx. And so with that, we move into the SGM part, and I will pass the floor to Rodrigo. Rodrigo?

Rodrigo Costa
Well, on the ESG front, we decided on when we presented our strategic plan to disclose what are our plans. And basically, we are moving forward and 2021 was already a key year. And we -- I must say that the ESG work started a long time ago. It's not really anything that we just decided to do last year.

It's a long road. We always have been a company that the environment concern is on top of our minds. The topic of governance, as you all know, also, it's something that we care and we try to have -- to be a best practice, and I think we are. And in terms also of our social impact, this is something that comes up also on top of our mind since we have the company.

Now we understand this is an opportunity for us to follow the best practices at some point. I think this also helps to go this way. But it's a way for us of creating value. The changes on the climate is something that we need to address and we need to contribute. Global warming cannot just be -- we cannot -- we have to keep it in mind that we have the war, we have the prices of the energy. And somehow, it seems that the global warming is not really on the agenda anymore or it's going to be paused for a few months, not for us.

And in that regard, just to go through the main topics, we have a clear goal for lowering our emissions. We want to be carbon neutral by 2040. That's a huge target. And by 2030, we will have to reduce by 50% from where we were in 2019. We want to have 1/3 of women in our first-line management. It is true that we have already closed to that number. But it's going to be already a big challenge for us to keep it like that, but we want to do better.

And also, we now have clear metrics, and you will see those on our annual reports of 2021, we will -- you will see that we already have new metrics in place to address the this topic too.

In terms of ratings, as you know, one thing is what we do. And the other thing is how that is perceived outside. And to be able to show what we do, we must work with a number of agencies and MSCI, the Sustainalytics, the ISS ESG, S&P Global, I think we have -- we are adopting the top ones. And we are starting, but I think we will have also very good results in that [sale].

Closing remarks, I think I'm not going to repeat what we already said. Just focusing on the last 2 topics of the slide, which is our Board of Directors, and this is public, of course, it's going to propose on the next [AGM] the payment of a dividend of EUR 15.4 per share, absolutely in line with what was the policy we announced last year.

And also, we want to make sure that everybody is aware of the fact that ERSE released the tariffs and prices for electricity for 2022 and the parameters for the regulatory period of 2022, 2025. We are moving to this OpEx model. And of course, we'll be here to provide any further details that you may need on any of these topics okay? Thank you.

Madalena Garrido
Thank you very much, Rodrigo, Gonçalo and João. We will now open to any questions that you might have.

Q & A

Flora Trindade - CaixaBank
I have 2 questions, if I may. The first one is on the diversification of gas sourcing in Europe. Just wonder if you can share with us whether you see potential upside on new investments, whether related with specific investments in Portugal or interconnections and also related with this, if you can share with us the level of utilization rates in the [regasification] facilities?

And then secondly, a follow-up on your comments regarding the expectation that there will be no full reversion of the tariff variations throughout 2022? Can you share with us what would be the level of debt that you would expect at year-end?

João Faria Conceição
Thanks for the question. I will try to answer the first one. In terms of upside from this goal of diversifying the sources of natural gas I think it's -- there is always an upside. No downside that's for sure, and a possible upside if the different European cauteries will consider Iberia to be sources to supply gas to Central Europe.

If that is the case, there are 2 infrastructures that are mandatory for that regard. The first one is the mid-cap interconnection between France and Spain. And the second one is to recover the project of the third interconnection between Portugal and Spain.

I think that what has been discussed so far is that those infrastructures to be developed, they should be developed already with an eye on hydrogen. So to be developed in -- with the possibility of being able to quickly and easily be converted into pipelines for transmission of hydrogen. But of course, this is something that we have to wait for the guidelines and the instructions that we receive from our government to see if we go for the development of those infrastructure or not.

Regarding the levels of [regasification] in our terminal, I can tell you that in this first 2.5 months of 2022, practically 100% of the gas that has been consumed in Portugal entered through the terminal. So it means that very high levels of regasification in the terminal.

Gonçalo Morais Soares
So regarding the level of debt that you're asking. So we are now at this EUR 2.36 billion. I think that if things were kind of going back to normal, you'd probably end up with a net debt closer to EUR 2.5 billion, given the prices of energy. So it depends on you'll probably be somewhere between the [2.4 and 2.5]. It's not that it impacts as in any significant way. But it's difficult to predict. So it depends on how much and for how long you'll have these high levels of pricing, okay?

