

Navigating to Net Zero

October 2026



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at Montel

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Reliance Letter

Issuing the reliance letter to lenders and negotiating additional terms is outside of the scope of the initial project and our obligations in this regard. If you wish us to be involved in this process, please refer to the hourly rates of the proposal binding for this Project

Contents of today's session

1. **A predictable market**

The past: the classic merit order and its price drivers

2. **A market in transition**

Today: carbon, geopolitics and batteries

3. **Seven forces shape the future**

The future: from law to market behaviour

4. **Forecasting in the dark**

Why forecasting gets harder, and how transparency fixes it

High emissions

Transition

Cleaner energy

Net zero

Past

A predictable market

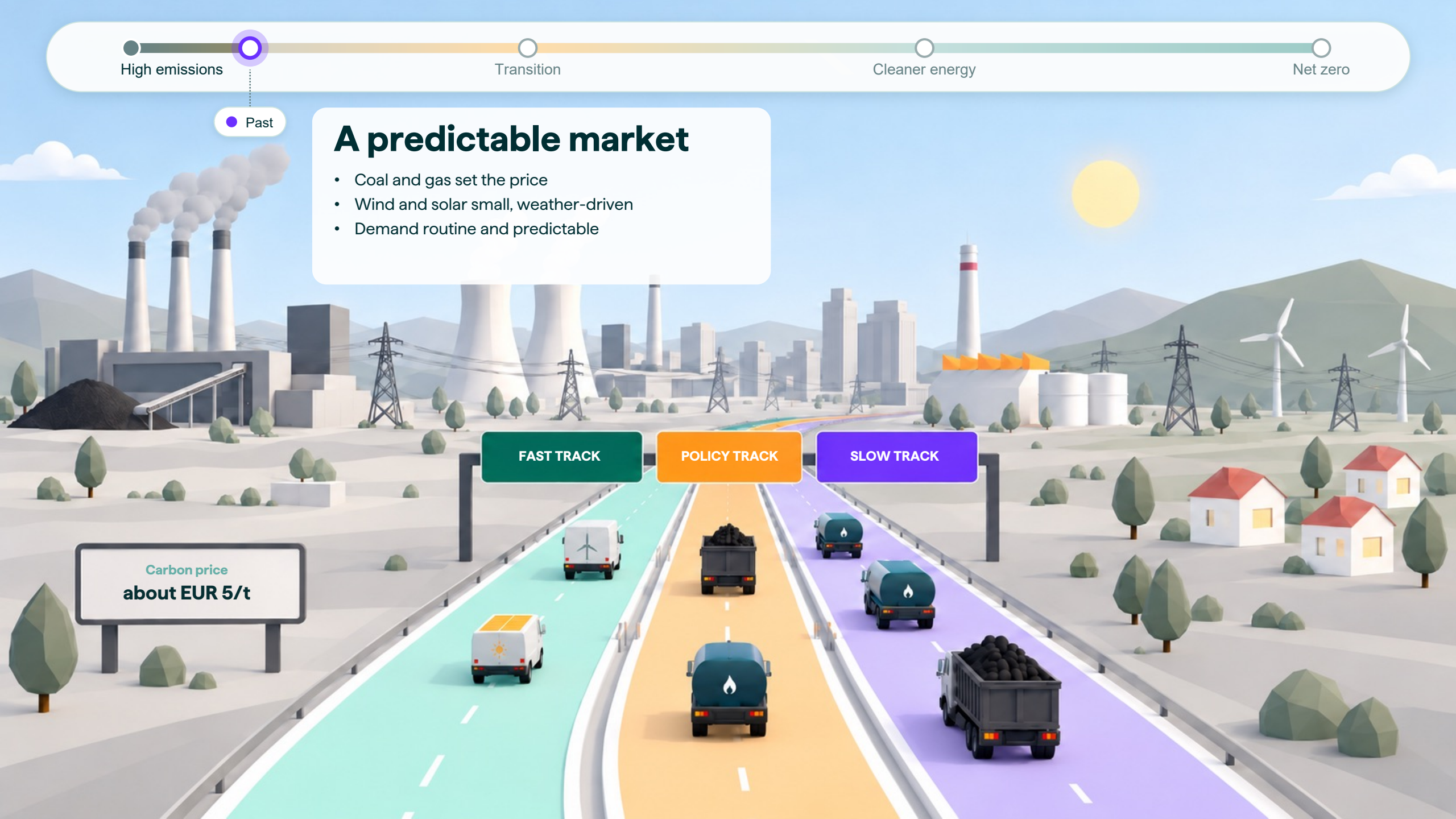
- Coal and gas set the price
- Wind and solar small, weather-driven
- Demand routine and predictable

FAST TRACK

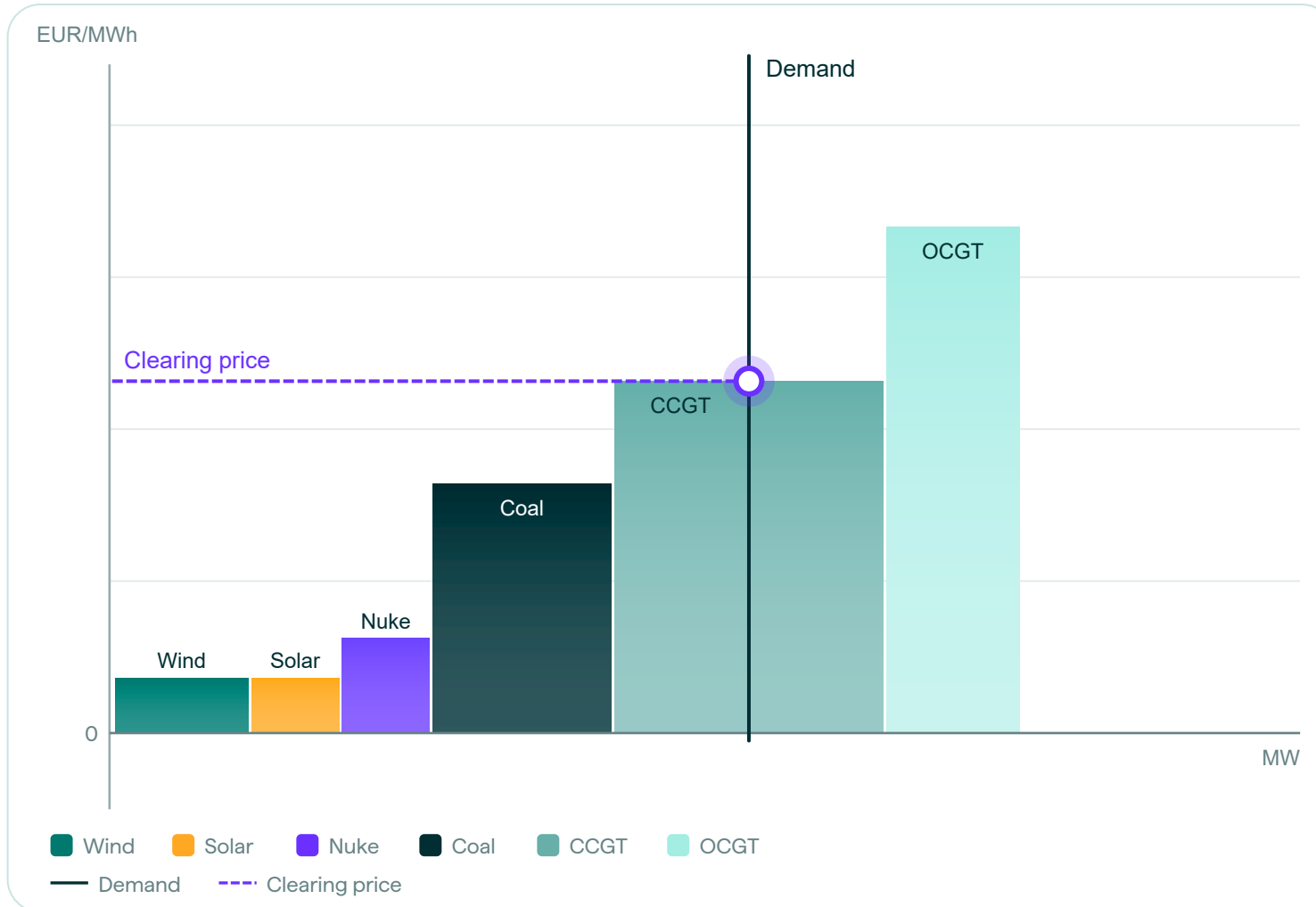
POLICY TRACK

SLOW TRACK

Carbon price
about EUR 5/t

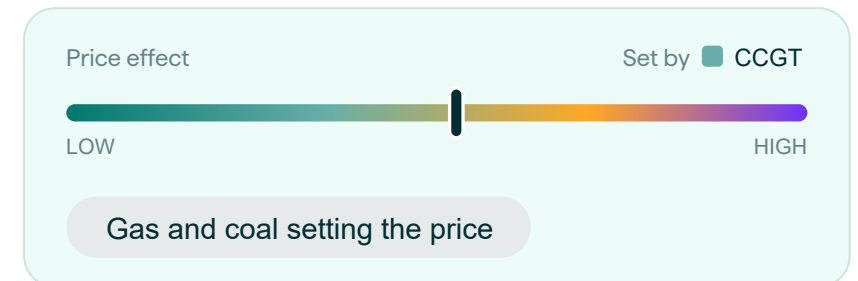


The old merit order

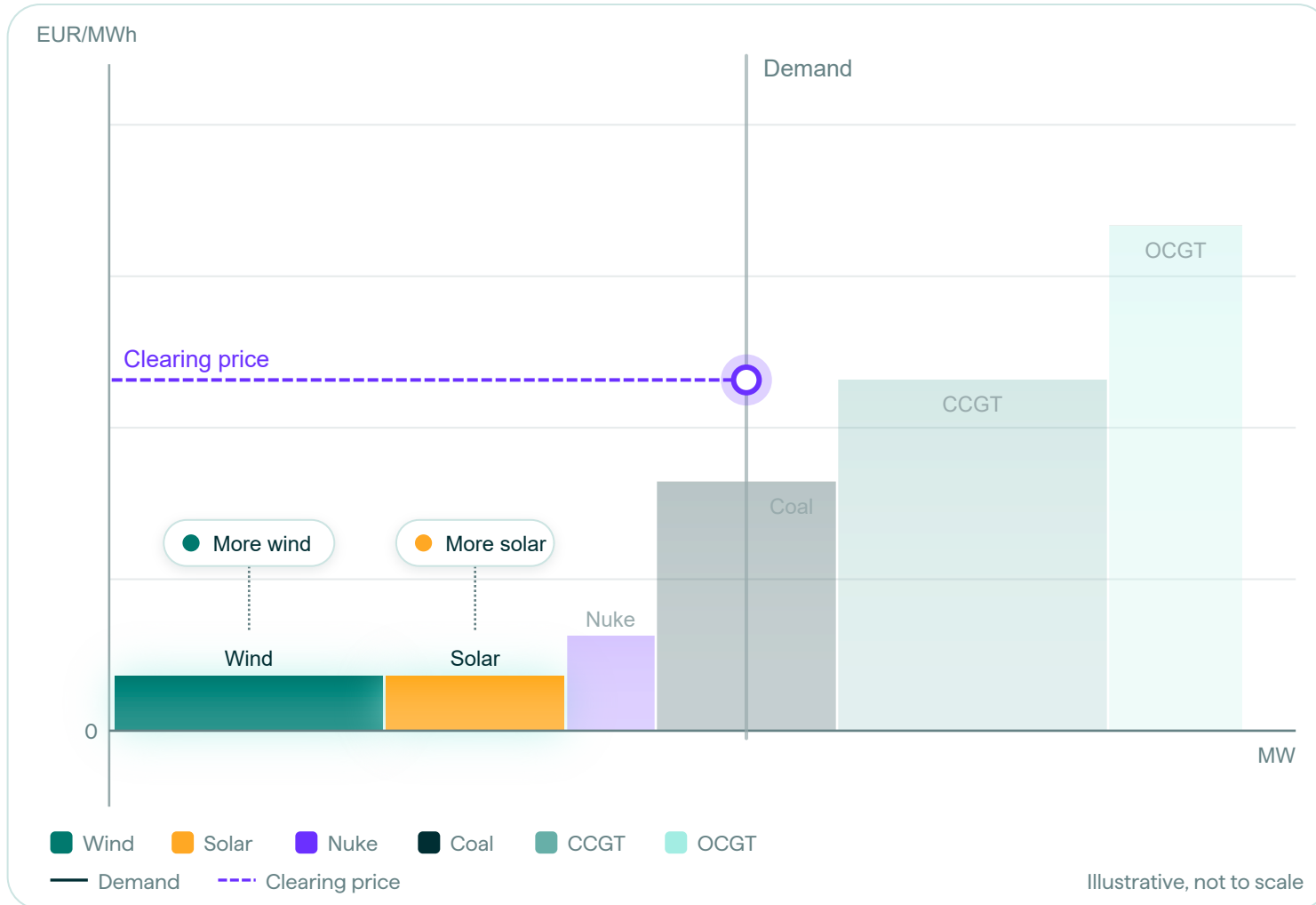


Step 1 of 6: Base

- Plants ranked by marginal cost
- Demand fixed and predictable
- Fossil Fuel Plants at the margin
- Marginal Pricing

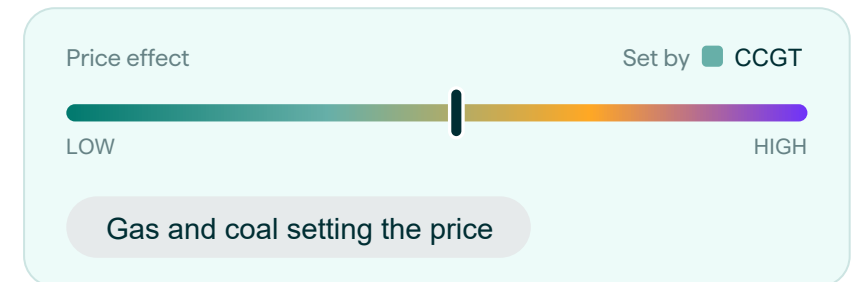


Weather: a windy, sunny day

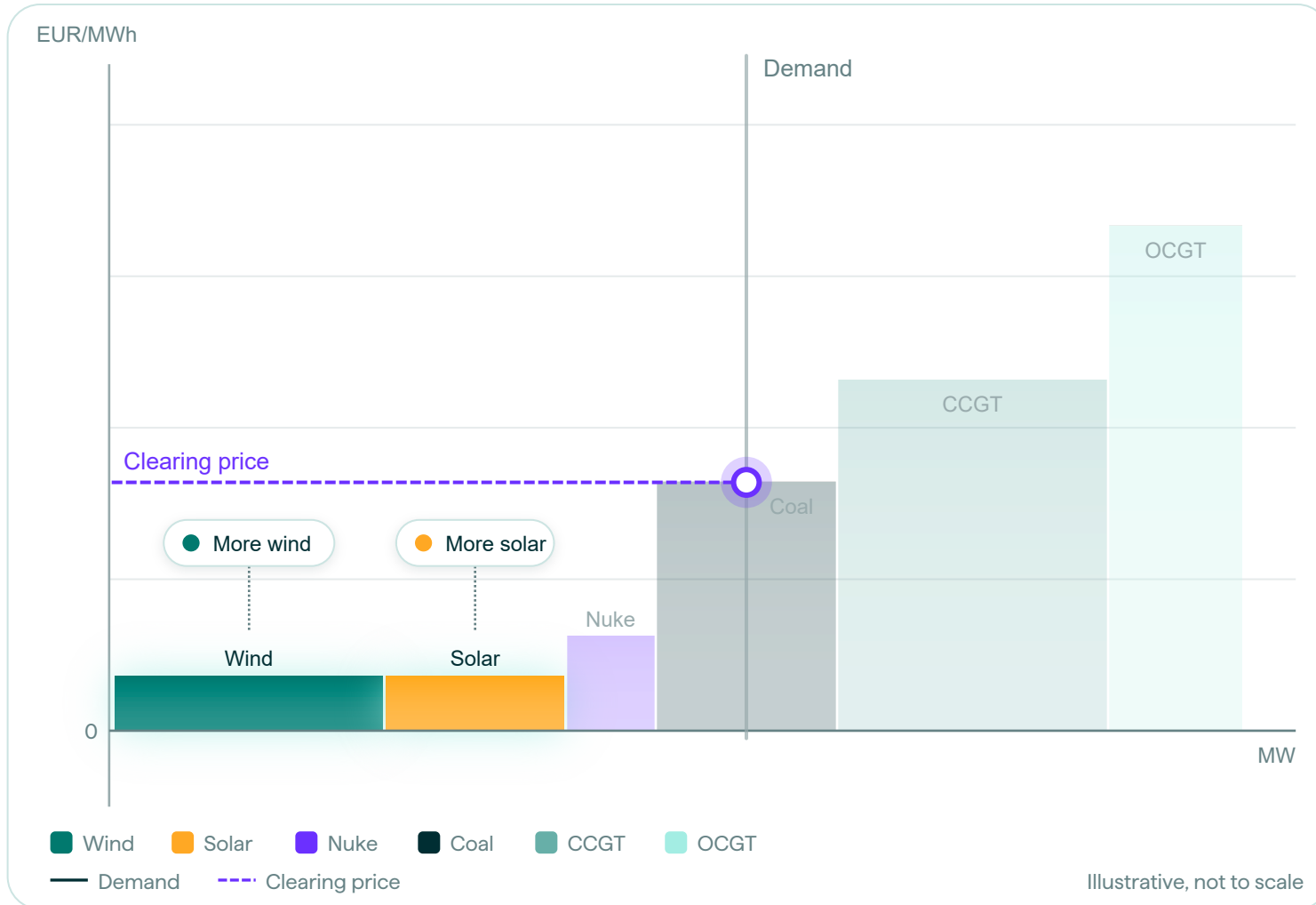


Step 2 of 6: Weather

- More wind and solar at near-zero cost
- Whole stack shifts right
- Coal becomes the marginal plant

