Centrica plc | 2025 Centrica's Climate Transition Plan Investor Webinar | 27th January

Chris O'Shea, Centrica

Welcome. Thanks very much for attending this webinar on the climate transition plan. We are really proud of the work that we've done to lay out what climate change means for Centrica. It is not only a huge threat to society, but it's also a huge business opportunity for us. Our investments, as you'll see in the plan, are targeted at being green, effectively helping the climate transition.

But we're not investing for ideological reasons. It's because it's such a great opportunity for Centrica. I'm fully behind this. The board is fully behind it, and hopefully when you get a chance to both look at the plan and to listen to the webinar, you'll see that this makes complete sense for Centrica, but it's also fantastic for the climate.

I'm really sorry I can't be there in person today, but I wanted to record a message just to let you know how much I support this and to also take the opportunity to introduce a document that I'm personally very proud of, and that we are very proud of as a board. And also to introduce you to the team led by Jim Rushen the Head of Environment, who's going to take you through what this means for Centrica and what this means for you as investors.

Jim Rushen, Centrica

Welcome and thank you for joining this webinar introducing Centrica's new Climate Transition Plan. My name is Jim Rushen and I'm the group Head of Environment for Centrica.

Over the next 30 minutes or so, I want to take you through how we've approached developing our new plan and how our business model positions us to capture the opportunities we see in the journey towards net zero. We'll deep dive into our emissions and targets and also focus on key areas such as the Just Transition and our governance of the plan.

Centrica has long been an advocate not only of corporate action on climate change but of transparent disclosures. In 2021, we were one of the first 20 companies in the FTSE 100 to publish a climate transition plan building on our People and Planet Plan, which contains our key environmental and social goals. Since then, we've incrementally built-up climate disclosures to meet investor expectations, including the early adoption of TCFD. And we've gone on to adopt good practice in key areas such as Paris-aligned advocacy.

Our second plan builds on this foundation, and we've sought to align with the Transition Plan Taskforce or TPP framework to produce a strategic and rounded plan, addressing our own emissions, responding to risks and opportunities, and supporting an economy-wide transition.

As summarised here (Slide 3) by our CEO Chris O'Shea, who's been fully involved in this development. Our plan reflects our latest thinking on achieving net zero targets, and we remain steadfast in our commitment to drive progress. We see opportunity in the transition, and we are investing for value, not ideology. And we're pragmatic in our plans. We're also honest in that we

don't have all the answers today, and importantly, that we rely on the actions of others and a range of dependencies to meet our goals.

Now, I just want to say a few words on our business model and strategy (slide 6). In line with the TPT, we've outlined our business model as a uniquely integrated energy company operating across the entire value chain through a variety of distinct but complementary businesses. When it comes to energy, we make it, store it, move it, sell it, and mend it. Upstream, we have mature infrastructure businesses in which we're investing for growth, to build a low carbon reliable energy system, including renewable and low carbon power generation, flexible peaking generation and energy storage. At the retail-end, we have market leading brands that are relentlessly focussed on providing a leading customer service and experience, helping customers save money and decarbonise through innovative offerings. Finally, our optimisation business completes the integrated business model – buying and selling energy, managing risks for the group, and building out the flexibility required for the future low carbon energy system. Our plan addresses how we intend to decarbonise all of these elements at different paces and degrees based upon specific markets and energy security needs.

It's important that we anticipate, understand and react to external factors that could impact our business and our plans (slide 7). As such, we regularly review the markets in which we operate and identify key trends and undertake scenario analysis from which we've identified these six key climate-related trends that present both risks and opportunities. As you can see, they include a reduction in demand for fossil fuels over time, replaced by an increase in demand for renewable and low carbon electrons and molecules. We expect our key markets to incrementally electrify, driven by the growth in low carbon heating and transportation, in turn, leading to a rise in the need for energy efficiency and optimisation. Our Climate Transition Plan addresses how we plan to mitigate these risks and capitalise on the numerous opportunities that the transition presents to Centrica.