António Seladas
Questions 2 questions were very answer. So just regarding the operating expenditures, the OpEx that performed mainly through the fourth quarter. So should we expect this kind of evolution over the year or we would, of course, depend on energy price. Nevertheless, if you can share with us what kind of figures are you expecting for the coming quarters?

Gonçalo Morais Soares
I mean, António, I'm not going to give any specific kinase in the OpEx. But we are and when we made the budget, we were expecting already and we are expecting a higher price of energy. So we do still impact our EBITDA.

You will not see increase again versus '21 as it increased versus '20, but it's still -- it's going to be high. We are also entering in a new regulatory framework. So we are also going to push for some efficiencies. So let's see how that evolves along the year, it's a little bit early to give you a specific guidance on core OpEx, okay?

António Seladas
Okay. Okay. I don't know if I can ask you a follow-up question regarding the first question from my colleagues. There are some comments on the news -- there were some comments on the newspapers about doubling or well, increasing the capacity, gas natural storage capacity.

So from my understanding, and I don't know if I understood well, we -- the country will have to have more storage capacity in terms of natural gas to avoid this kind of crisis. So it's something that do you think it could go ahead or just newspapers stuff?

Rodrigo Costa
Well, this -- the question about what showed up in the press several times. And I think you are referring to some comments about Sines, some comments about storage that we -- another terminal could be built, more tanks could be built. Is that the case?

António Seladas
Yes, that.

Rodrigo Costa
Regarding that, I think there is a lot of people who are talking about the subject. And sometimes people forget that it's necessary to create the right type of infrastructures between Spain and France and then between Portugal and Spain to be able to have the flow of natural gas that would exceed the one we have today.

We have very good capacity in Sines. The terminal has been busy. It's true. It has been more than enough to supply the needs of Portugal.

In the past couple of years, most of the natural gas that comes to Portugal comes through Sines. Also because the flow of gas from Algeria has been stalled at some point, and everybody knows why because of the political relationships between Algeria and Morocco and also in Spain.

And I think when people say it could be double or it could increase by 40% or 50%. Those are answers, they will only be able to be answered if the European Union, if the governments decide to create the infrastructure that will be needed to supply the rest of Europe. They are not yet there. There is a lot of talks now about what can be done or not. Sines can, just by increasing the gasification capacity of the terminal, the terminal would receive even more gas.

And I think it's just too early to talk about that. This is -- and again, people sometimes they need -- they forget that we are talking about projects that could take 3, 4 years to develop. And of course, now we are talking about the question of the world, the supply of gas alternatives to the Russian gas.

And then the situation that we are dealing now, it's a situation that needs to be solved in the short term, not on the long term. But again, this will be decisions that for the moment, I would not expect to see any decision regarding changing the scope of Sines for the moment.

Ignacio Domenech
Sorry, but I had some technical issues, and I couldn't pick up on first question. So my question was on net debt is how should we be thinking on debt for the end of 2022? And if any tariffs [deviation] will be reverted by the end of the year. And stealing debt, I was wondering but did we see an increase in the cost of debt and there was anything related with the (inaudible) of green bonds in (inaudible) in February, I believe. That's it from my side.

Gonçalo Morais Soares
The first question, so I can repeat. So basically, what we said is that we are still seeing this year high energy prices. And so -- we are not expecting a net -- the net impact between the reversion of last year's tariff depreciation and this year to be completely neutral, but to be completely reversed in the sense that we are still seeing those deviations being created this year in our favor.

So if it was a more normal year, we'll probably end up around EUR 2.5 billion of debt. Since we are still creating these deviations, it will probably be below that. So I don't know, somewhere between EUR 2.4 billion and EUR 2.5 billion.

The second one, I didn't understand quite. I don't know if you can repeat it. I understood that it has to do with the increase of the cost of debt or if we were expecting some...

Ignacio Domenech
Yes, that's precisely it. Why was there an increase in the cost of debts? Yes. So the.

Gonçalo Morais Soares
(Inaudible) on a little bit. So it came down from 1.8% to 1.6%.

