



STRATEGY DIRECTION
THE NEW TAQA

THE NEW TAQA

POWERING A THRIVING FUTURE

This publication sets out our new path and strategy following the landmark transaction in the United Arab Emirates (UAE) between Abu Dhabi Power Corporation (ADPower) and Abu Dhabi National Energy Company (TAQA), completed in July 2020. We explain why TAQA will emerge stronger and better positioned to contribute to the significant sector transformation underway, to the benefit of all stakeholders.

OUR ELEVATED PURPOSE

Powering a thriving future by efficiently providing sustainable and reliable energy and water to unleash the unlimited potential of people and places.

OUR ENHANCED VISION

To be the sustainable energy champion and power and water partner of choice for business, government and society. As Abu Dhabi's undisputed integrated utilities leader, we are building an inspiring tomorrow for our people, our partners and our shareholders.

OUR NEW MISSION

We innovatively develop, generate, transmit and distribute energy and water efficiently and affordably to the communities and industries that rely on us to thrive. We leverage our scale, agility and financial strength to be a leading representative of Abu Dhabi's vision of progress, collaboration and a sustainable future.

THE NEW TAQA

Transformation for the future

SIX NEW STRATEGIC IMPERATIVES

- 01 The new TAQA will be an integrated, efficient and digital utility company
- 02 The new TAQA will be Abu Dhabi's clean power and water champion
- 03 The new TAQA will selectively seek value-added growth outside of Abu Dhabi
- 04 The new TAQA will create value for stakeholders through disciplined financial steering and optimal monetization steps
- 05 The new TAQA will maintain a strategic partnership with the government to ensure a continuing, optimal regulatory environment
- 06 The new TAQA will develop the human capital that is fundamental to achieving its strategic goals

TRANSACTION STORIES FOR OUR STAKEHOLDERS

[Investors](#)

[The Government](#)

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THE NEW TAQA

TRANSFORMATION FOR THE FUTURE

By consolidating most of its power and water generation assets and all of its transmission and distribution networks in the UAE under TAQA, the Abu Dhabi government is creating a true national energy champion. The new company is unique in its scale: one of the largest listed companies in the UAE by market capitalization and among the Top 10 utilities across Europe, the Middle East and Africa by regulated asset base.

The new TAQA will spearhead the transition of the power and water sector. We will lead innovation in generation, networks and customer solutions to create value for the people of Abu Dhabi and other countries where we operate. We will contribute to the future by further strengthening our strong base of sustainable, low-emission energy supply and by investing in new environmentally friendly technologies.

The new TAQA will fully embrace its core mandate to provide energy and water in a sustainable, reliable and efficient way everywhere it operates. We will power the growing economy of Abu Dhabi. We will endeavor to improve our efficiency, making the power and water we supply more affordable and sustainable in the short and long term.

The new set-up offers a robust platform for continued value generation. Our financial strength and stable capital structure enable us to explore further growth opportunities in the power and water sectors, and to balance these opportunities with our imperative to deliver sustainable returns to our shareholders.

01 THE NEW TAQA WILL BE AN INTEGRATED, EFFICIENT AND DIGITAL UTILITY COMPANY

Scale, vertical integration and a capacity to invest in digital technologies signify that the new TAQA will be an excellent platform for achieving efficiency improvements that benefit all stakeholders.

Increased generation capacity, provided by the transaction with ADPower, will position TAQA on par with leading generation companies. ADPower's experience in photovoltaic solar power and reverse osmosis water desalination complements TAQA's strong foundation in thermal water and power cogeneration assets in the UAE as well as thermal power plants developed and operated globally.

Sharing best practices and capturing synergies across our combined power and water generation assets will lead to improved fuel efficiencies and overall performance levels that match those of leading global utilities.

Within our network companies, which cover the transmission and distribution elements of our integrated value chain in Abu Dhabi, we will focus on digitization and capturing operational synergies that will create significant value.

We will strengthen implementation of proven digital solutions to enhance productivity. Our aim will be to lower investment costs, optimize utilization of the field force and reduce business support costs.