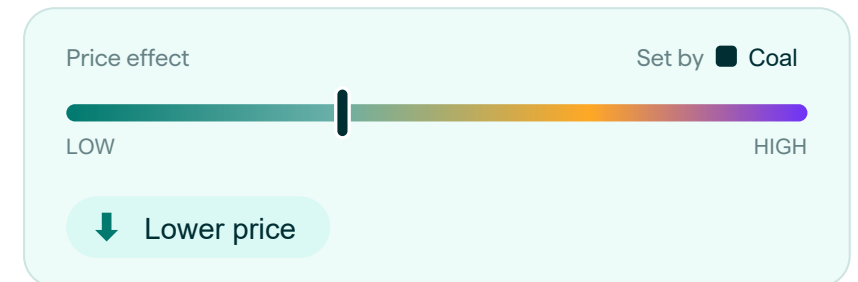


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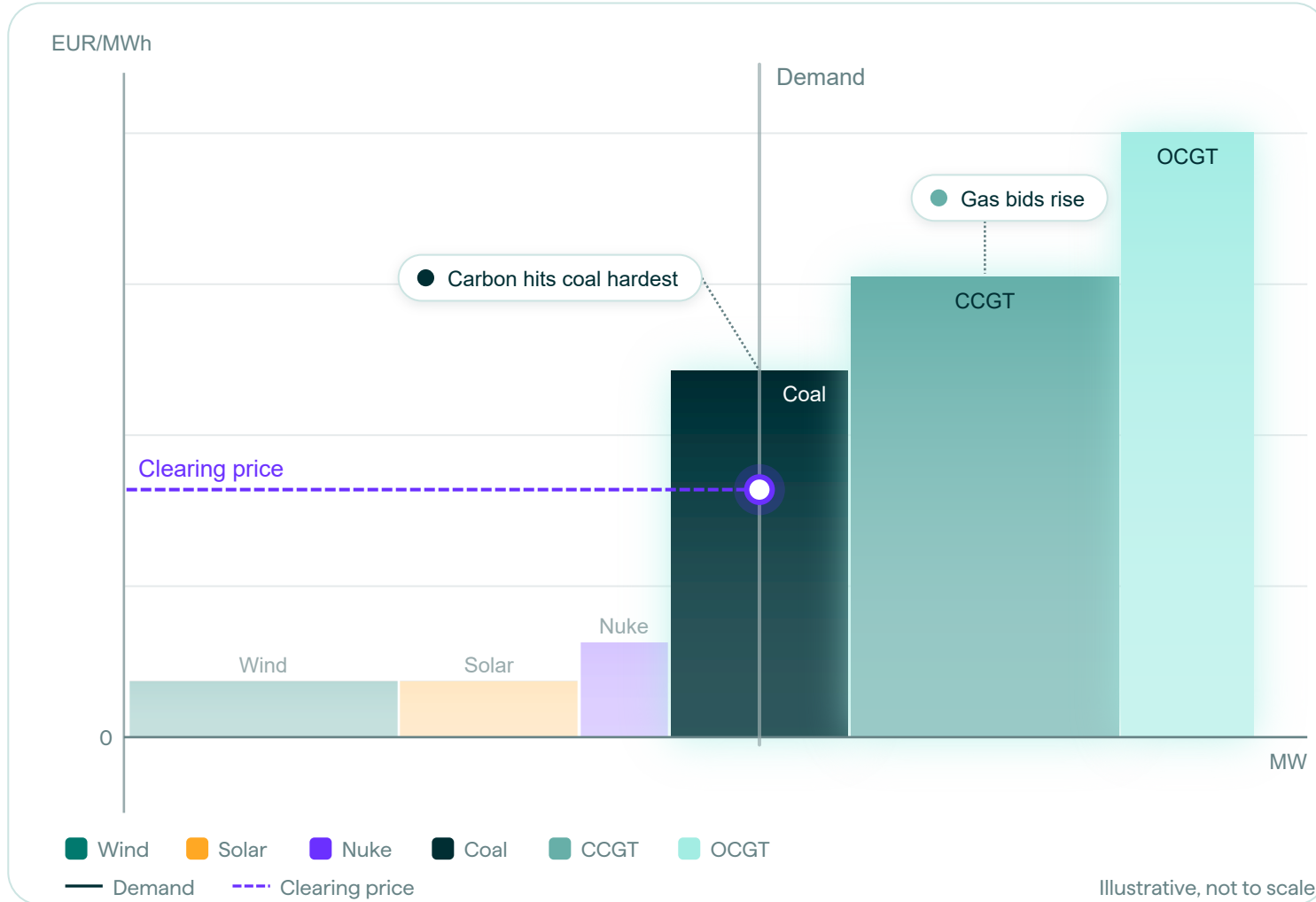


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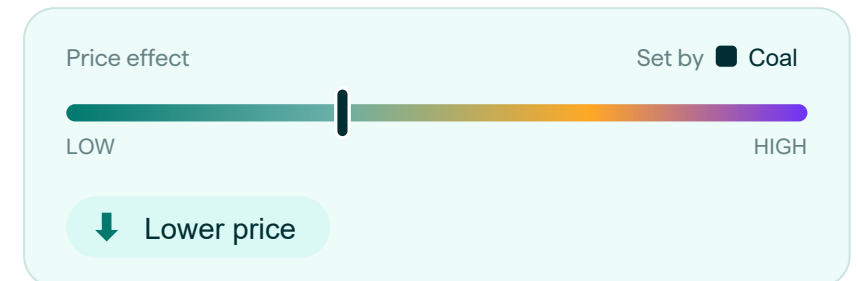


Fuel: gas and carbon prices up

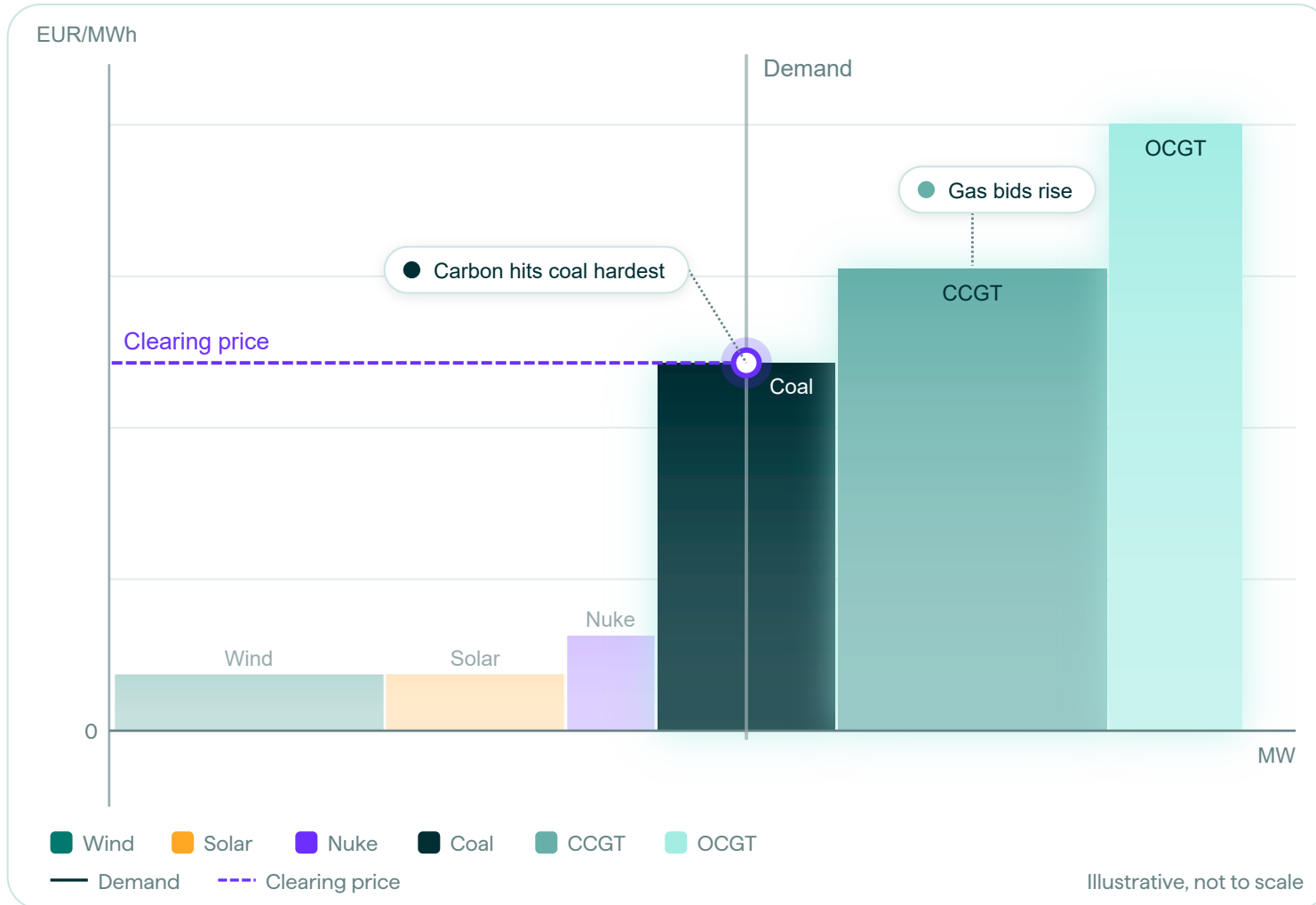


Step 3 of 6: Fuel prices

- Carbon cost per MWh, highest for coal
- Fossil blocks move up, order unchanged
- Same plant at the margin, higher bid

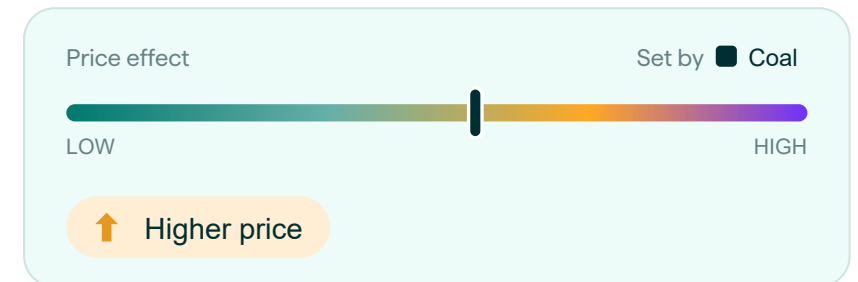


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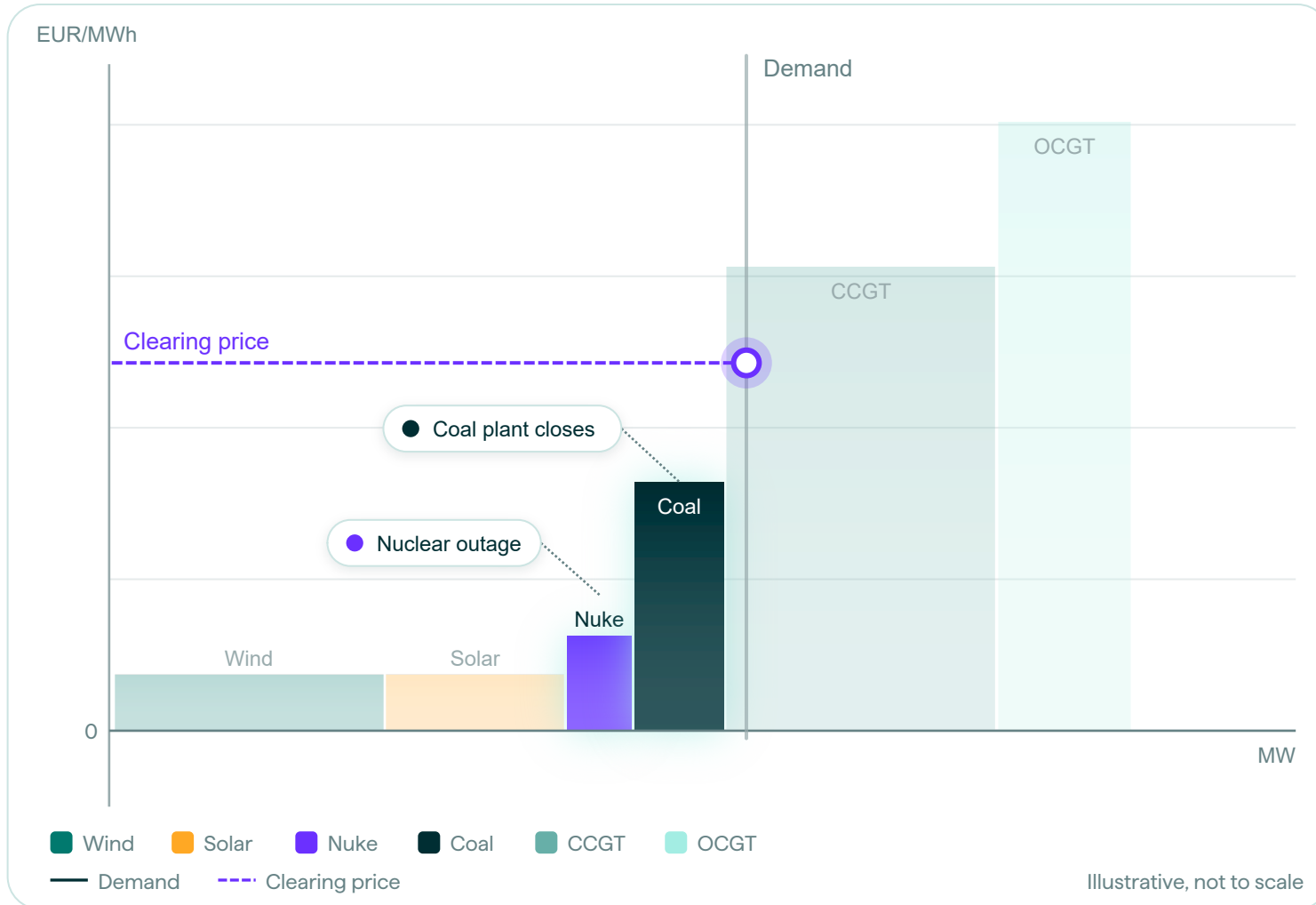


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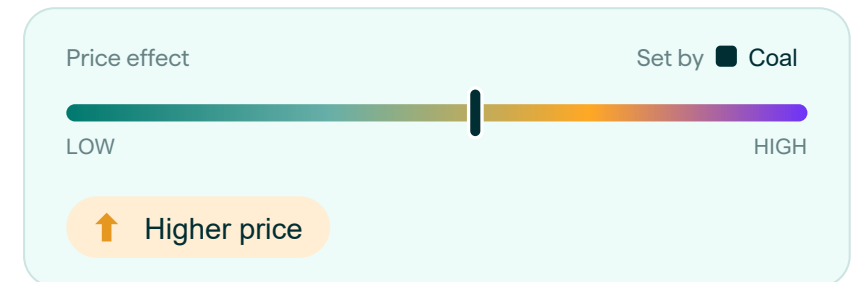