Now let me take you to our greenhouse gas emissions (slide 9). First thing I would highlight, as shown on the right-hand side, is that we have been decarbonising for a considerable period of time and have significantly driven carbon out of our business, exceeding a 70% reduction in our own emissions over the past decade. Recognising that some of this has been delivered through structural change, we set targets which normalise for acquisitions and investments to ensure we are delivering sustainable saving, as you can see here, bottom right (of the slide). The chart on the left illustrates the dominance of our scope three emissions relating to the sale of gas and electricity to our customers, representing 90% of our value chain emissions. So, this remains a key focus area for us. Overall, we've set carbon targets for 97% of our entire value chain emissions and are making good progress on the remaining 3%.

And let's take a deeper dive into our targets. Starting with Centrica's emissions (slide 11), we are proud to announce that we're bringing forward our scope one and two net zero target by five years from 2045 to 2040, a full decade ahead of the global 1.5 degree goal. Additionally, we're increasing our interim reduction goals from 40% to 50% and bringing it forward two years to 2032.

In recognition of best practice, we have provided extensive content in our plan on how we set our targets and crucially, their alignment with science. I'd like to offer two key takeaways, if I may, from this chart. Firstly, you'll see that we plan to decarbonise Centrica significantly in the 2030s, and this picture has improved over the last three years, giving us the confidence to be

bolder with our targets. Indeed, by the mid-thirties we expect to be ahead of the one-and-a-half-degree linear pathway shown here.

My second point is that we need to manage the trade-offs between decarbonisation, energy security and affordability, and this need has grown over recent years. And so we continue to invest in areas such as rapid response gas power generation to help balance intermittent renewables and gas storage and LNG shipments to provide security of supply. These are vital services for the system and for our customers. However, as you can see, they push up our emissions in the near term, but I'll explain later the efforts we're making to manage those emissions down.

As well as using cross-sector reduction pathways. We've employed credible third-party sectoral pathways to assess our target alignment with science across key areas of our business. Here (slide 12), we look at our power generation emissions, which as they are around 50% of our scope one and two emissions, is a key sector for us to focus on. The vast majority of these emissions come from our Whitegate power station in Cork, Ireland. You'll see that for the remainder of this decade, we expect our mission is to stay relatively flat, given how essential Whitegate is in providing energy security for Ireland.

However, we're already progressing plans to decarbonise the asset in the mid to late thirties to meet the dark blue glide path shown here. Some of the slight emissions rise we predict this decade is from the development of small-scale gas peaking plants that provide crucial backup for intermittent renewables. Independent bodies like the UK Climate Change Committee and the National Energy System Operator have recognised the need for this technology to deliver an orderly transition. And this is one of the trade-offs we need to manage in our own emissions as we deliver system-wide decarbonisation.

On this next slide (slide 13), we have examples of two other lines of business that are important in the mid-term to aid the transition. The left-hand chart shows forecast emissions from our gas production and storage business. And as we're committed to no more exploration for new oil and gas fields and the conversion of the Rough gas storage facility, we plan on achieving net zero by 2035 in these businesses, ultimately ahead of the Climate Change Committee, net zero pathway.

Another trade off, however, can be seen in the expected short-term rise in emissions in the late twenties as we redevelop Rough for future hydrogen storage. Similarly, the right-hand chart displays our forecast emissions from LNG shipping. Recent geopolitical events and the natural decline of the UK's gas reserves has underlined the need for energy security, including in the form of LNG. Equally, the role of natural gas in the energy transition is widely recognised and we plan to grow our energy business. However, we're developing plans to reduce our shipping emissions rapidly to reach net zero by the mid-2030s, through efficiency gains and fuel switching ultimately ahead of the benchmark pathway.

Best practice today requires organisations to lay out in detail the key levers they intend to pull, in order to meet their stated carbon targets (slide 14). And it really is key to the credibility of a climate transition plan. So we've worked really hard to do just that through charts such as this, which shows the role of each business activity in reaching net zero and the relative contribution and timing. Achieving net zero requires an enterprise-wide transformation, with every part of our business playing a role, but progressing at varying paces with some playing a more significant role than others.