EFFECTIVE HOLDING STRUCTURE

- Center provides strategic steering and financial management to wholly- or majority-owned subsidiaries where control can be exercised, with strong levels of accountability for operating companies to the center
- Center adopts a financial sponsor approach with associates, providing funding and governance

LARGE SCALE AND STRONG POSITION IN EACH VALUE CHAIN COMPONENT

- ~23GW* in power and >900 MIGD in water generation capacity
- Sole transmission company in Abu Dhabi with significant networks in 6 of 7 emirates in the UAE
- Sole distributor in Abu Dhabi
- ~100,000 km combined network length

* Inclusive of 1,000 MW in captive power generation capacity at Sohar Aluminium

02 THE NEW TAQA WILL BE ABU DHABI'S CLEAN POWER AND WATER CHAMPION

We are fully committed to serving the electricity and water needs of our home market, Abu Dhabi, while driving the clean power and water agenda of the emirate and broader UAE.

The national energy strategy calls for adding significant new generation capacity, mostly through decoupling power and water generation and focusing on both solar power and reverse osmosis water desalination to enable the UAE's energy transition.

The new TAQA will play a central role in the energy transition, capturing growth not least through exclusivity rights that allow us to participate with a minimum 40% stake in all future generation and water desalination projects tendered in Abu Dhabi over the next decade. As a result, we expect dynamic growth of our generation capacities during this period.

The new assets will significantly advance our generation mix toward clean energy. We will also seek to maintain a substantial majority of our existing gas capacities by participating in new gas-fired power plant developments. This will secure safe base load electricity for optimal grid stability as Abu Dhabi increases its share of renewable and nuclear power generation in the system.

Demand-side growth will entail expansion of both transmission and distribution networks. A continuation of the supportive regulatory environment, which provides for a fair return on network infrastructure investments, will enable us to execute the required expansion programs while maintaining positive shareholder returns.

To advance a sustainable business model, we will assess and develop new non-regulated revenue streams that complement core regulated and contracted businesses and provide further growth opportunities.

CAPTURE STRONG GROWTH IN ABU DHABI'S GENERATION MARKET WITH AN INCREASED FOCUS ON SUSTAINABILITY

- Build upon a head start of low carbon emissions thanks to existing gas-based fleet
- Target >20% share of solar and >50% share of reverse osmosis within TAQA's UAE generation capacities by 2030, further improving our clean energy credentials

INVEST TO STRENGTHEN NETWORKS AND SERVE GROWING DEMAND

- >2% p.a. projected average growth in distributed electricity in Abu Dhabi over next 20 years
- Regulatory regime compensates for approved maintenance and growth CAPEX
- Regulator has previously approved CAPEX plans with high success rates

DEPLOY INNOVATIVE SOLUTIONS

- Support customer energy efficiency to lower peak demand at optimal system cost
- Pursue further demand side management and electricity battery storage solutions
- Explore non-regulated business opportunities previously shortlisted, e.g. private network maintenance

03 THE NEW TAQA WILL SELECTIVELY SEEK VALUE-ADDED GROWTH OUTSIDE OF ABU DHABI

Beyond our Abu Dhabi home market, TAQA will selectively seek growth opportunities across the UAE and internationally.

In the UAE, we will assess opportunities across the generation and transmission components of the value chain to meet increased demand for power and water, and to support the national energy strategy's ambition to significantly increase the share of renewables within the country's energy mix.

Internationally, we will follow a disciplined approach and investment assessment framework, focusing on select opportunities with attractive risk-adjusted returns. We will assess opportunities for large-scale projects that fit our core competencies, including in markets where we have an existing presence that builds on our experience of specific investment and country risks, or in new markets through the establishment of new partnerships.

With our substantial new scale in the utilities space and further growth within this segment, our existing international oil and gas assets will become a smaller share of the new TAQA. This will significantly increase our resilience to commodity price volatility. We will continue to improve operating efficiencies within the oil and gas business line to maximize short-term value while seeking long-term strategic solutions.

CASE FOR SELECTIVE GROWTH OUTSIDE OF ABU DHABI

- Global energy demand for electricity to grow ~2x faster than total energy demand
- Energy transition to clean sources will require higher capacity additions and auxiliary services to enhance grid stability
- Water desalination to grow >3% p.a. in the Middle East and Africa with strong focus on reverse osmosis technology, which is due to grow >5% p.a.