Availability: coal closes, nuclear outage

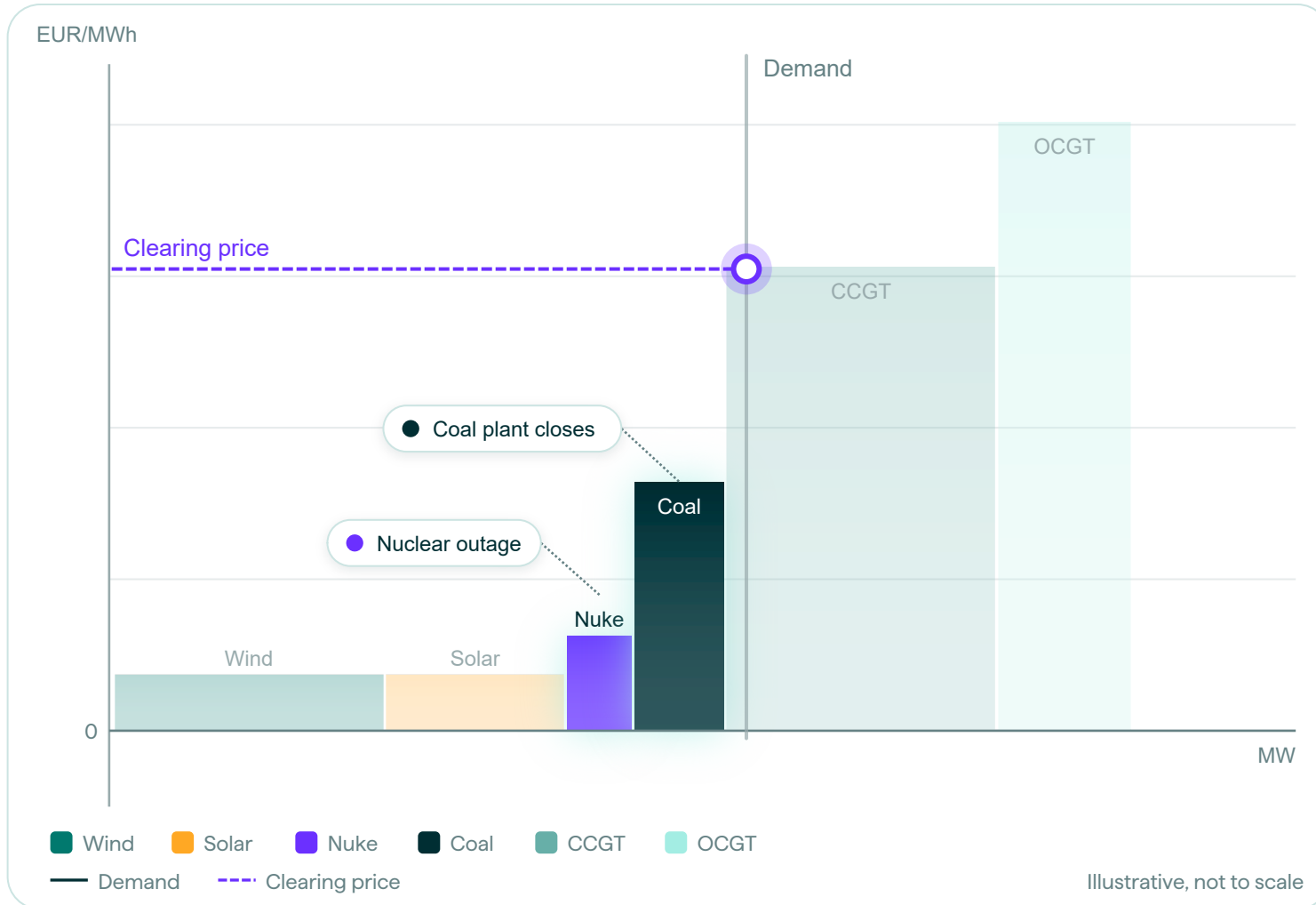


Step 4 of 7: Availability

- Coal capacity reduced
- Nuclear capacity reduced
- Stack shifts left, gas back at the margin

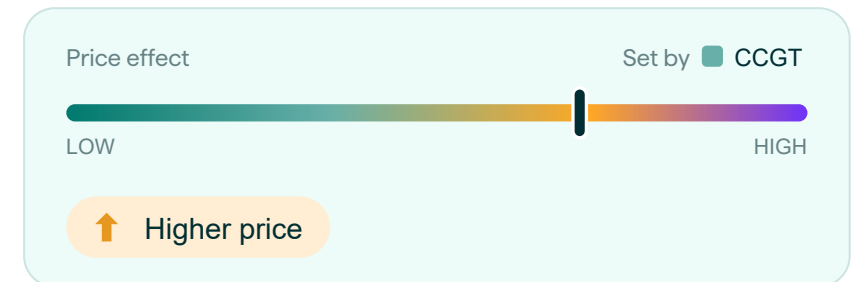


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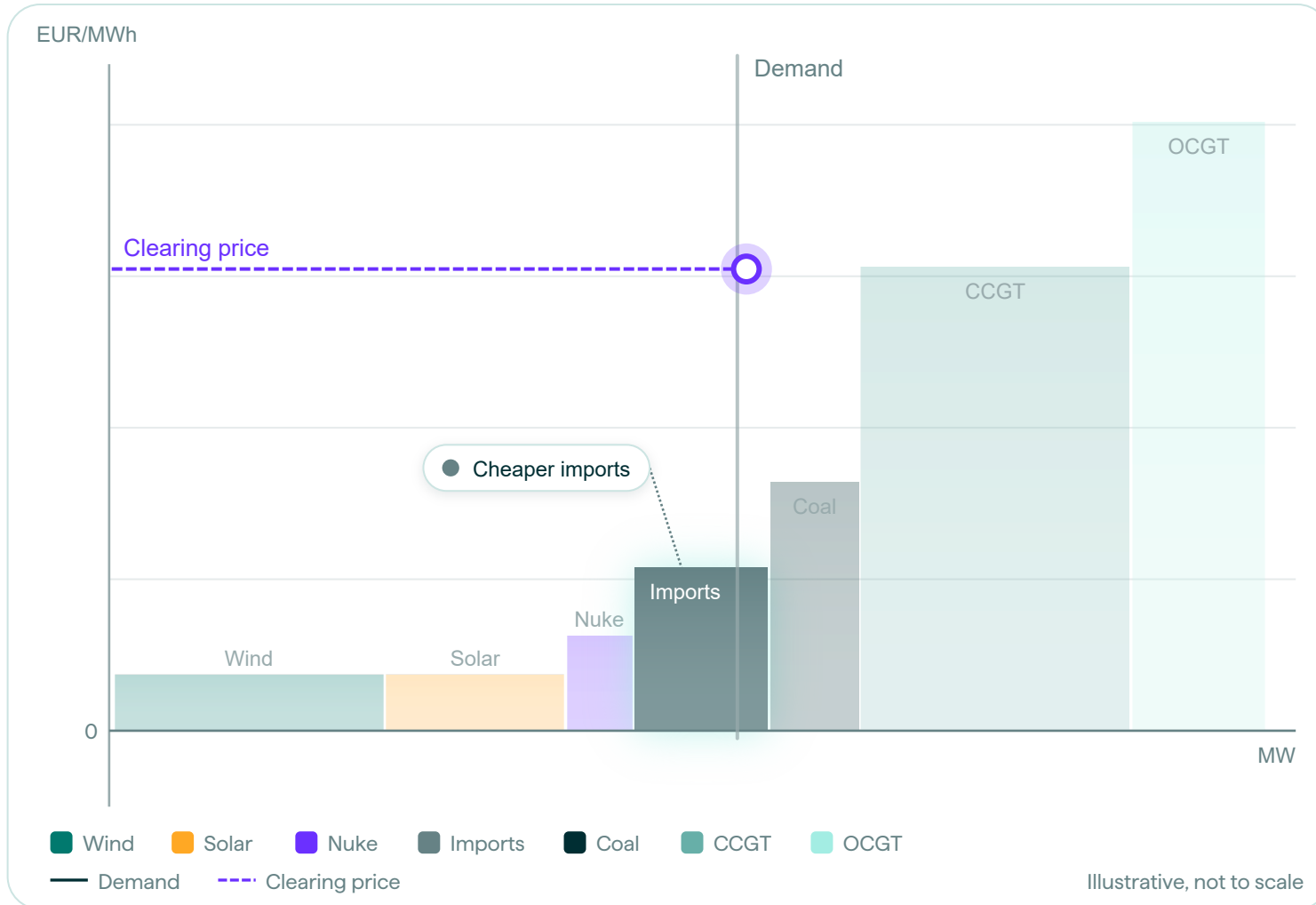


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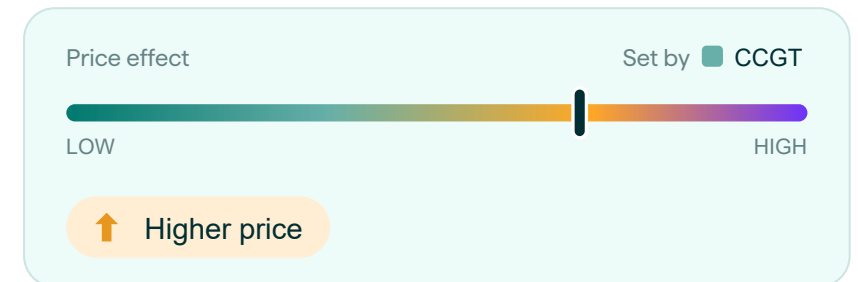


Transmission: imports flow in

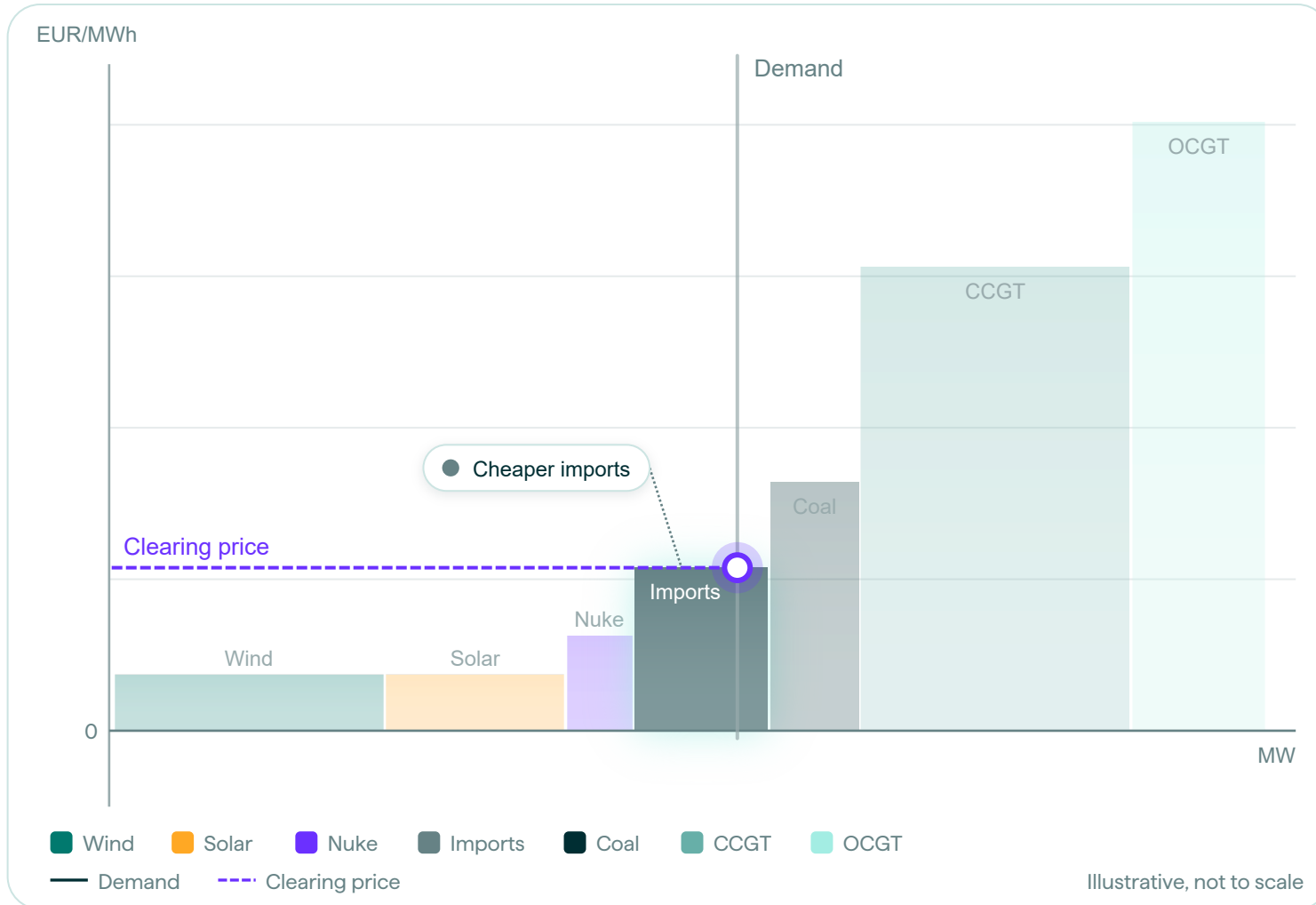


Step 5 of 6: Transmission

- Interconnectors bring in cheap renewable power
- Imports push gas out of the money
- Price converges with neighbours

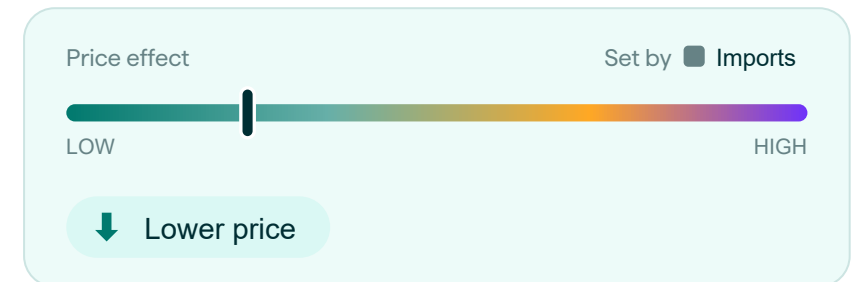


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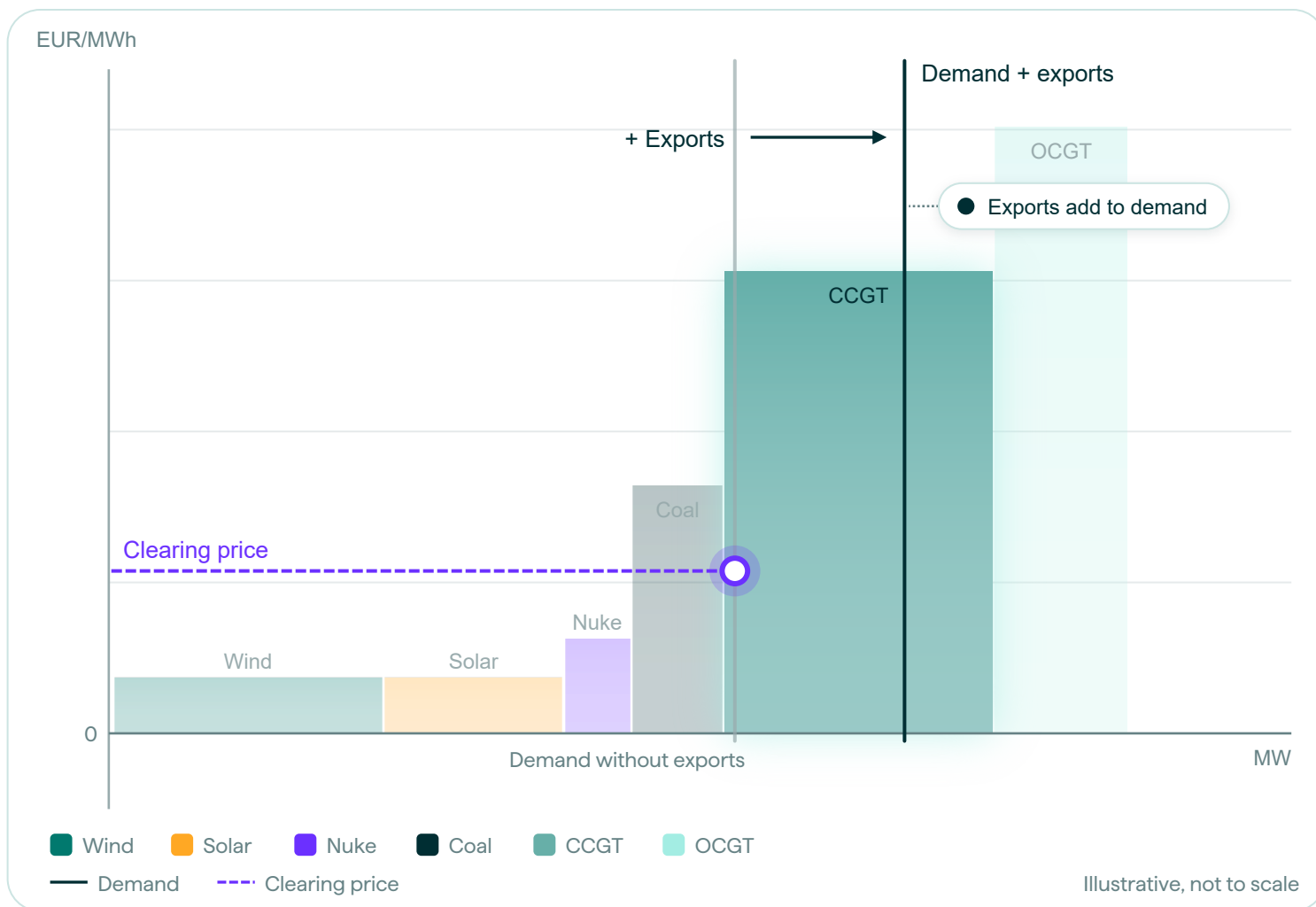


