

MARKET REVIEW



ACWA Power's growth pipeline and role in the market

There are multiple engines supporting ACWA Power's growth. The first is the highly visible and solid pipeline growth in KSA in which the Company is developing 70% of the Kingdom's renewables target of 103 GW by 2030 through its strategic partnership with PIF. The second engine is the bilateral negotiations ACWA Power is increasingly pursuing by leveraging its stellar historical track record in developing utility scale power generation, water desalination and green hydrogen production assets. ACWA Power is seen as a KSA national champion with a significant presence in the region. The Company also has a reliable international pipeline delivering power and water projects internationally. This results in a reliable 13 GW pipeline coming from bilateral negotiations. Thirdly, there are traditional auctions with 32 GW and 5.0 mm³/day opportunities. The Company has built an established competitive infrastructure with a robust win ratio and a track record of expertise and competitiveness in bids through in-house design, project

finance, and technical and legal expertise. Fourthly, ACWA Power is an industrial partner of choice in the development of large-scale power, water, and green hydrogen projects. The Company is trusted by blue chip industrial names to deliver power, water, steam and green hydrogen (e.g. Aramco and Air Products), providing future commercial and industrial opportunities.

Additionally, in KSA, the Company has a highly visible and imminent project pipeline from a combination of advanced development projects, Vision 2030 and a solid pipeline of bilateral negotiations and active bids/tenders.

The Company's power generation portfolio includes 33.2 GW in operation, 23.6 GW under construction, and 12.4 GW in advanced development. Furthermore, ACWA Power is developing 70%

of the Vision 2030 renewable power target of 103 GW by 2030 under a strategic framework agreement with PIF.

The Company upgraded its ambition for share of renewables in its generation portfolio to 70% by 2030, after reaching its original target of 50% disclosed at the IPO, approximately six years ahead of schedule.

In the water desalination sector, there is a significant growth opportunity and the Company, as the leading producer in the water desalination section, will use its strategic positioning and knowhow in water desalination to advance on key international growth markets for the same. The Company has a portfolio of 5.6 mm³/day operating, 2.1 million m³/day under construction, and 0.4 mm³/day advanced development projects.

The Company believes there is a sizeable market opportunity for green hydrogen expected to develop in the short- to mid-term. ACWA Power's

differentiated capabilities and its existing market position as a first mover provides it with a competitive advantage to capture this growth opportunity, particularly given its cost competitiveness in renewables, the sizeable investments it has already announced, including being the first market entrant to develop at-scale green hydrogen with its NEOM Green Hydrogen Company, and its access to required real estate and to different markets.

In relation to green hydrogen capacity, currently, the Company has 223 ktonnes/year under construction, 220 ktonnes/year in Saudi Arabia and 3 ktonnes/year in Uzbekistan. It also has a 1,255 ktonnes/year pipeline under development (bilateral agreements in place) coming from Tunisia (600 ktonnes/year), Egypt (350 ktonnes/year), Malaysia (200 ktonnes/year), Uzbekistan (90 ktonnes/year) and Indonesia (15 ktonnes/year). Finally, the Company also has a pipeline under origination of 1,400 ktonnes/year.

ACWA Power is one of the largest enablers of energy transition and decarbonisation in developing economies. Its strengths in project development, leadership in key markets and its ability to foster bilateral agreements effectively make ACWA Power the global energy transition leader in developing economies. The Company’s stronghold markets comprise KSA and the broader Middle East. In addition to their leading role in global Energy Transition, these regions represent a sizeable growth opportunity with scalable and fast-growing markets for water desalination (especially in the GCC). The Middle East is also expected to play a premium role in developing green hydrogen in the next years.

Until 2030, the Company expects to derive 50-55% of its growth percentage of total estimated investment cost by 2030 in KSA. This growth expectations in KSA are supported by the execution of the PIF Strategic Framework Agreement and the CCGT pipeline in the country. On the same basis, the Company expects to derive 10-15% of its growth by 2030 in the Middle East (excluding Saudi Arabia) in markets such as the United Arab Emirates, Oman, Jordan and Bahrain where the Company expects to develop new projects and businesses.

Central Asia and Africa are important markets for the Company and they benefit from the Company's ability to foster bilateral agreements and competitiveness, to drive forward the region’s renewable energy initiatives. These markets also present a strong

proposition for the development of green hydrogen projects, such as the Company’s recent initiatives and projects being developed in Uzbekistan. In Central Asia, the expected share of ACWA Power’s growth from this region would be around 10-15% driven by the execution of pipeline and organic development. In Africa, the expected share of ACWA Power’s growth from this region would be around 10-15% coming from business development.

Finally, the Company’s next growth frontier markets are Southeast Asia and China. These markets present large and scalable opportunities for renewables and green hydrogen, especially in China, with a significant angle for developing bilateral contracts and/or potential inorganic opportunities. The Company has a long- standing and strong relationship universe in China since 2009 with total cumulative relationship quantum in excess of \$40 billion with the Chinese OEMs, EPC contractors, and financial institutions outside China, which now provide the Company with the strategic opportunity to enter China and open up the largest and one of the fastest-growing renewables markets globally. The scale of the Chinese market offers the Company the opportunity to achieve its growth ambition more quickly than tackling multiple other fragmented markets. In Southeast Asia, the expected share of ACWA Power’s growth would be around 0-5% supported by business development. In China, the expected share of ACWA Power’s growth would be above 10% from business development.