LONGER-TERM AMBITION FOR MORE DEVELOPER AND OPERATORSHIP ROLES

- Benefit from a long track-record of successful investments in and operation of international generation assets since 2007
- Remain open to strategic partnerships with selected leading utilities and developers as well as building capabilities organically

04 THE NEW TAQA WILL CREATE VALUE FOR STAKEHOLDERS THROUGH DISCIPLINED FINANCIAL STEERING AND OPTIMAL MONETIZATION STEPS

The new TAQA will benefit from a significantly stronger financial profile backed by a de-leveraged capital structure and a higher share of stable and predictable cash flows from regulated and contracted assets.

The company will take a proactive and disciplined approach to financial management focused on maintaining healthy access to global capital markets and bank lending channels. To that end, we will commit to maintaining a solid investment grade credit rating on a standalone basis.

TAQA will further bolster its financial position by applying a robust capital allocation framework and continue focusing on operational excellence across every aspect of the organization and all operations.

Our improved financial profile will allow us to fund shareholder returns through both sustainable dividend distributions and significant growth initiatives. Any future dividend policy for TAQA will balance funding growth and rewarding shareholders while upholding our credit ratings commitment.

The new TAQA will represent a unique investment case in the utility sector and regional capital markets. There are few integrated utilities with similarly low country risk scores and significant growth potential in their home markets. With these broad financial policy outlines, we aim to achieve a fair but improved valuation in capital markets that will support future monetization options.

DEVELOP ABU DHABI'S CAPITAL MARKETS

- Rank among the Top 3 listed entities on ADX and in the UAE by market capitalization
- Place in the Top 5 of non-financial listed entities in the GCC by market capitalization
- Present investors a unique diversification and defensive play in the UAE and the region
- Target a follow-on public offering in the future to allow for increased investor participation and to improve the stock's liquidity

05 THE NEW TAQA WILL MAINTAIN A STRATEGIC PARTNERSHIP WITH THE GOVERNMENT TO ENSURE A CONTINUING, OPTIMAL REGULATORY ENVIRONMENT

We operate in regulated and contracted markets and the overwhelming majority of our revenues will be driven by tariff regulations for transmission and distribution, or by long-term contracts for power and water generation.

Network regulation in Abu Dhabi, carried out by the Department of Energy (DoE), follows international standards, including taking a transparent, consultative approach to setting future regulations, ensuring stable and fair returns and adopting regulatory best practices.

The current regulatory period locks in reimbursement levels until 2023. We are fully committed to being active partners in helping further develop the regulatory framework as we approach the next regulatory period. We will continue to co-operate and share our views on changes beyond 2023 as well to play a role in the market's overall energy transition.

In generation, we will continue to work closely with our various off-takers and, in particular, with EWEC, the government-owned single-buyer in Abu Dhabi. We aim to negotiate fair terms for new purchase agreements that are also attractive to our international business partners.

MAINTAIN CLOSE RELATIONSHIPS WITH GOVERNMENT-RELATED ENTITIES

- >50% of revenues will be driven by tariff regulations
- >1/3rd of revenues will be driven by long-term contracts
- Develop integrated interfaces for ministries, the regulator (DoE) and the single-buyer (EWEC)

KEY CONTRIBUTORS TO REGULATORY DISCUSSIONS

- Prepare for upcoming consultations on the RC2 regulatory period starting in 2023 (focus on WACC renegotiations and ex-ante CAPEX approvals)
- Regulated CAPEX allowances are typically in line with budgetary proposals and >95% of actual CAPEX spent is ultimately approved by the regulator
- Continue active discussions with DoE on policies and strategies, including UAE Energy Strategy 2050, electric vehicles (EV) and the overall evolution of regulatory frameworks

06 THE NEW TAQA WILL DEVELOP THE HUMAN CAPITAL THAT IS FUNDAMENTAL TO ACHIEVING ITS STRATEGIC GOALS

Strategy without people remains mere ink on paper. We will encourage talent and strengthen competencies, enabled by an effective, open and transparent operating model to achieve our corporate purpose.

The new TAQA will offer an appealing proposition to employees: We will be among the largest employers in the industry with significant growth potential in new, exciting and innovative business areas.