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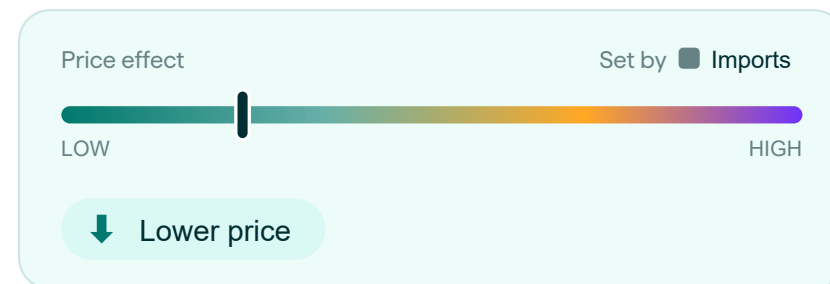


Transmission: exports flow out

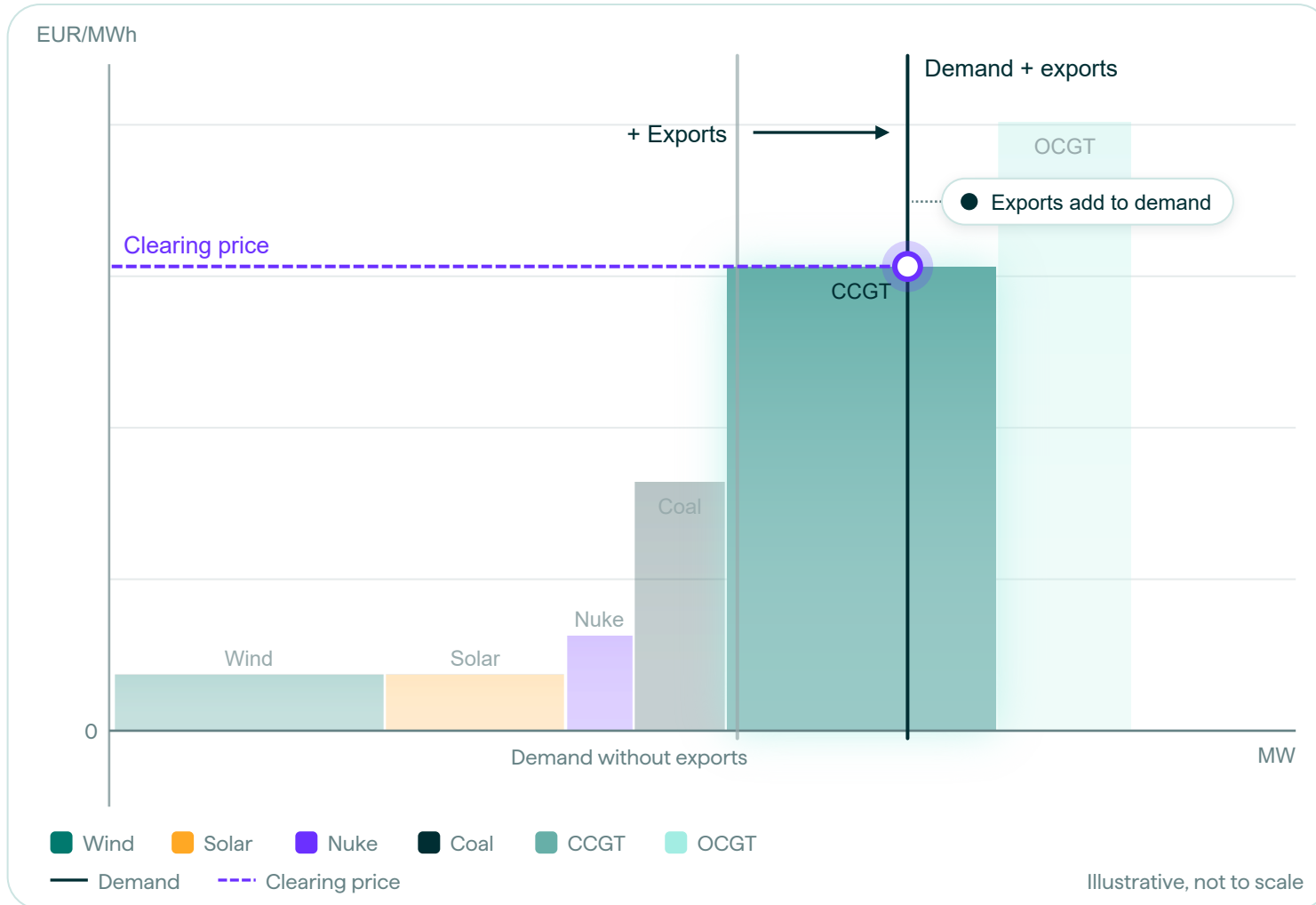


Step 6 of 6: Transmission

- Neighbours are short and import our power
- Exports add to demand: the line shifts right
- A more expensive plant sets the price
- Price converges with neighbours

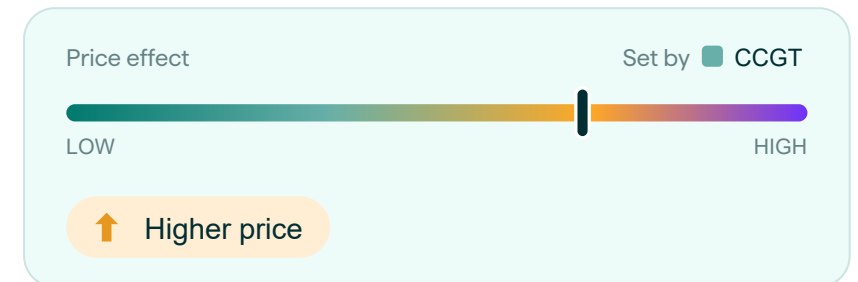


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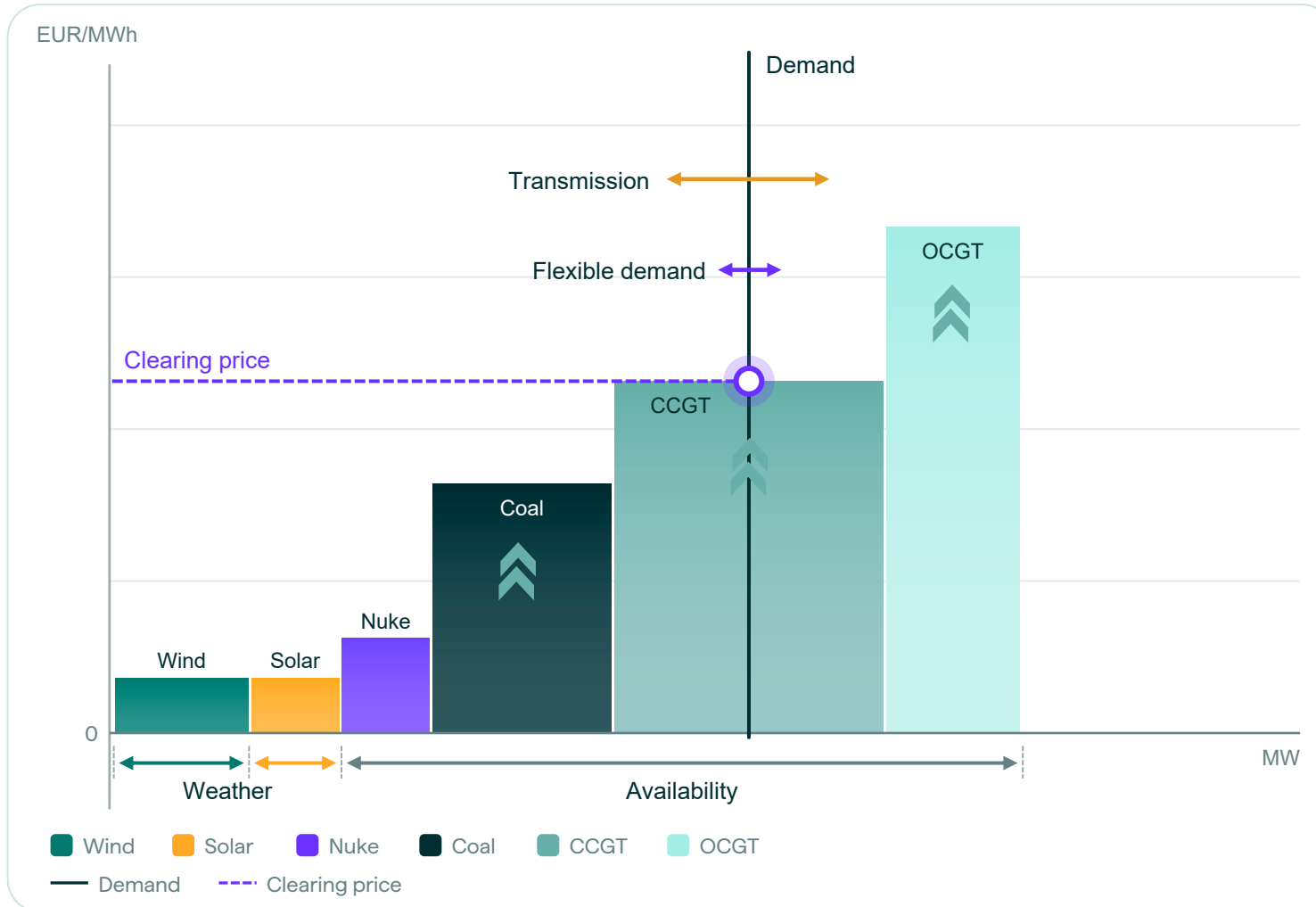


Step 6 of 6: Transmission

- Neighbours are short and import our power
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- Price converges with neighbours



Weather and availability set the price



What moved the price

- Weather**
Wind and solar output: where the stack starts
- Fuel Prices**
Gas, Coal and Carbon prices: fuel switching
- Availability**
Power plants and interconnectors: what can run
- Transmission**
Imports and exports move the demand the stack must meet
- Demand**
Routine and predictable; disrupted by weather and holidays
- Flexible demand**
Small: mostly large industry

REMIT made availability public, so the price could be forecast

High emissions

Transition

Cleaner energy

Net zero

Today

A market in transition

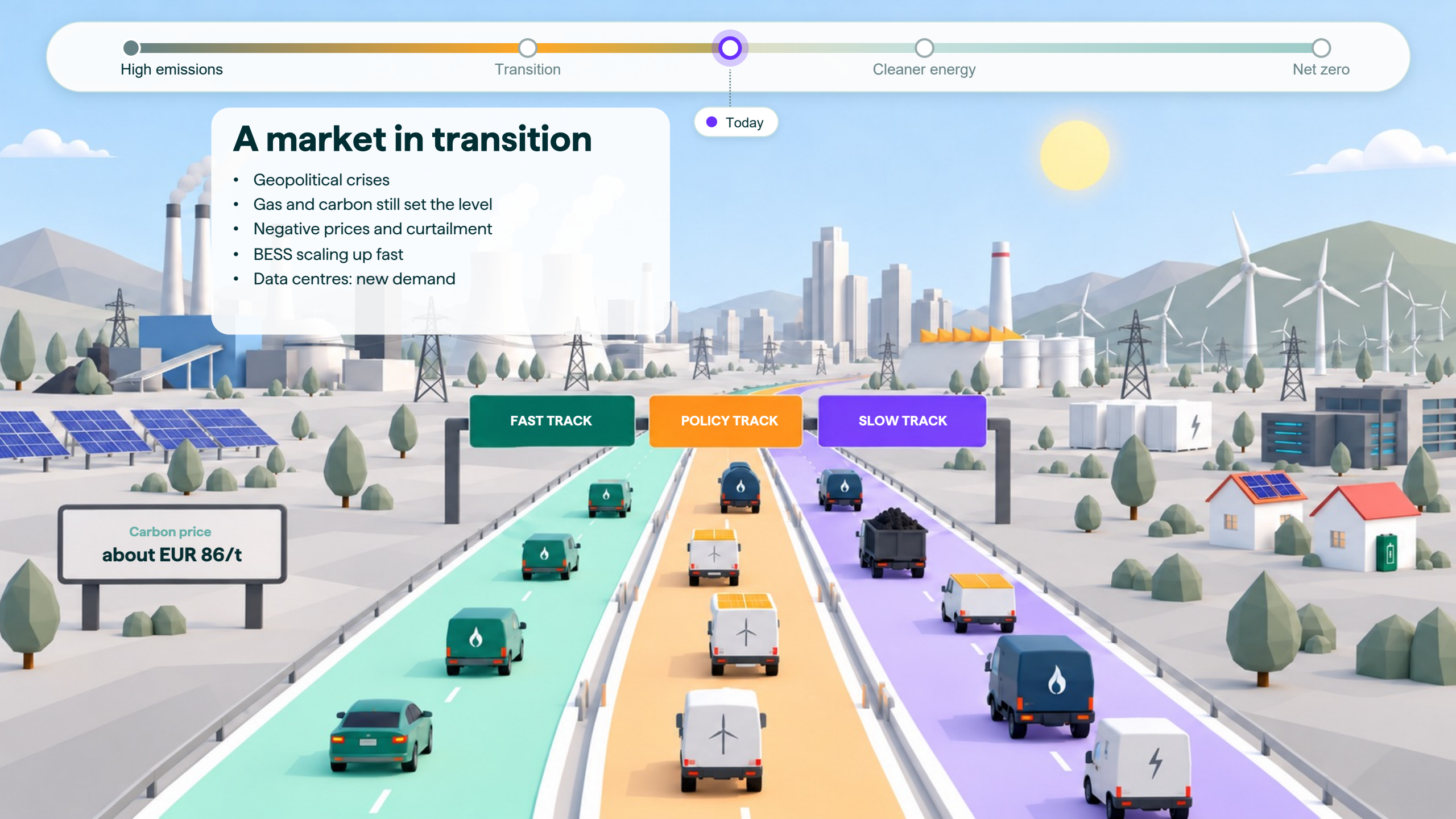
- Geopolitical crises
- Gas and carbon still set the level
- Negative prices and curtailment
- BESS scaling up fast
- Data centres: new demand

Carbon price
about EUR 86/t

FAST TRACK

POLICY TRACK

SLOW TRACK



Geopolitics sets the level

2022
Russia cuts pipeline gas

TTF above EUR 300/MWh in August 2022; Europe turns to LNG

Feb 2026
Strikes on Iran, Hormuz shut

Qatar LNG force majeure; TTF from about EUR 32 to above EUR 50/MWh by mid-March

Aug 2026
New fighting near Hormuz

TTF EUR 70.85/MWh on 31 August; EU storage only 64.7% full

Sources: Montel News

Is the system
still working?