So what we are not -- do we expect that if you're going to continue to go down in the next 3 years because the market conditions and the inflationary pressures are much more challenging to achieve that.

Sara Piccinini
The first question. Sorry, the first question is on the CapEx. So we have seen a significant increase in the CapEx for this year and you say that during 2022 also, there will be an increase in the CapEx.

Just want to understand what are the main drivers of this increase in the CapEx. Is it related to a reverse trend because you are investing more in renewables? Just to have an idea if this ongoing increase in the can also mean an increase in the RAB going forward? And related to the CapEx, if you can also update on the CapEx that you are already allocating to hydrogen. So this is the first question.

The second question is on the new regulation. You provided an in-depth [anality] of the new regulation, and it's actually a very and complicated model. So if you can maybe provide your view on how -- so if you see this regulation as positive for the company going forward? And maybe if you can provide an impact, a clean impact on your EBITDA for 2020 numbers?

Rodrigo Costa
João, do you want to...

João Faria Conceição
Well, I'll try to answer the first one. The drivers of the increase on CapEx. It's basically the following the trend of the energy position. The first driver is definitely something that no one was speaking about until a couple of weeks ago and it's security of supply. So we always need to ensure that the first, most important issue that we have to cover as the TSO.

And the second one is, as you mentioned, this strong push on renewables. Bear in mind that we are speaking about several obligations and several commitments that the electricity system in Portugal has taken not only to connect renewables, new renewables like solar projects from the auctions that were launched last year and in 2020 as well as all these agreements that we have been doing with the solar developers.

Additionally to that, for instance, this new decree that sets the overall rules for the energy, the electricity system also considers the possibility of some ramp-up on wind offshore, which is also something that if it happens, it will require additional CapEx.

In terms of a couple of figures for the hydrogen. Basically, there are 2 complementary issues on hydrogen or approaches on hydrogen that we are doing.

The first one is the development of a specific infrastructure for hydrogen in Sines, which is the one that I mentioned that we are applying for this [PRR] resilience -- recovery and resilience plan on Portugal. We are speaking roughly something about around a little bit above the EUR 20 million.

And then the second one is all the changes that we need to do within our transmission infrastructure because as you remember, the hydrogen policy in Portugal [visits], the capacity of having blending hydrogen with natural gas up to a level of 5% in 2025 and up to a level of 10% in 2030. We roughly estimate that for this first 5% blending targets, we should needs some investments on our transmission and the ground [stars] infrastructure, almost up to EUR 50 million, slightly below EUR 50 million.

Gonçalo Morais Soares
Just to comment on the regulatory, I say. So we are happy, as we told you, we think that what came out of the regulatory review was a good model. We feel that the impact versus what we have in our business plan is neutral. So we are not doing any change in the business plan. We feel that it is in line with our expectations.

Certain things or certain components in the (inaudible) are a little bit better, certain are a little bit worse. So I would say that overall, it is neutral.

Secondly, I'll make a second comment is that, of course, being neutral also depends on the fact that it has a sharing mechanism that we have to go after certain efficiencies that we plan to do, but bear in mind that the timing where you see them depends on the all interval.

As you understand, it's only at the end that we know exactly. And so it will be more towards the end and the last years of the period that will have a bigger -- a better feeling of those efficiencies and of that increased profitability.

So it may be that in the first year, we are still not seeing those go through, although we are working on them and then you'll see them go through more towards the end. But we see this basically in line with what we have in the business.

Madalena Garrido
Thank you very much. I think if there are no further questions, we'll end up here. I'll pass it through Rodrigo for a final remarks. And I'll remind you all that IR team is, of course, available for any questions or follow-ups or calls that you might need next week or in any time.

Rodrigo Costa
Thank you, Madalena. Well, as we said, I think 2021 was another special year. I think we did well. No surprises from an operational view -- point of view and from a financial point of view. I think we have been carefully disclosing all the news, all the events. And -- but of course, we are dealing with a certain level of uncertainty.

With that said, we are confident that we have plenty of opportunities ahead. I think whether in Portugal or in Chile, things are going well. And we have a very good team that can deal with, I would say, with the surprises that may show up along the way. And as Madalena said, we'll keep in touch. Hopefully, we are starting now on a path that we can start to meet people face-to-face without the screen in the middle. Thank you all, and have a very good weekend.