As a leading company in the UAE and a top utility firm in the wider region, TAQA will offer opportunities to all employees, not only to shape their own futures but also to participate in an exciting market transition to clean and sustainable energy.

We will encourage our people to grasp new opportunities for accelerated career growth. Our generation and network businesses will draw on technical and development experts while our holding company will create opportunities for strategic, financial and business-steering experts. Our international footprint opens up wider prospects for employees at our international operating companies as we are committed to developing local talent in the areas where we operate – Abu Dhabi, the UAE and beyond.

STRENGTHEN COMPETENCIES WITHIN OUR BUSINESS LINES:

- Increase financial, operational and technical expertise within the power and water asset management teams to support improved steering from the center
- Build new capabilities in project development with an aim to manage future power and water projects end-to-end, from pre-feasibility to commercial operations

ENHANCE SUPPORTING FUNCTIONS ACROSS THE CENTER AND OPERATING COMPANIES:

- Strengthen compliance and reporting functions across legal, compliance, risk, audit, HSE and finance to support processes at the center
- Drive functional excellence in human capital, communications, IT, and supply chain within our operating assets

INVESTORS

TRANSACTION STORY FOR

UTILITY PIONEER OFFERING A UNIQUE INVESTMENT OPPORTUNITY

The new TAQA represents a unique investment case in both the utility sector and in capital markets. We are among the largest listed utilities in the EMEA region and a national champion in Abu Dhabi with significant ownership stakes in nearly all existing power and water generation assets and networks in the emirate. We will benefit from exclusivity rights over Abu Dhabi's future power and water generation projects, allowing us to participate with at least a 40% equity share over the next decade. We also benefit from rights in perpetuity for regulated infrastructure concessions in Abu Dhabi as the sole transmission and distribution company in the emirate. And we operate significant transmission networks in five of the remaining six emirates of the UAE.

TAQA will lead the sector's transformation and will champion sustainability. The UAE has been at the forefront of renewable generation, with a leading role in developing efficient large-scale solar power plants. This position will be further enhanced through the implementation of the UAE's national energy strategy, which foresees significant new solar power additions and highly efficient reverse osmosis water desalination plants.

A SECURE CASH FLOW POWERHOUSE

More than 85% of our revenues are guaranteed by long-term generation off-take contracts or by network tariff regulations providing predictable and secured cash flows to TAQA.

We benefit from a stable balance sheet with more conservative debt levels and stronger cash flow generation potential. This provides us the flexibility to formulate a sustainable dividend policy while funding our growth plans in Abu Dhabi, the wider UAE and beyond. Notwithstanding the above, we will commit to maintaining a solid investment grade credit rating on a standalone basis and embarking on an ambitious efficiency improvement program within the business.

STABLE GROWTH PLATFORM

Abu Dhabi offers significant growth potential. The energy transition to new technologies will require significant investments. The new TAQA, through our exclusive position in the value chain, will play a central role in capturing this growth, be it in new power and water generation capacities or the expansion of our transmission and distribution networks.

Our strong platform enables us to selectively access high-value opportunities in the wider UAE and beyond. We will follow a disciplined approach to select the best projects, only those that fit our strategy and offer clear, positive value.

THE GOVERNMENT

TRANSACTION STORY FOR

STRATEGIC PARTNERS IN ACHIEVING A SECTOR TRANSFORMATION IN ABU DHABI

TAQA is fully committed to serving Abu Dhabi's people and economy with reliable power and water supplies. We will contribute to improving efficiency through the deployment of new technologies in power and water generation, in line with the national energy strategy.

We intend to play a central role in developing the Abu Dhabi power and water sector and to use our exclusivity rights to participate in future generation projects. We will increase the share of solar power and reverse osmosis water desalination within power and water generation to ensure the long-term sustainability of the sector. We are also committed to providing uninterrupted power by maintaining and developing efficient gas-fueled generation units. In both instances, we will seek further operatorship roles, developing local human capital and greater self-dependency for Abu Dhabi and the UAE. In the transmission and distribution networks, we will continue our investment program to develop the grid and further future-proof the infrastructure.

BUILDING A GLOBAL UTILITY CHAMPION FROM ABU DHABI

The new TAQA is a Top 10 utility by regulated asset size throughout Europe, the Middle East and Africa. This position enables us to play an important international role in the utility sector. We will selectively seek growth opportunities outside of Abu Dhabi in countries where we have a strong competitive advantage or an existing presence.