Carbon prices driven by European policy

Latest

EU Emissions Trading System (ETS) review, July 2026

Trigger

Energy price shock, Italy called for ETS suspension

Outcome

Review instead of suspension

- Slower cap reduction
- Free allowances for industry extended
- Surplus allowances kept as a buffer

Carbon price

Up about EUR 7 to EUR 86/t on the announcement

Same pattern as earlier moves

● Market Stability Reserve (MSR), 2019

● Fit for 55, 2021

● REPowerEU, 2022

Next

Parliament and Council talks, deal targeted by Q1 2027



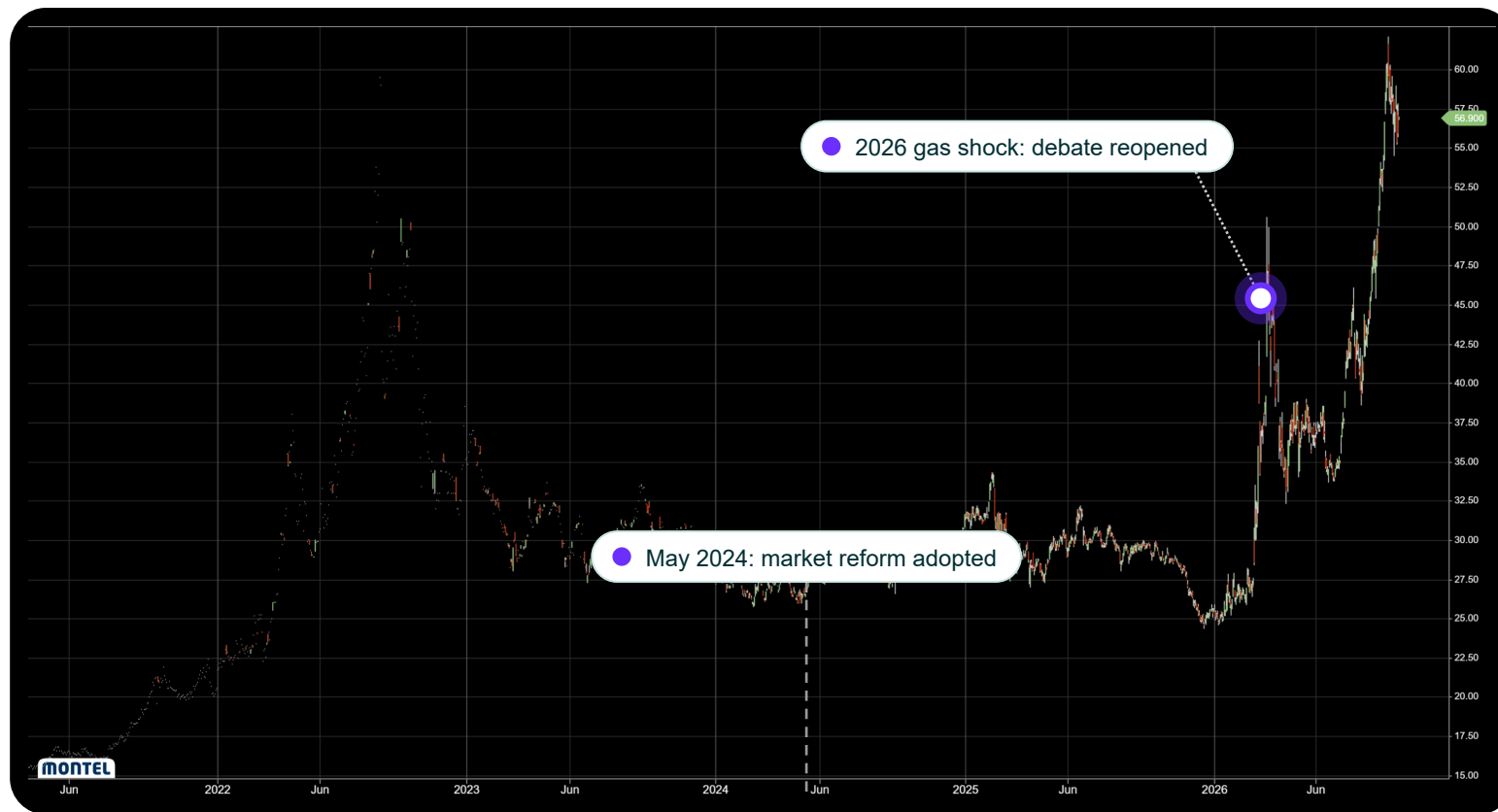
Daily, 15/12/2020 to 29/09/2026. Chart: EU carbon allowances, EUA Dec-27 futures (EUR/t). Source: Montel

Power prices: the merit order stays

- Gas sets the price about 50% of the time
- Marginal pricing survived the 2024 reform
- Added: contracts for difference (CfDs), power purchase agreements (PPAs), crisis tool
- Expired: Iberian mechanism, revenue cap
- 2026 gas shock reopened the debate
- Commission still rejects a market redesign

Problem: gas dependence, not market design

Fix: renewables, grids and flexibility



Daily, 30/03/2021 to 29/09/2026. Chart: Dutch TTF gas, front-year (EUR/MWh). Gas sets the power price about half the time. Source: Montel

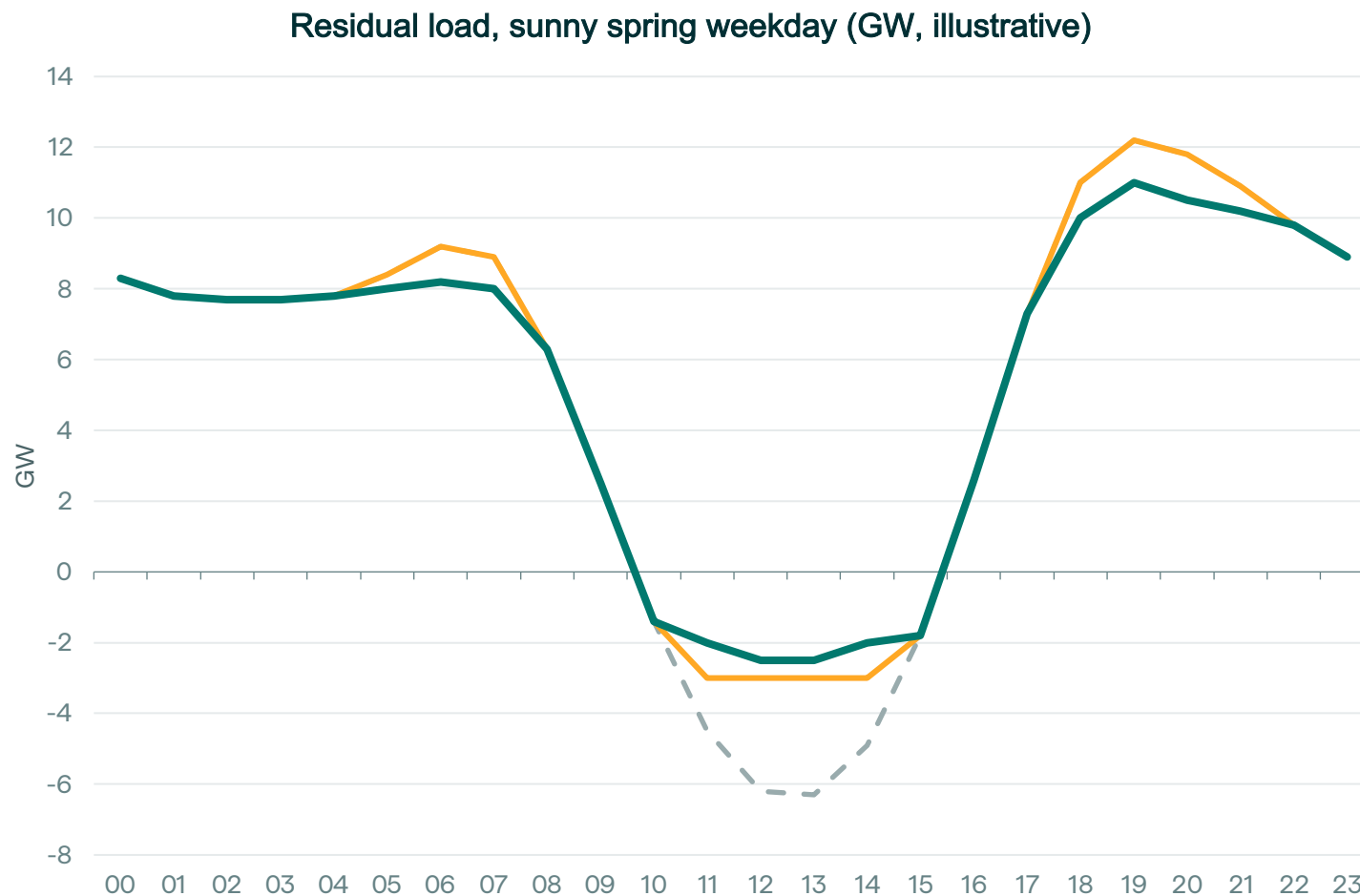
Demand shape: flexibility reshapes residual load

— Curtailment lifts negative residual load

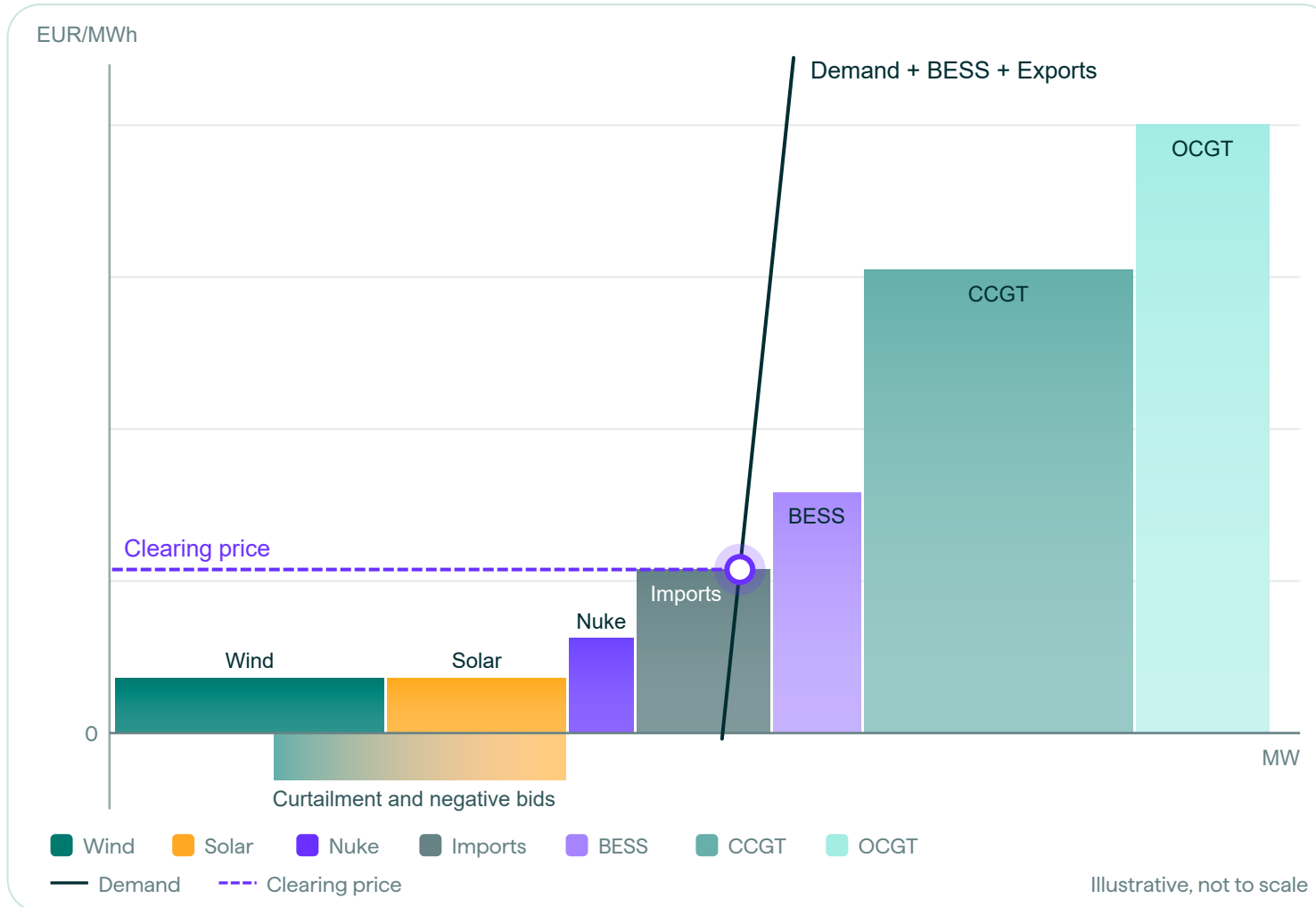
— Charging batteries absorb the midday surplus

— Discharging batteries shave the evening peak

- - - Residual load, no flexibility

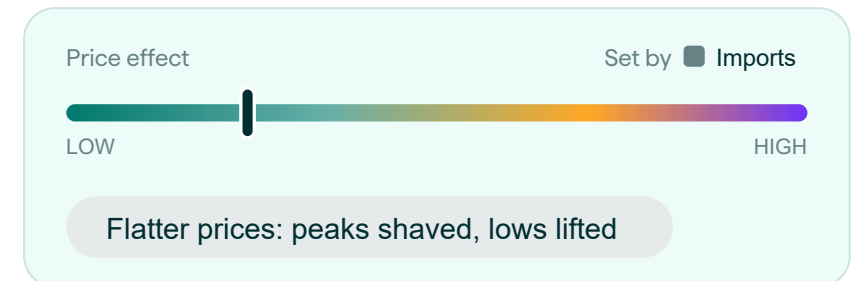


Flexibility is entering our merit order



Demand response and BESS

- Batteries discharge at the peak, charge when cheap
- Demand bends with price
- Curtailment and negative bids at the bottom





Future

Seven forces shape the future

- Coal gone: NL coal ban from 2030
- Data centres drive demand growth
- Flexibility sets more of the price
- Most flexibility behind the meter (EVs, HPs)

