

## **Evangelos Mytilineos' FORBES interview - The energy transition will be lasting and expensive**

- 1. Economy and society are experiencing the effects of an unprecedented energy crisis. How did we get to this point where ordinary consumers are exposed to the exchange-rate fluctuations in the natural gas and pollutants' prices ? Was the EU energy model based on wrong assumptions? Do you think that Europe in general and Greece in particular rushed into adopting an aggressive energy transition strategy? And, of course, is it that this transition cost was not sufficiently explained to all concerned parties?**

These questions address many of the aspects of a complex question par excellence, such as the energy crisis. It's been since 1973 that the energy crisis last 'knocked on our door'. Europe indeed got in a hurry, but it is not the only one to approach the issue in such a disorderly manner. Without a plan, nor the necessary investments, while not securing one of the main basic goods for humanity , being uninterrupted energy source, at affordable prices for industries and households. Although it was swiftly decided that natural gas would be the transition fuel, nevertheless, there is no infrastructure for accepting gas as a transition fuel, nor have the necessary investments been made. On the contrary, all we see is the development of wind farm and solar park projects which are on the right direction, but they incur inevitable losses as a means of production when the ideal conditions are not met (level of sunshine, strong winds). Price upheavals ending up to consumers are largely due to the mismanagement of natural gas, including the need for investments that would mitigate, rather than increase, Europe's dependence on imports. This is directly linked to both security of supply as well as European economy's rate of exposure, to international price fluctuations. At the same time, Europe has backed a 'polluter pays' policy (the well-known Emissions Trading System) without considering that pollutants would ultimately result in an excessive burden on end-users, earlier than expected. Europe failed to explain to citizens that while the aim is – and rightly so – to reduce pollutants, that would cost a lot.

In order to responsibly and consciously move forward, people must understand that the transition to cleaner forms of energy will be lasting and expensive. Politicians - both institutionally and traditionally - have the responsibility to inform public opinion. Unfortunately or fortunately, it is not enough to say that we are looking ahead; we should first prepare the ground we intend to tread on. Otherwise, not only the transition itself, but also the welfare of European citizens and the economic growth are at stake.

- 2. You had declared that the crisis we are experiencing would be the first of many if the EU would not change its perception. Do you still hold this view? Have the crisis messages been perceived by Brussels?**

The messages of the crisis are here, just as the messages heralding the crisis were here too. Hopefully, these messages have been understood, but we still have a long way to go before we see a real response from national governments, and above all from Brussels. With regards to the continuation of the crisis or the emergence of new crises, I would be delighted to be proved wrong, but the over-ambitious plan local emissions reduction in Europe, despite being based on good intentions, unfortunately, it does not reveal the whole truth to citizens. The energy transition will incur a cost to all of us and this cost will sustain for years to come. This is something that European citizens must realize, in order to assist this effort. At the same time, Europe still needs to invest in natural gas infrastructure, for a smoother transition .

- 3. At macroeconomic level, are you concerned about the re-emergence of inflationary pressures? What are the risks lurking for the economic recovery ? Are you optimist or pessimist about the prospects of the Greek economy?**

The "key" in macroeconomic-level usually rests on the understanding of the global market trends. Although Greece is our focus, much of what is usually happening here, are imported side-effects. A positive momentum was gained which was been put on halt by the Omicron variant, threatening the positive prospects. At the same time, the positive outlook is threatened by the difficulties of production to respond to particularly high demand, the energy costs and the unusual fiscal tolerance by monetary authorities. Inflation is therefore the result of the above-mentioned forces.

Thus, this imbalance is multifaceted. In other words, global recovery – stronger in Greece due to a sharp fall in GDP -- is jeopardized by all the above counterbalancing forces. However, I am optimistic that Greece can respond by properly capitalizing on the Recovery Fund, with 2022 being a better year, unless Omicron variant changes radically the state of play.