CONTRIBUTING TO THE GOVERNMENT BUDGET THROUGH DIVIDENDS AND MONETIZATION OPTIONS

The new TAQA will follow a disciplined value-creation strategy to maximize shareholder returns by launching an efficiency improvement program and implementing a clear capital allocation framework. We are also committed to maintaining a solid investment grade standalone credit rating. With these guiding principles, we will have the flexibility to formulate a sustainable dividend policy that is balanced by a similarly sustainable growth strategy. The high value-creation enables further potential monetization options that will benefit our main shareholder, the government of Abu Dhabi.

SUPPORTING THE TRANSFORMATION OF THE ABU DHABI ECONOMY

TAQA plays a critical role in enabling economic diversification across Abu Dhabi and the wider UAE, supporting efforts to increase the share of non-hydrocarbon GDP. We are also committed to developing Abu Dhabi's capital markets with a potential follow-on public offer in the future to further diversify our shareholder base and increase investor participation. We will be among the largest listed companies by market capitalization in Abu Dhabi, the UAE and the region, ultimately diversifying capital markets in the UAE away from more traditional sectors and thus increasing our resilience and attractiveness to investors.

THE REGULATOR

TRANSACTION STORY FOR

SUPPORTING ENERGY SECTOR TARGETS

TAQA's purpose is to supply power and water to customers in a sustainable, reliable and efficient manner. We are a responsible player across the value chain and all of its components—from generation, through transmission to distribution.

We intend to play a central role in developing the Abu Dhabi power and water sector and to use our exclusivity rights to participate in future generation projects. We will increase the share of solar power and reverse osmosis water desalination within power and water generation to ensure the long-term sustainability of the sector. We are also committed to providing uninterrupted power by maintaining and developing efficient gas-fueled generation units. In the transmission and distribution networks, we will continue our investment program to develop the grid and further future-proof the infrastructure.

We will contribute to improving efficiency and through the deployment of new technologies in power and water generation, in line with the national energy strategy.

STRATEGIC PARTNERS IN DEVELOPMENT OF THE REGULATORY ENVIRONMENT

We fully acknowledge the importance of regulation to our business. The majority of our revenues will be driven by tariff regulations for transmission and distribution, or by long-term contracts for power and water generation. We acknowledge our responsibility to our stakeholders to participate in the development of the overall regulatory environment.

Network regulation and off-take contracts within generation follow international standards, including taking a transparent, consultative approach to setting future regulations, ensuring fair returns and adopting regulatory best practices.

The current regulatory period locks in reimbursement levels until 2023 and over half of our generation contracts last beyond 2030. We are fully committed to being active partners in further developing the regulatory framework as it adapts to the market's energy transition. We will continue to cooperate and share our views on regulatory changes beyond 2023 as well as play a role in the market's overall energy transition.

CUSTOMERS

TRANSACTION STORY FOR

A BRAND NEW, MORE SUSTAINABLE, RELIABLE AND EFFICIENT UTILITY

The new TAQA will fully embrace its core mandate to provide energy and water in a sustainable, reliable and efficient way everywhere it operates. Our customers depend on us to provide uninterrupted electricity and water to power the growing economy of Abu Dhabi. We will endeavor to improve our own efficiency to make the power and water we supply more affordable and sustainable in the short and long term.

TRANSITIONING TOWARD A MORE SUSTAINABLE FUTURE

The new TAQA will be in the forefront of the transition in the power and water sector. We will contribute to the future by further strengthening our strong base of sustainable, environmentally friendly solutions, and investing in new, low-emission technologies. In line with the national energy strategy, significant new generation capacity is due to be added, mostly through solar power and reverse osmosis water desalination. The new TAQA will play a central role in these developments.

INNOVATION THROUGHOUT THE VALUE CHAIN

The new TAQA will lead innovation in generation, networks and customer solutions to create value for the people of Abu Dhabi, for other countries where we operate and for our shareholders. We will develop solutions that provide more reliable power supply at all times, integrating customer-side demand management and demand response that benefit the system and our customers. We will support our customers with innovative applications that help them save on energy consumption and costs.