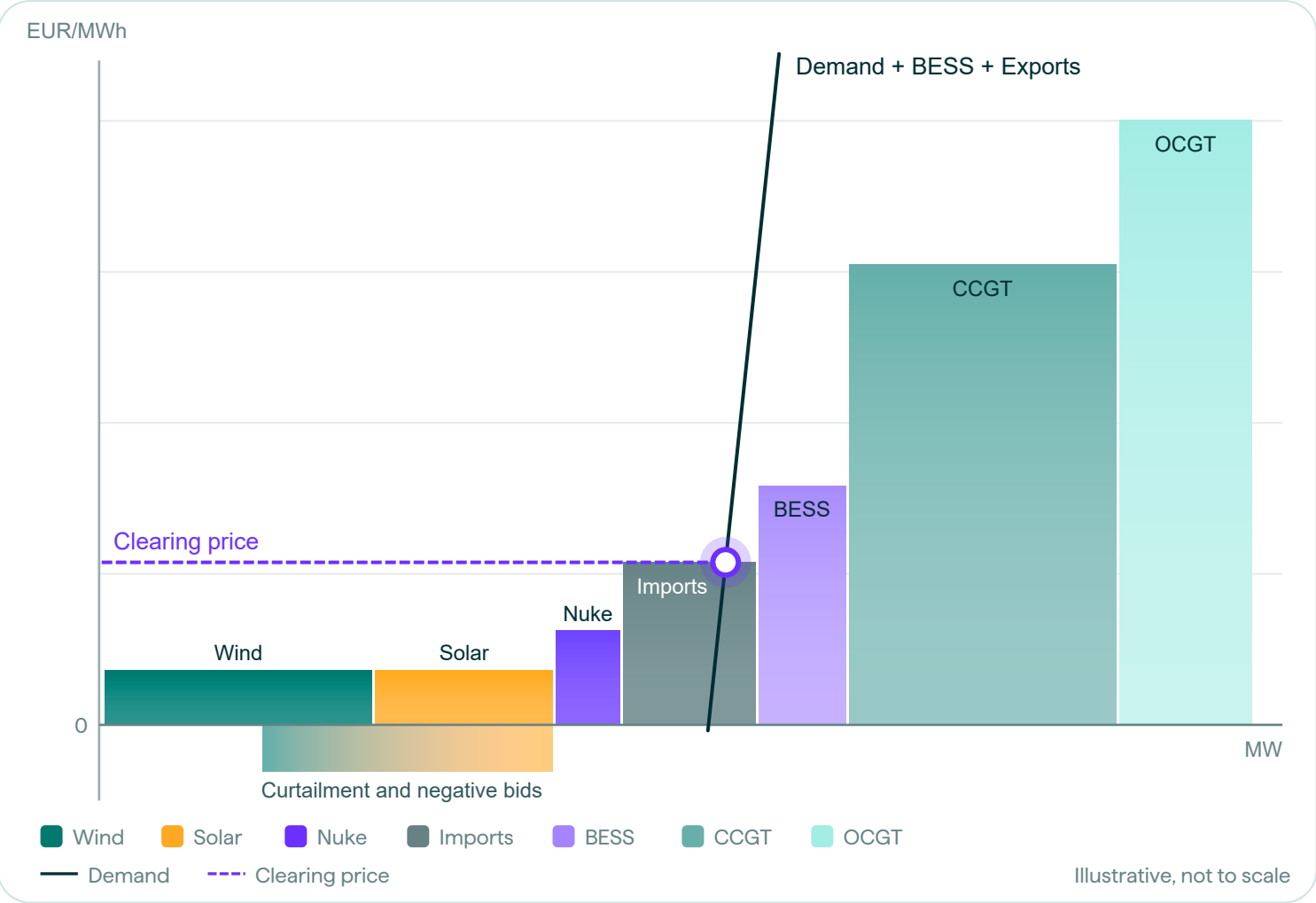
FAST TRACK

POLICY TRACK

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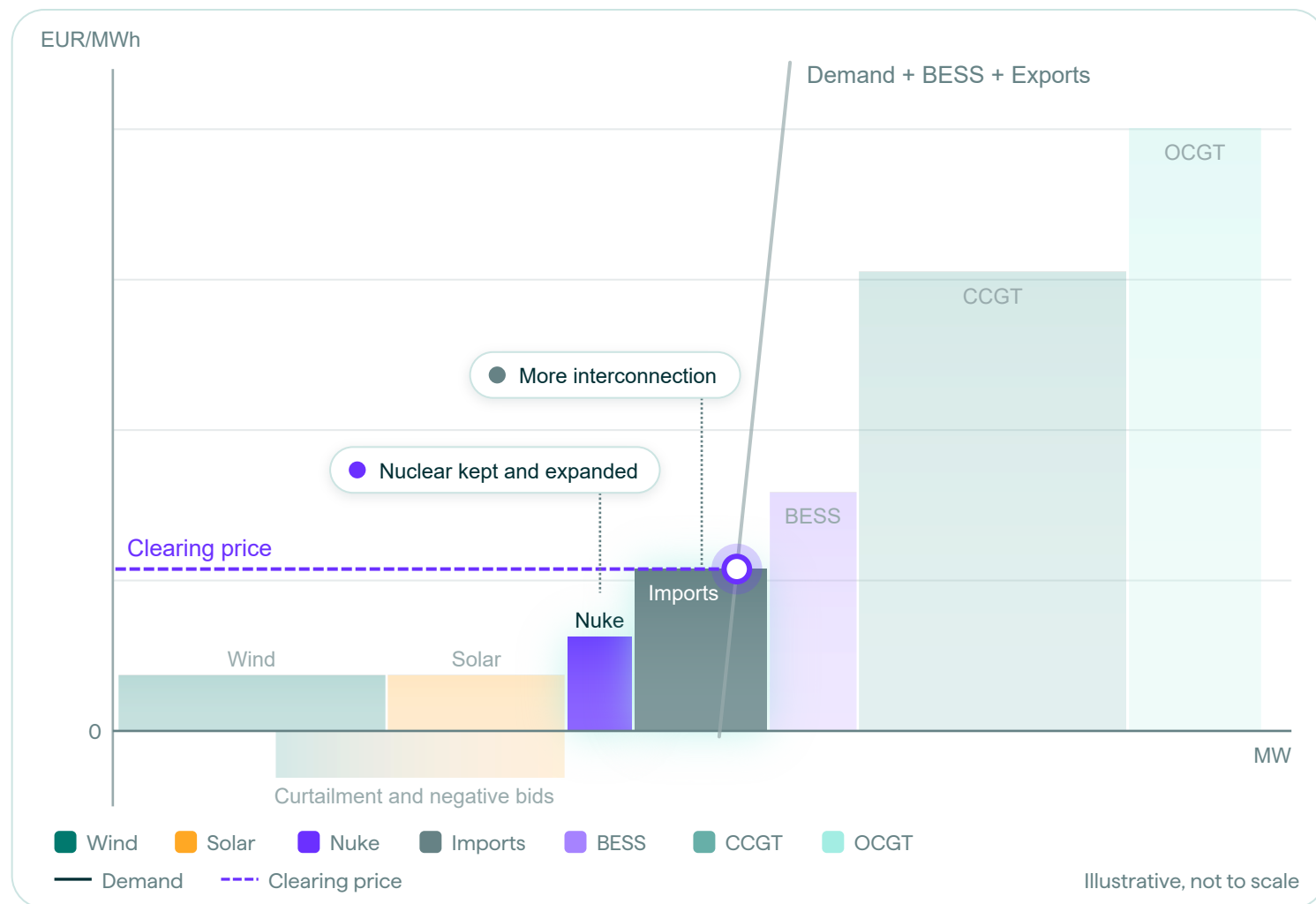
Future merit order: seven forces reshape the stack



Seven forces, from most to least certain

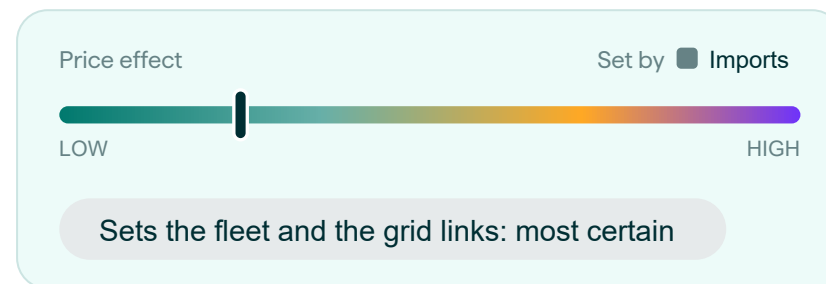
- 1 Law**
Coal ban 2030, nuclear, energy tax
 - 2 CRM**
Capacity payments: gas and batteries
 - 3 Subsidies**
More wind and solar, more negative bids
 - 4 Policy: prices**
Carbon, taxes and tariffs set bids and revenues
 - 5 Policy: supply plans**
Offshore wind roadmap, interconnectors
 - 6 Feasibility**
Grid and permits decide what gets built
 - 7 Market**
Batteries and demand, energy-only prices
- less certain

Law: fleet and interconnection fixed by legislation

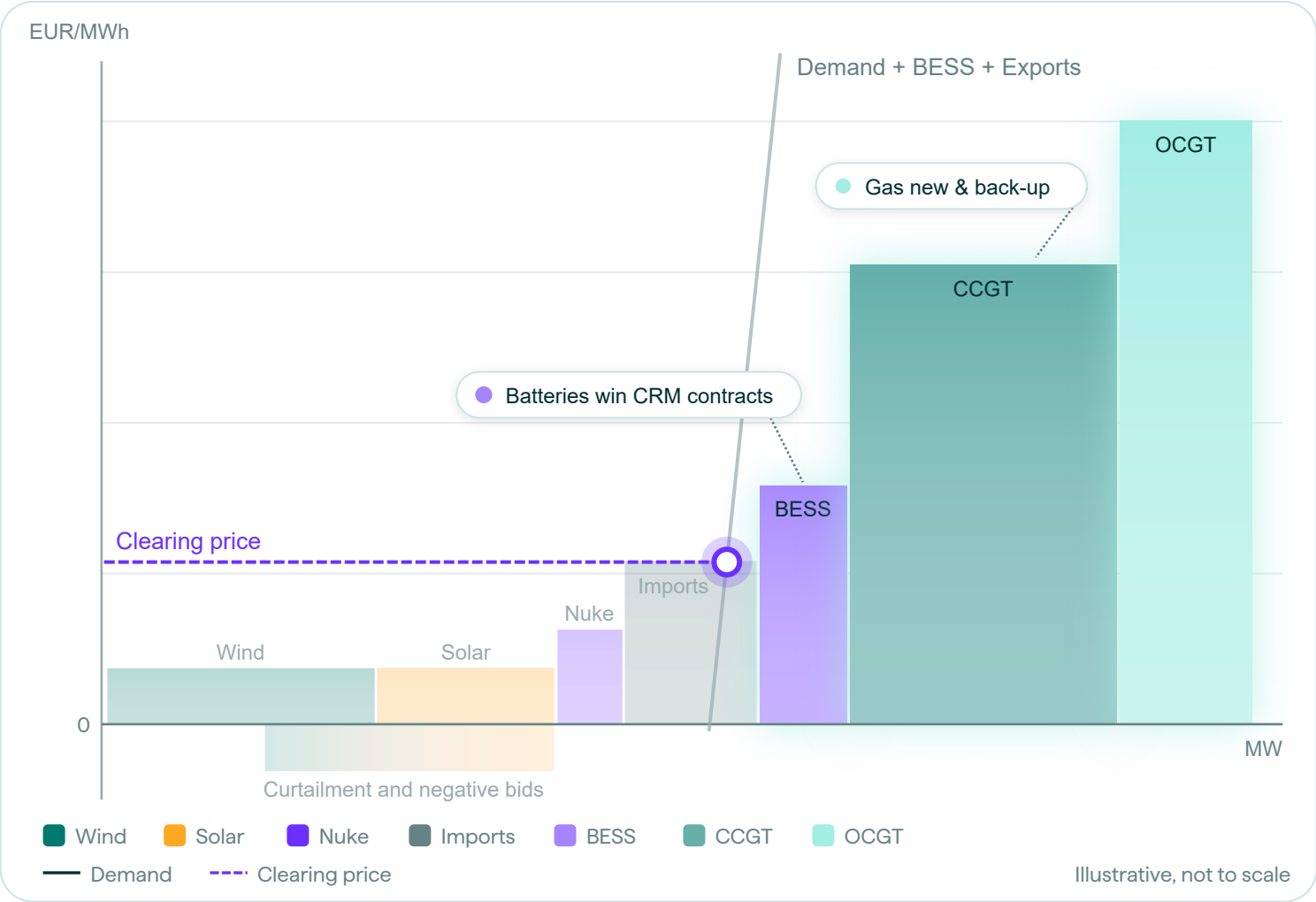


Step 1 of 7: Law

- Coal ban in NL from 2030; nuclear kept and expanded
- Import/export: EU target 15% of production capacity by 2030 (NL 9.5%, BE 12.8%)
- At least 70% of cross-border capacity must go to the market



CRM: capacity payments for gas plants and batteries

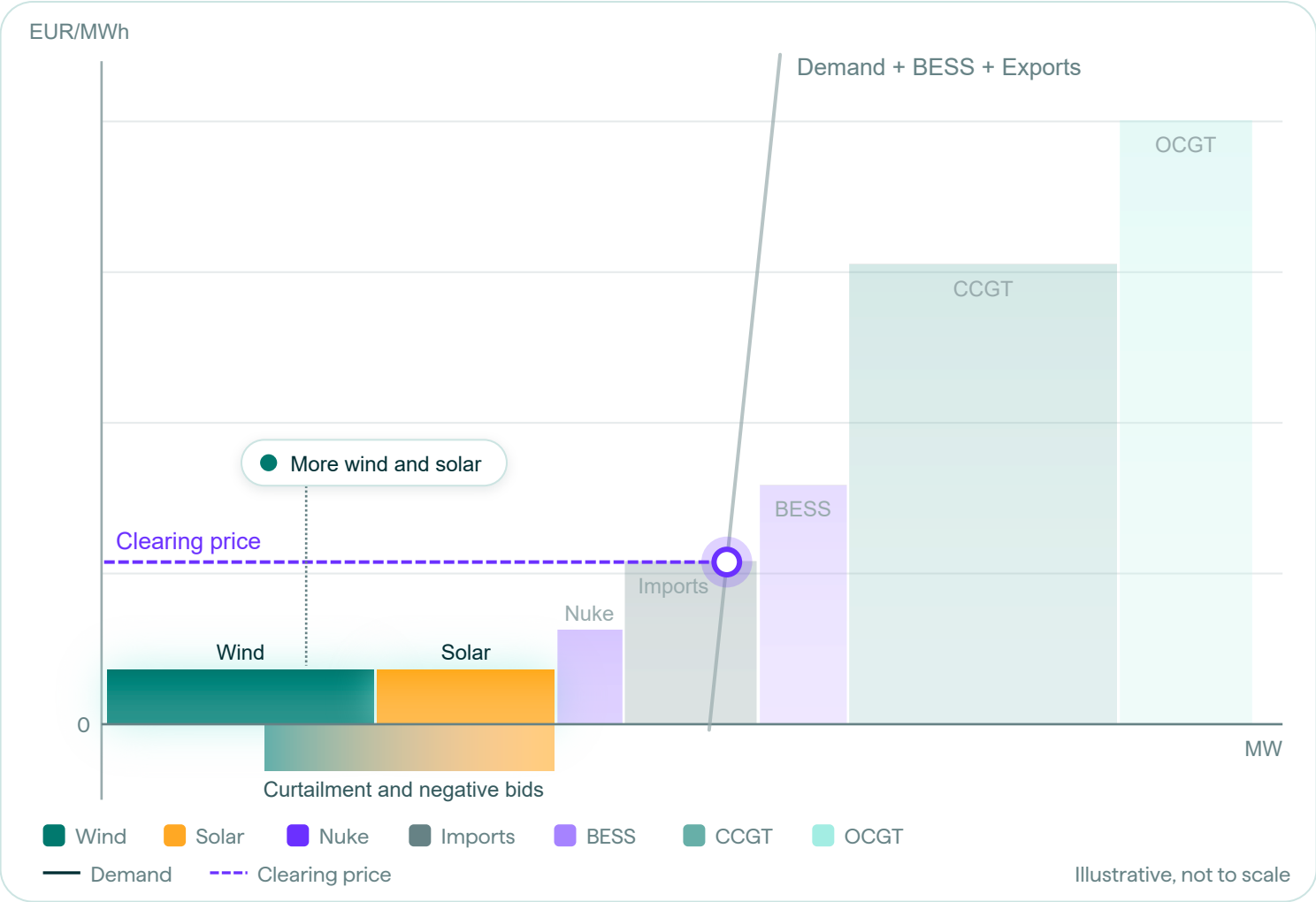


Step 2 of 7: CRM

- Back-up for dark, windless weeks
- Belgium: mainly CCGT and recently BESS
- CRM makes investment in BESS easier
- Paid for being available, not for running