- 4. You took the lead as an industry in highlighting the problem of energy costs that is weighing on Greek businesses' competitiveness. You recently announced that the agreement you signed with PPC will be the last one and after which you will electrify Aluminium via renewable sources. What does this transition mean for the country's largest energy consumer?**

The energy cost for Greek businesses is very high, especially when we have to compete with businesses on the international arena. This year we reached an agreement with PPC for the electrification of the Aluminium of Greece, an agreement that is satisfactory for both parties. However, after 60 years, our cooperation with PPC will come to an end following the completion of this agreement. Our aim is to power the plant with a combination of low and zero carbon footprint sources, including the new CCGT station and RES plants (of the Company and/or through PPAs). The government's effort to implement the Green Pool will help the country's energy-intensive industry to take a significant risk by directly financing new RES plants, while optimizing and partially compensating for the costs arising from the need to adapt the stochastic nature of RES to the industry's consumption profile. The 'greening' of aluminum, having already been granted the very important ASI certification, could not have imagined 10 years ago; yet, today this is what shapes our future. MYTILINEOS becomes independent because it has laid solid foundations for years and now sees the effectiveness of synergies between its Business Units.

- 5. Let us dwell on the crisis and its geopolitical dimensions. Europe found itself once again in a difficult position because of its great dependence on the largest energy supplier, Russia. Are there alternatives available to reduce this dependency?**

It is true that Russia is undoubtedly the largest natural gas supplier. The main reason is its abundant natural gas reserves, while at the same time it has established an expanded pipeline network for its trading. This is essentially a geopolitical issue, thus no one knows its exact outcome. For example, the delay in the operation of the Russian Nordstream 2 pipeline - which will transport gas to Germany via the Baltic - is exacerbating the problem of supply in the European market. Bearing in mind that this pipeline alone will carry 1/4 of the total natural gas exported by Russia and that, due to the high temperatures prevailed in Europe last summer, large quantities of gas were consumed in electricity generation, would conclude that the warehouses are not so full bracing for this winter that has just begun. At the same time, Europe's largest gas field (Groningen) has almost been depleted and any thoughts on exploiting unexploited deposits within the EU are clashing with the green deal. Mitigating this dependency will mean maximising energy efficiency in energy production and consumption, accelerating RES development, reforming the regulatory framework and investment environment for necessary low and zero carbon footprint investments for reserves; supporting the necessary technological progress and economic maturity of long-term energy storage and strengthening interconnections. However, it is a fact that it will take quite a long time to get to this point. In these circumstances, therefore, reducing our dependence on Russia seems to be coming too late.

- 6. We are going through a very favorable period for the aluminium industry. For how long do you think that this upward trend will continue and what will the positive path depend on?**

This year the state of play in commodities has changed due to China's changing course, slowly turning to tackling climate change and the need to de-carbonization without unreasonably increasing production. However, the upward trend in aluminium prices is based both on a positive market trend as well as on many more external factors. For example, Russia introduced a tax on aluminium exports in the summer, which affected prices. At the same time, in Europe, Aluminium production has decreased significantly as a result of the energy crisis and the increase in production costs. As Goldman Sachs mentioned in a recent report, the price of aluminium will not stop anytime soon, as the price of metal is supported both by the lack of supply on the global market as well as by the increasing demand. Therefore, it seems that prices will continue to rise for some time, but there is always the possibility of a surprise fall, and that is why we must be prepared. MYTILINEOS, being a vertically integrated aluminum producer, is in the world's first quartile of the global cost curve following the successful implementation of 4 production cost improvement programs, improving all

cost parameters; as a result, market vibrations had minimal impact on us.

- 7. In the construction sector, when will the shift to sustainable development projects start to bear fruit for the company and shareholders? What are the prospects for this market in Greece and abroad?**

The Sustainable Engineering Solutions (SES) Business Unit is already on the path of profitability by certifying its relaunch after the effects of the pandemic. During 2021, several projects were agreed increasing backlog. The agreement for the construction of two new substations in Georgia, marks the Unit's dynamic penetration into Transmission & Distribution. Projects of the Business Unit are also progressing in Europe, sub-Saharan Africa and other regions. In addition, in the area of environmental solutions, we have already received market recognition as a Turn-Key Contractor for large-scale projects, a fact proving our expertise. A typical example of the Business Unit's new direction is the implementation of the "Protos Energy Facility" waste-to-energy project in Cheshire, United Kingdom. The Business Unit is also actively involved in discussions on further possibilities for such projects and aims to seize the opportunities presented by the Recovery Fund and in particular for projects promoting sustainable development. The prospects in Greece and abroad are therefore numerous, and at MYTILINEOS our aim is to take advantage of them.