EMPLOYEES

TRANSACTION STORY FOR

EXCITING OPPORTUNITIES TO DEVELOP NEW AND VALUABLE COMPETENCIES

Integrating the holding companies of ADPower and TAQA will bring together two high performance cultures with complementary assets and high ambitions. We will build around our core strengths and enhance areas of competence that are critical to achieving our strategic goals. This includes plans for greater financial, operational and technical expertise within the business lines, strengthened supporting functions across the organization, as well as niche in-house capabilities that will allow us to take on developer and operatorship roles in future power and water generation projects.

As a leading company in the UAE and a top utility in the wider region, the new TAQA offers an appealing proposition to employees: We will be among the largest employers in the industry with significant growth potential in new, exciting and innovative business areas. Our people will see opportunities for accelerated career growth. Our generation and network businesses will draw on technical and development experts while our holding company will create opportunities for strategic, financial and business-steering experts. Our international footprint opens up wider prospects for employees at our international operating companies. With over 30 nationalities across the full organization reflecting this footprint, we are committed to promoting a culture where everyone is valued and able to play their part in building our future success.

TRANSITIONING TOWARDS A MORE SUSTAINABLE FUTURE

The new TAQA will offer employees the opportunity to be at the forefront of one of the most exciting market transitions in our lives. Together, we will contribute to the transformation of Abu Dhabi's power and water sector by further strengthening our strong base of sustainable, environmentally friendly solutions, and investing heavily in new low-emission technologies such as solar power and reverse osmosis water desalination. The new TAQA will play a central role in these developments and become a leading, internationally sustainable energy utility attuned to the needs of the communities within which we operate.

INNOVATION THROUGHOUT THE VALUE CHAIN

We will strengthen our efforts to implement proven digital solutions in order to increase efficiency across several areas, including improving fuel efficiency in generation, lowering investment costs across assets, optimizing utilization of the field force and reducing business support costs. Our employees will gain valuable experience with cutting-edge technologies and benefit from seamless digital processes that focus on value creation.

BUSINESS PARTNERS

TRANSACTION STORY FOR

PARTNER OF CHOICE AS ABU DHABI'S CLEAN POWER AND WATER CHAMPION

The new TAQA creates a new platform for cooperation in the Abu Dhabi power and water sector. The combination of ADPower and TAQA's generation assets brings us to a new, larger scale. ADPower's experience in photovoltaic solar power and reverse osmosis water desalination complements TAQA's strong base in thermal water and power cogeneration assets in the UAE as well as power plants developed and operated globally. We will continue to use our capabilities to partner with leading companies to co-develop new projects.

In Abu Dhabi and the wider UAE, and in line with the national energy strategy, significant new generation capacity is due to be added, mostly through solar power and reverse osmosis water desalination. The new TAQA will play a central role in the energy transition, capturing growth not least through exclusivity rights that allow us to participate with a minimum 40% stake in all future generation and water desalination projects tendered in Abu Dhabi over the next decade. As a result, we expect dynamic growth of our generation capacities during this period.

Our strong position with a visible and steady pipeline of future opportunities enables us to offer win-win opportunities to our partners. Together with our existing and new business relationships, we aim to maximize the joint value of new projects in Abu Dhabi, the UAE and abroad.

SELECTIVE VALUE-ADDED GROWTH OUTSIDE OF ABU DHABI THROUGH STRATEGIC PARTNERSHIPS

TAQA remains a global utility company. We will selectively seek growth opportunities throughout the broader UAE and beyond with the aim of increasing shareholder value. We will follow a disciplined approach and investment assessment framework, focusing on select opportunities with attractive risk-adjusted returns. We will enhance our participation in projects by bringing our asset management expertise while seeking greater responsibility for development and operations. We will continue to build our in-house capabilities and will be open to strategic partnerships with first-rate, leading utilities and developers with matching purpose and focus. Our ultimate goal is to create long-term advantage for us and our partners.

TRANSPARENT CONTRACTUAL FRAMEWORK AND A LOW-RISK ENVIRONMENT

The new TAQA will be capable of realizing significant growth in a balanced environment, as it mainly operates in a low-risk country with a pegged currency and a robust and proven contractual offtake framework while enjoying strong relations with government-related counterparties.