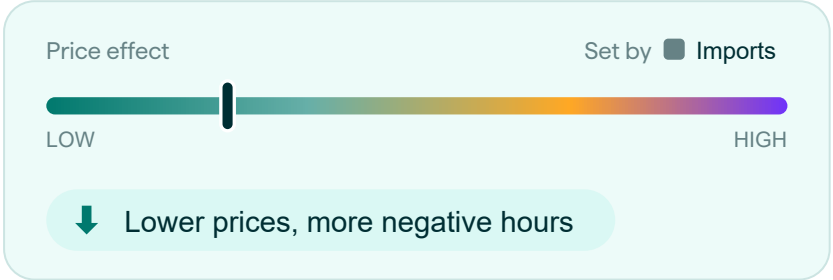


Subsidies: more wind and solar in the stack

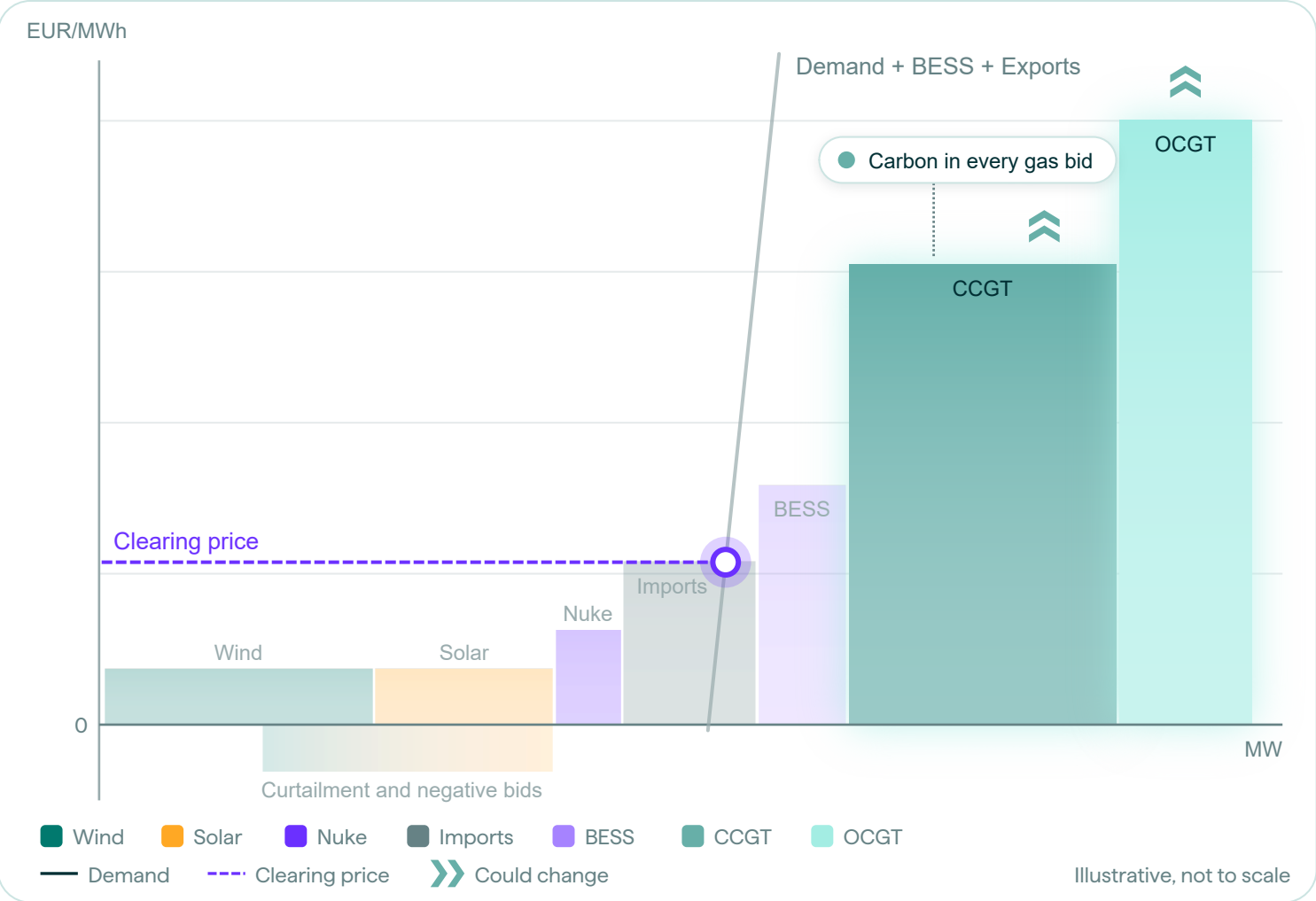


Step 3 of 7: Subsidies

- SDE++ and CfDs for wind and solar
- Offshore wind tenders set the build rate
- Subsidised output can bid below zero
- Certainty depends on budgets and tenders

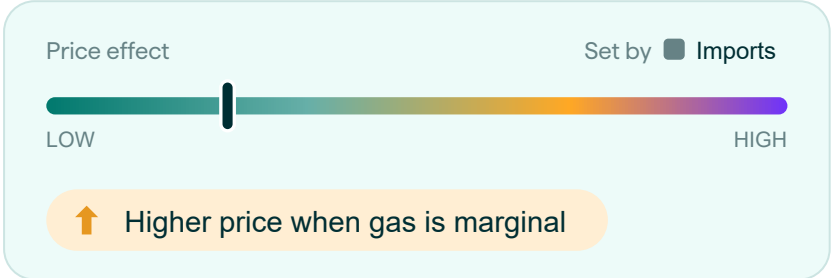


Policy: moves prices and revenues

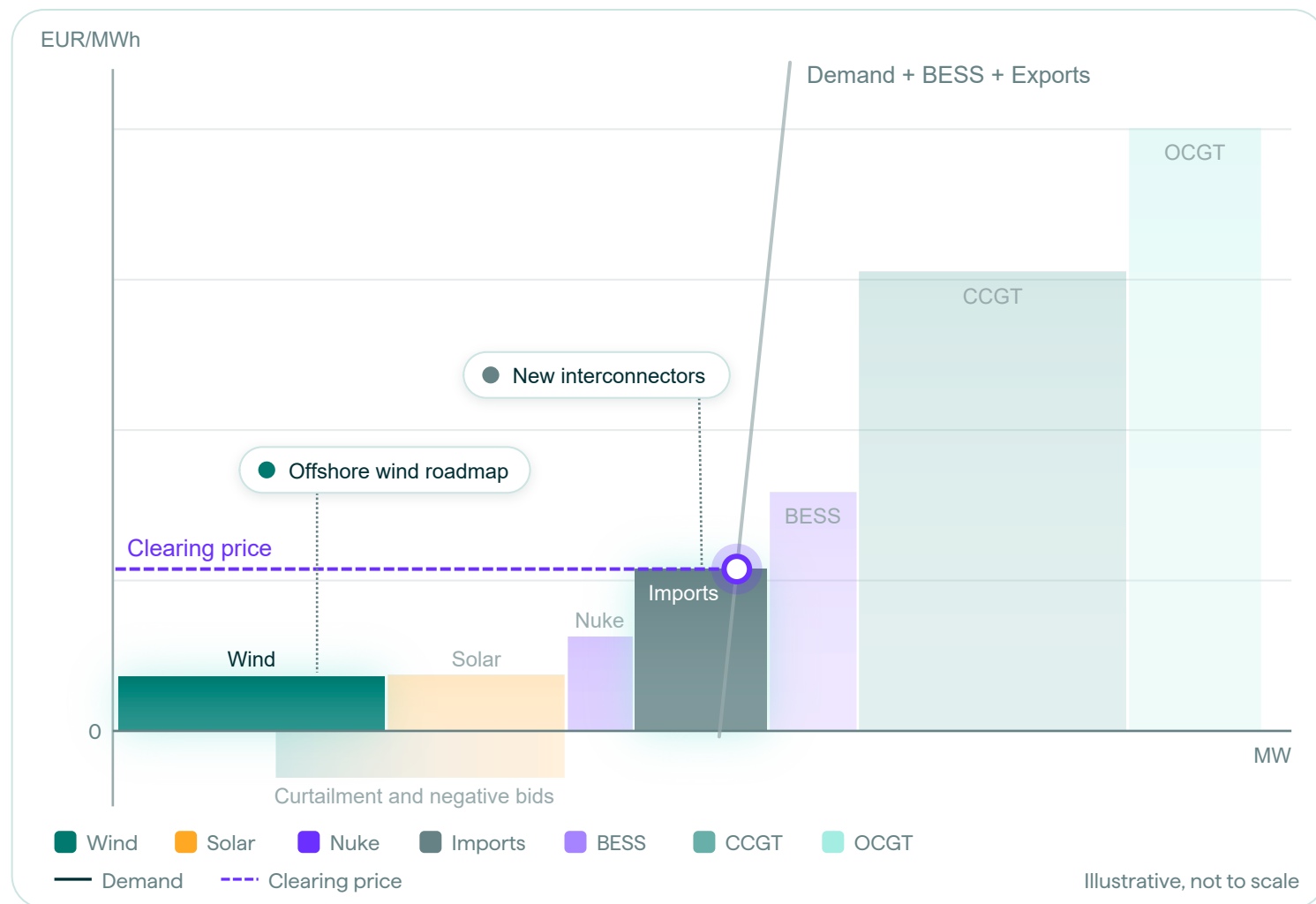


Step 4 of 7: Policy, prices

- Carbon price (ETS)
- Taxes
- Grid tariffs
- Can change fast: see the July 2026 ETS review

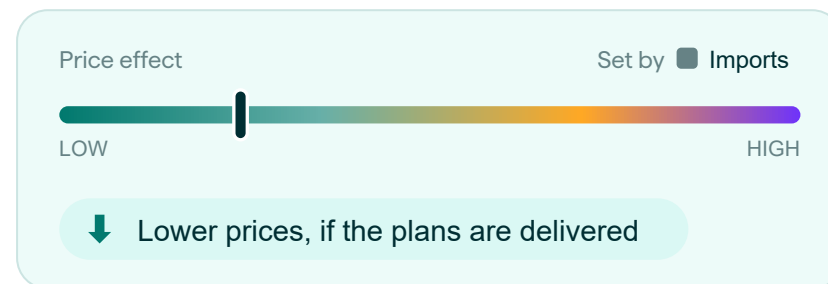


Policy: government plans for supply

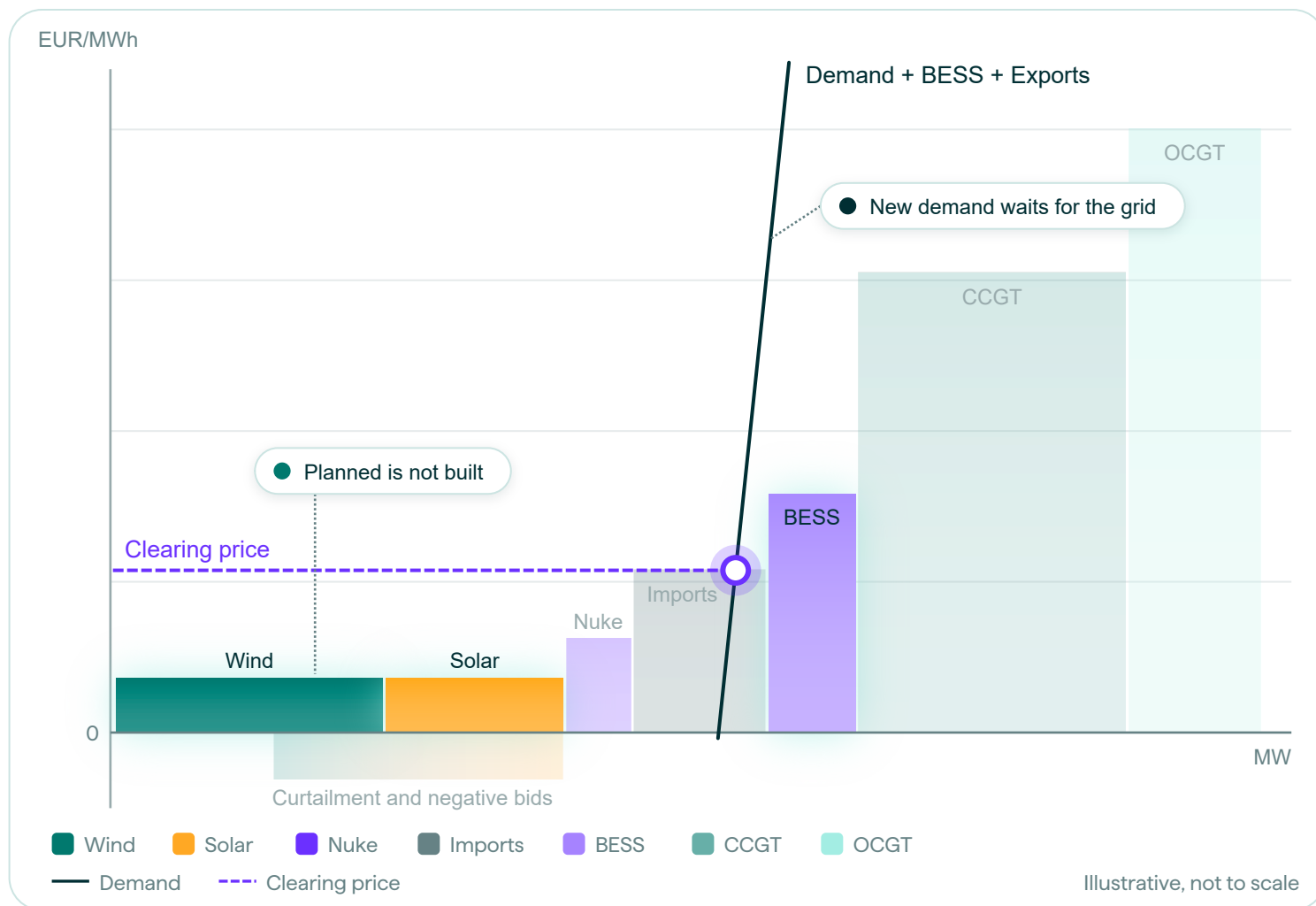


Step 5 of 7: Policy, supply plans

- Offshore wind roadmap: 21 GW by 2032
- Plans set expectations, not certainty

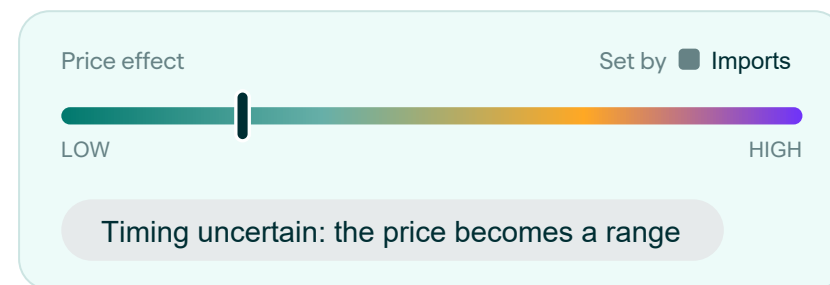


Feasibility: planned is not built

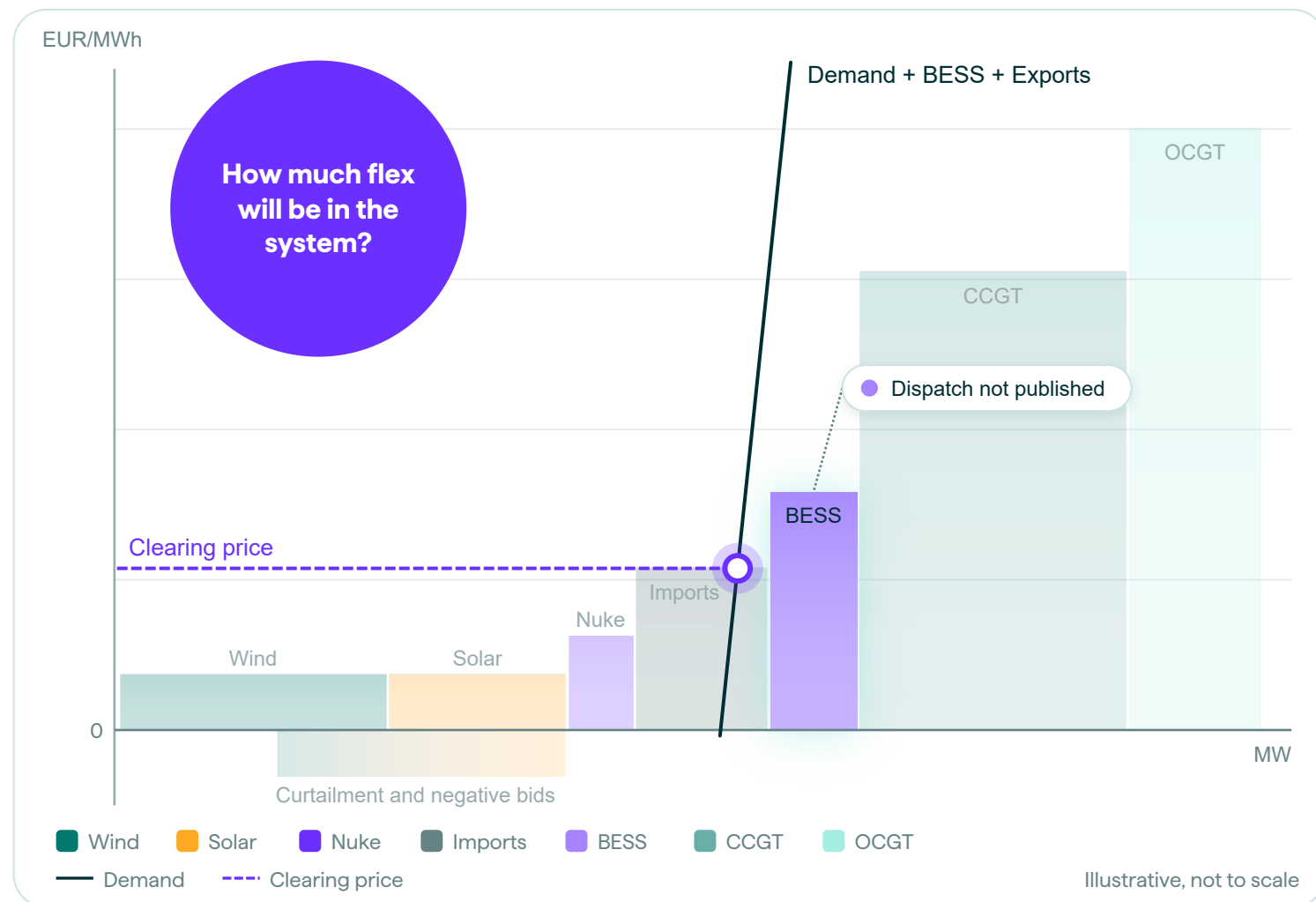


Step 6 of 7: Feasibility

- Grid congestion: queues for new connections
- Permits and supply chains
- New demand (data centres, electrification) waits for the grid
- H2 and CCS still to prove at scale