- 8. MYTILINEOS was one of the leading companies in the Greek market in adopting the ESG rules, both by setting ambitious green targets and by changing social accountability and adopting modern corporate governance. How do you assess the changes made in the Company? Have you been strengthened by these changes and at which level?**

MYTILINEOS was the first Greek company to have adopted the ESG rules and committed itself to specific, climate-ambitious and **achievable** targets. But these commitments did only come about at random this year. For many years now, we have been building on this mentality and pave the way to a greener and more environmentally friendly industry. At the same time, we support society – both at national and local level. Certainly our changes brought about our own development and obviously for us ESG is not a bubble to fade away; this is why we set up the Directorate-General for Sustainability and the ESG. In fact, according to the ISS data, MYTILINEOS has been at the forefront with regards to the ESG criteria among the high-capitalization companies and the FTSE Athex 25 index. Moreover, the fact that the majority of investors are now oriented toward companies that meet the ESG criteria shows a change in the market that seems to reward companies like MYTILINEOS. Therefore, the rich ESG action is boosting our credibility with regards to both our foreign shareholders as well as Greece.

- 9. The Recovery Fund is seen as one of the great opportunities for the Greek economy, for implementing critical modern infrastructure, digital transformation and for enhancing the competitiveness of the Greek market. Are you satisfied with the Planning so far? How does MYTILINEOS intend to participate in the transformation process of the Greek economy?**

When the issue of the Recovery Fund came up, we had a discussion at SEV (Hellenic Federation of Enterprises) regarding the suitable bodies to manage the Fund's amounts. We finally concluded that it is the banks that have the know-how to manage the funds on the basis of real economy and needs, and I am very pleased about this decision taken by the Government. In this way, the government is given a great opportunity to move ahead with its reform program -- on the right track so far -- and to step it up even further with the additional criterion of all these important funds (EUR 100 billion over the next 4 years) anticipated to be injected into the economy. At the same time, I have the feeling that large companies have already been organized and will be able to absorb most of the allocated funds; this is far from certain in the case of medium-sized and smaller enterprises, which will need a great deal of help and reform effort to adapt. MYTILINEOS, for its part, has shown that it can also support the country's recovery and has displayed the ability to take on projects contributing to this direction. The Sustainable Engineering Solutions (SES) Business Unit has already portrayed its action after the transformation we carried out and it is ready to utilize any arising opportunity.

- 10. In the energy market, has MYTILINEOS set itself the goal of becoming the big driver vis-à-vis PPC ? What do the recent developments of Share Capital Increase and the sale of HEDNO (Hellenic Electricity Distribution Network Operator) mean for PPC's competitors, such as**

**you? What do the developments in PPC in terms of market opening and enhanced competition signal?**

The presence of MYTILINEOS as a further driver of energy production and supply remains a key and feasible target for the Company. A key condition in this endeavor is, in any case, our self-evident and consistent support for the strengthening of PPC, recognizing the role it played for decades in both the electricity supply to the country and in supporting the Greek industry and the households. After all, our long-term and excellent cooperation with PPC has made a major contribution towards this direction. The successful Share Capital Increase of PPC and its transformation into a modern energy company are particularly positive signals for the country's main energy pillar. The market opening, transparency, easy and reliable information and the comparability of suppliers' products are essential and particularly important prerequisites for strengthening both the role of consumers and the energy market in general – competition, including. Therefore, the above developments can only be judged as positive for the sector.

**11. You have stated that 2022 will be a year of great achievement for MYTILINEOS. As the 2021 year draws to its close and we are now heralding the new year, can you reaffirm this forecast?**

Indeed, I did say that in 2022, if there is no dramatic development, our Company is set to double its figures compared to 2019. This provision may sound far-reaching, but it is based on specific company data. This year we are in the midst of a huge investment program, one of the largest in the country and we rely on innovation for our activities. That coupled with the progress of commodities and good cost control, MYTILINEOS will level-up/scale-up. In 2022, the state-of-the-art and highly efficient new 826MW natural gas fuel (CCGT) power plant will be commissioned, which will also be able to supply the Aluminium plant and support national energy transition and efficiency.