The Company’s target markets typically have low reserve margins and a high demand for electricity and, where relevant, high demand for desalinated water and green hydrogen, pursuing long-term offtake agreements with predominantly investment grade and/or sovereign-linked entities.

As an agile developer of critical utility-scale power, water desalination, and green hydrogen projects with an extensive track-record in innovation and adding value pre- and post-bidding, the Company is well positioned to capture future opportunities in its key markets.

The Company assesses potential projects based on a set of comprehensive geographic selection criteria which considers region, opportunity sizes, risks and bilateral negotiation enablers. The first step in the selection process is the geographic screening in which the Company evaluates the presence of contracted IPP/IWP model, the country power and water capacity additions until 2030, credit worthiness (high sovereign credit rating), development complexity, and any political stability/ security concerns. The second set of criteria is based on intelligence from development teams in the region. This may allow ACWA Power to enter markets with lower credit ratings and high growth potential, by establishing adequate risk mitigation mechanisms to protect our investments via bilateral country-level agreements. Similarly, favourable GH2 markets can be accessed, targeting potential export-oriented projects, to mitigate domestic market-related risks. The Company may opt not to pursue opportunities in countries with slow development process and low development capacity. All of the criteria above are consolidated in a country list which intends to be dynamic by nature. Opportunities outside the country list may be evaluated by the Company based on merit and specific circumstances.

ACWA Power's geographical diversification into high growth markets allows for accelerated development and unlocks new avenues of growth. Currently, the Company’s portfolio consists of \$364.5 billion of total investment cost across 94 projects that can generate 34.9 GW of renewable power, 34.3 GW of flexible power, 8.1 mm³/day of desalinated water, 223 ktonnes/year of green hydrogen, and 5.3 GWh of battery storage.

According to the Saudi Vision 2030 and Economist Intelligence Unit, KSA is the leading region for renewables with a targeted 64.7% CAGR in GW from 5 GW in 2024 to 103 GW in 2030. KSA continues to experience growth in investor confidence and represent a big opportunity in renewables with its strong renewables capacity growth supported

by Vision 2030. For the period from 2024 to 2030, the population of KSA is expected to grow at 6.0% CAGR from 35 to 50 million¹, and real GDP² is expected to grow at 3.3% CAGR from 2.2 trillion to 2.6 trillion.

The Middle East and Africa region has high power demand driven by industrialisation and favourable population trends, combined with an expected increase in seawater desalination capacities. In the Middle Eastern countries, other than KSA, where ACWA Power operates, for the period from 2024 to 2030, the population is expected to grow at 1.6% CAGR from 34 million to 37 million, real GDP is expected to grow at 3.3% CAGR from \$1.5 trillion² to \$1.8 trillion, and the renewable installed capacity is expected to grow at 23.45% CAGR from 12 GW to 43 GW. In the African countries where ACWA Power operates, for the period from 2024 to 2030, the population is expected to grow at 1.3% CAGR from 221 million to 239 million, real GDP is expected to grow at 3.9% CAGR from \$2.7 trillion to \$3.4 trillion, and the renewable installed capacity is expected to grow at 10.5% CAGR from 33 GW to 61 GW.

Central Asia represents a big opportunity for renewables with significant renewable capacity additions per year expected. For the period 2024 to 2030, the population of the Central Asian countries, where ACWA Power operates, is expected to grow at 0.7% CAGR from 155 million to 161 million, real GDP is expected to grow at 3.7% CAGR from \$3.7 trillion to \$4.6 trillion, and the renewable installed capacity is expected to grow at 9.0% CAGR from 82 GW to 138 GW.

In Southeast Asia low emission fuels are expected to play a significant role in the Energy Transition which represents an opportunity to cultivate bilateral relationships. For the period 2024 to 2030, the population of Southeast Asia is expected to grow at 0.8% CAGR from 319 million to 334 million, real GDP is expected to grow at 4.9% CAGR from \$4.9 trillion to \$6.6 trillion, the renewable installed capacity is expected to grow at 8.4% CAGR from 20 GW to 33 GW.

China presents significant scale and growth expected for renewables development as the world’s largest renewables market. There is also a bilateral negotiations angle with presence and established relationships with suppliers across the value chain. For the period 2024 to 2030, the population of China is expected to remain relatively constant with a (0.2%) CAGR from 1,400 million to 1,385 million, real GDP is expected to grow at 4.1% CAGR from \$29.3 trillion to \$37.4 trillion, and the renewable installed capacity is expected to grow at 20.6% CAGR from 1,559 GW to 4,796 GW.

High growth markets in developing economies

ACWA Power’s key markets have strong macroeconomic fundamentals and are expected to continue to grow faster than OECD markets.

The power, water, and green hydrogen markets in these countries also present unique opportunities for growth with an attractive risk-reward balance.

	ACWA Power’s markets	OECD Markets
KEY FEATURES OF THE MACRO ENVIRONMENT		
GDP growth	High	Low
Population growth	High	Low
Electricity demand growth	High	Low
Requirement for water desalination	High	Low
Sovereign credit rating	Weighted towards investment grade	Weighted towards investment grade
KEY FEATURES OF THE POWER, WATER, AND GREEN HYDROGEN MARKETS		
Reserve margins	Low	High
Power capacity growth	High	Low
Renewables power sales	Fully contracted with long-term PPAs mostly with sovereign guarantees	Mostly merchant

Source: the Company

¹ Based on Saudi 2030 target.

² PPP at 2010 prices.