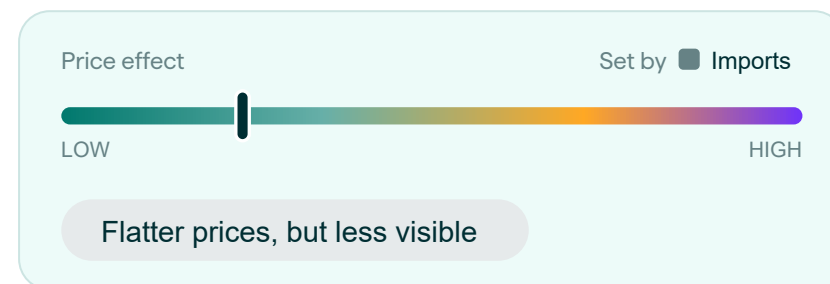


Market: new batteries and demand follow energy-only markets

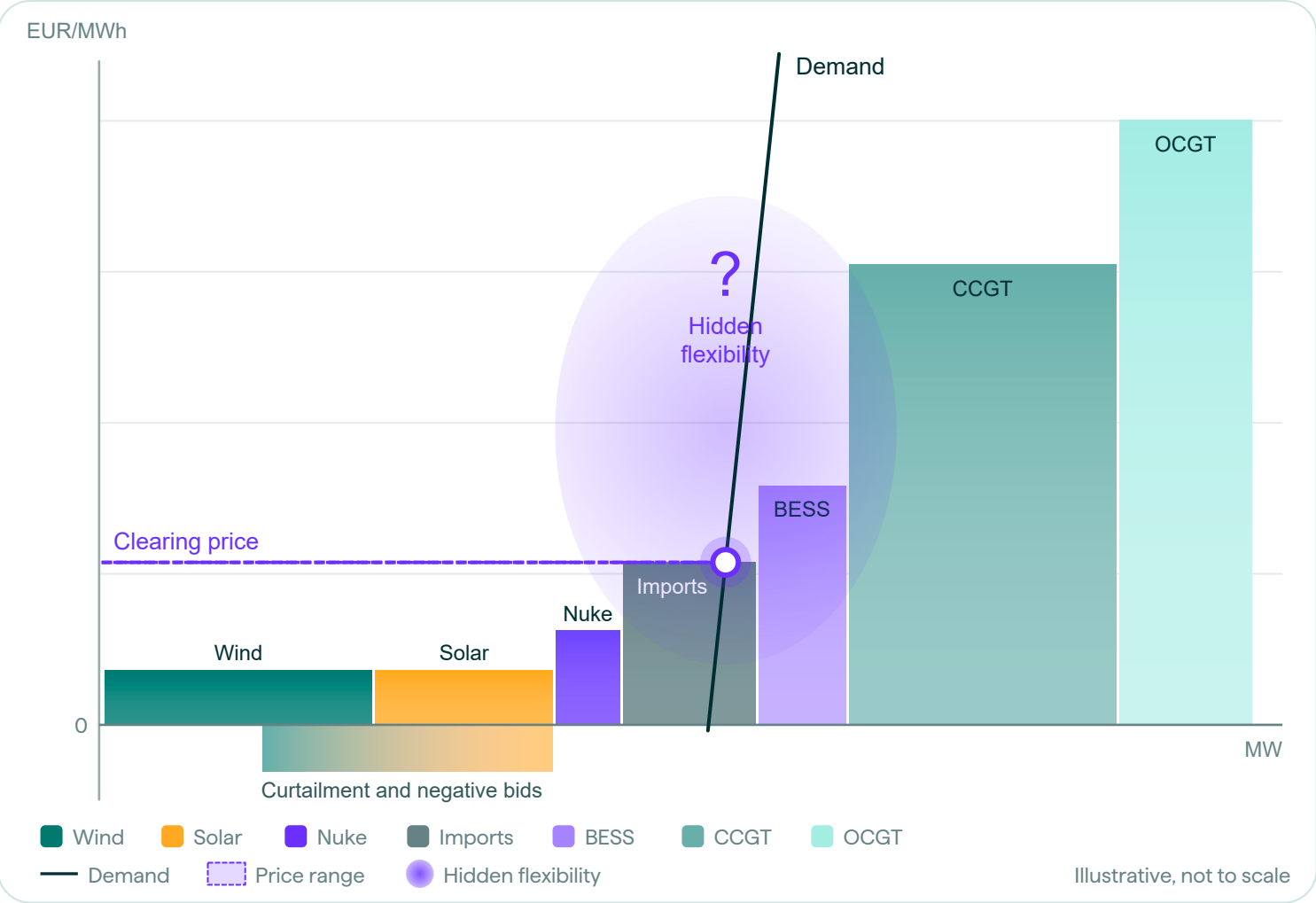


Step 7 of 7: Market

- No capacity payment in NL: revenue from energy prices only
- Batteries chase price spreads
- Split across day-ahead, intraday, balancing
- Least certain: dispatch not published



Forecasting gets harder: the price becomes a range



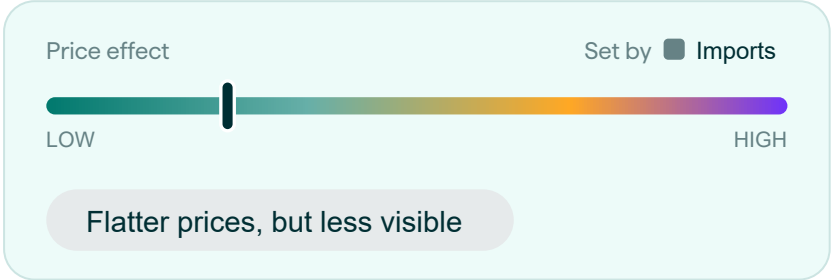
What changed

PRICE
Then Forecasts set the price
Now Prices shape the forecasts

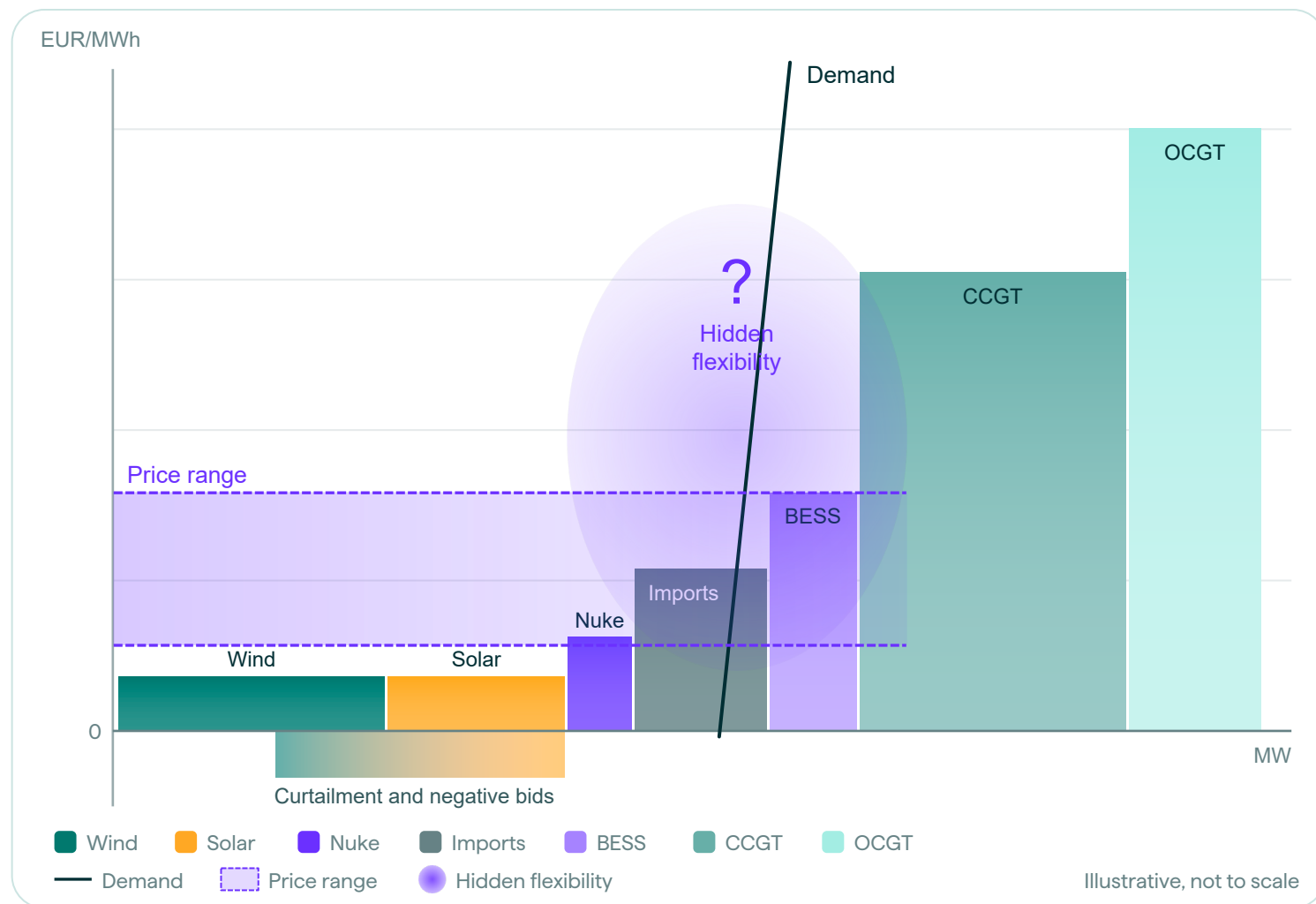
SUPPLY
Then Followed the weather
Now Batteries follow price spreads

DEMAND SHAPE
Then A fixed line
Now A range, behind the meter

DEMAND GROWTH
Then Routine and predictable
Now Uncertain: data centres, electrification



Forecasting gets harder: the price becomes a range



What changed

PRICE

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Now Prices shape the forecasts

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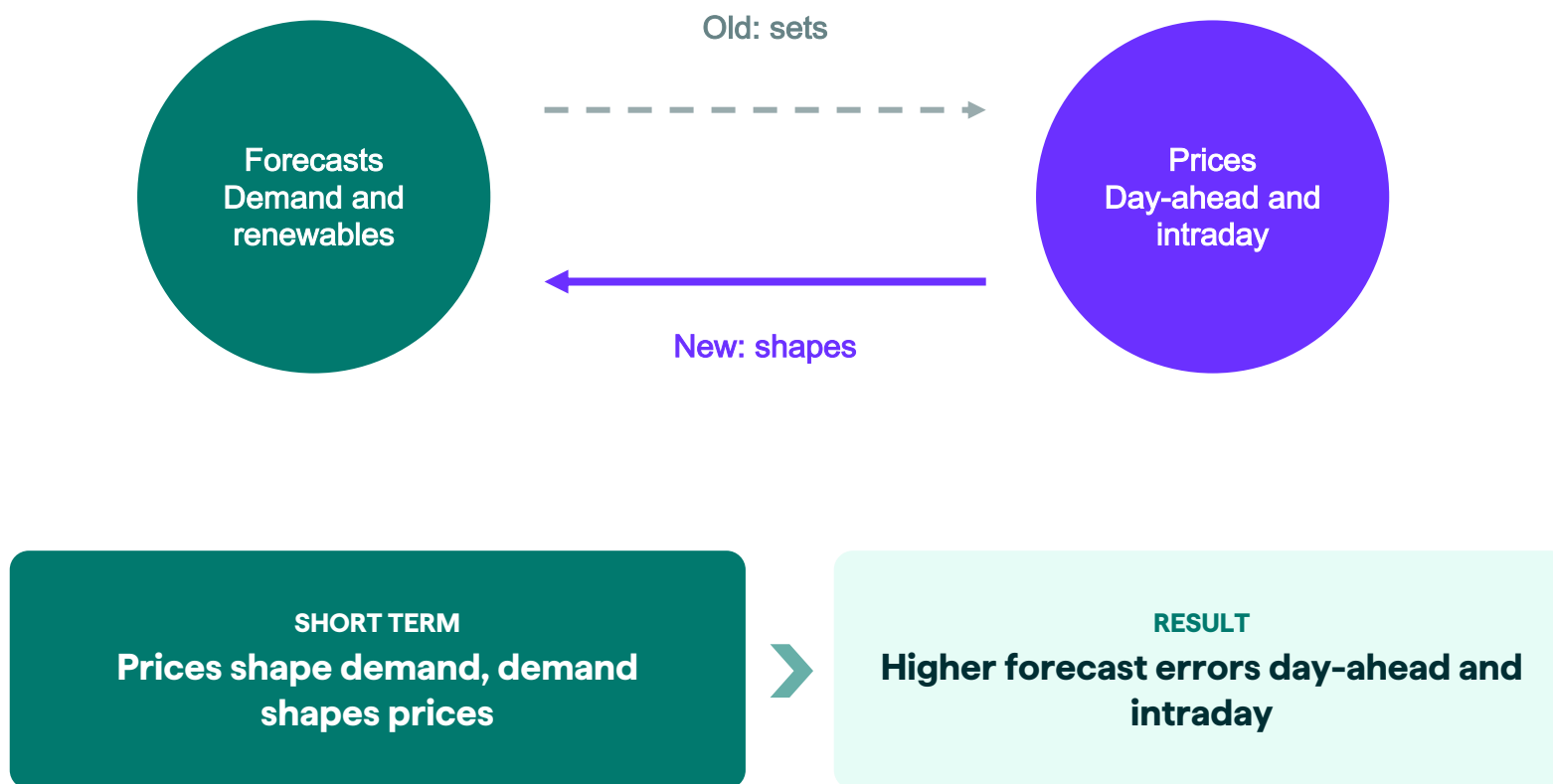
Now Uncertain: data centres, electrification

Price effect



Wider price range: harder to forecast

Chicken and egg: short-term errors feed long-term projections



If we cannot forecast flexibility for tomorrow, we cannot project it across the next decade.

Four blind spots, in both time horizons

Assets choose when, where and on which market to sell. We cannot see the projects, the dispatch, the split per market, or the demand behind it.

1

Long term

Project pipeline

- Which batteries and flexible assets are coming, where and when
- Demand growth: timing of data centres and electrification unclear
- Grid connection queues are not public
- Registration rules differ per country

2

Short term

Real dispatch

- Battery availability under REMIT is incomplete
- Actual charging and discharging is not published

3

Short term

Split per market

- How much goes to day-ahead, intraday or balancing (aFRR, FCR)

4

Short and long term

Demand breakdown

- Flexible vs static household demand is unknown
- Home batteries, EVs and heat pumps not registered consistently

What we do see: plant and interconnector availability (REMIT)

The fix: transparency now, registration next

Short term

Transparency: REMIT behind the meter

- 1 Large-scale batteries**
Report availability, as power plants do today
- 2 Renewables**
Flexible share, load shapes, installed capacity by region
- 3 Demand**
Split static from flexible, hourly, by region and category
- 4 Small-scale batteries**
Installed capacity, market-driven vs household shifting

Long term

Registration: track every project by phase



- One public register for batteries, flexible demand, data centres and H2
- Same rules in every country, updated when a project moves phase
- Turns long-term projections from a guess into a pipeline with probabilities

Why: better forecasts, less pressure on the system, lower consumer costs

Short-term observations feed long-term projections



Forecasting in the dark

MAIN TAKEAWAYS

- **Gas and carbon** still set the price level
- **Most certain:** fossil fleet, set by law and CRM
- **Least certain:** demand growth, batteries and demand response
- **Flexibility reshapes the curve**, mostly out of sight
- **Forecasting gets harder**, short term and long term
- **Next: transparency, then registration of project phases**

Pitfalls on the road

- 1 Grid congestion slows new connections
→ **Publish grid connection queues**
- 2 Policy can change fast: ETS, subsidy budgets
→ **Clear, public policy roadmaps**
- 3 Demand growth: data centres, electrification
→ **Register project phases**
- 4 Flexibility hidden behind the meter
→ **Extend REMIT behind the meter**

Solved by more transparency

FAST TRACK

POLICY TRACK

SLOW TRACK



What questions do you have?



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Thank you