As you can see, our emissions reduction target for 2032 will primarily be achieved through the decarbonisation of gas production, energy shipping and baseload power. Beyond that, we will see progress in decarbonising our gas storage business, baseload power operations and a decline in peaking generator load factors.

Since our last climate transition plan, we have significantly enhanced the ambition and credibility of our plans to decarbonise Centrica (slide 15). This has allowed us to provide far more detail on those plans and develop a new suite of climate ambitions across all those key leaders I just showed.

In baseload power generation, we have set an ambition to be net zero between 2034 and 2039, involving technologies such as hydrogen or ammonia to power, carbon capture and storage, and renewable generation. And gas production storage, we're pursuing plans for our Rough asset to become Europe's largest clean hydrogen store and to convert the depleted gas reservoirs at Morecambe into a carbon capture and storage hub.

Reflecting that, we've now set new ambitions for both Spirit Energy and Centrica Energy Storage Plus to be net zero by 2035. As mentioned before, we have a new ambition for LNG shipping to hit net zero by 2035 and our van fleet to be emission-free by 2030.

Now let me turn to our customers' emissions (slide 18). We reviewed our target to reduce customers' emissions by 28% by 2030 and hit net zero by 2050 and feel that this is still an ambitious and challenging target. This is primarily because we do not have full control over these emissions. Governments have a critical role to play in stimulating new markets for low carbon technology, and consumers themselves need to respond positively and at pace.

Indeed, we've updated our analysis on how our customers' emissions might evolve over time, and we've shared our view that under current conditions, our key markets are likely to fall short of net zero by 2050, primarily due to slow progress in decarbonising heating, as shown on the upper line on the graph here. But we know that we have a key role to play in improving this picture, in developing and marketing low carbon energy solutions which meet our customers' needs and engaging policymakers to help create the right conditions. And that is what we're doing so that we can all reduce customer emissions along the lower line seen here, which remains our target.

Now, as for our own emissions, we have detailed the key levers we intend to pull in order to meet our customer carbon targets, as illustrated here (slide 17). We've identified four key levers: transitioning to a low carbon electricity grid, decarbonisation of gas, energy efficiency, and fuel switching. As you can see, our 2030 target will primarily be achieved through decarbonisation of the electricity grid, with customers benefiting from renewable and zero carbon power.

We will also build up capability and scale in selling heat pumps and energy efficiency products. In the longer term, we'll see fuel switching of heating at scale. This will involve electrification but also blending of low carbon gas in the grid and potentially direct use of clean hydrogen on a regional basis.

And as we are for our own emissions, we are increasingly taking action across all of these decarbonisation levers to deliver our near- and long-term customer targets (slide 18). And we've gone further than before and set new climate ambitions across the board to drive progress and hold ourselves to account.

For example, we're aiming to supply 100% renewable or low carbon power by 2030 in our supply businesses in the UK and Ireland. And we also want to see at least a third of our customers engaged in specific, flexible, and green energy tariffs. We want to help facilitate our customers' fuel switch from gas to electricity through products such as heat pumps.

We aim to sell 20,000 per year by 2030 but continue to work with the government and customers to help create the right conditions to accelerate uptake. And if we see supporting policies and consumer behaviours develop rapidly, then we stand ready to up this ambition. We'll also aim to have 5 million devices such as heat pumps, but also solar, batteries connected to our Hive platform by 2030. And crucially, to facilitate the transition, we will ensure that our engineers are well equipped to install low carbon technologies such as smart meters, heat pumps, and EV chargers. We have set a new ambition that 3,000 of our engineers will be provided green skills by 2030.

Seen together here, I think our new suite of climate ambitions is incredibly powerful (slide 19). They address all the key levers we need to pull in order to deliver on our carbon targets and climate transition plan. We are clear in our plan that we cannot deliver on these ambitions alone, as they are subject to dependencies that are not within our full control. We rely on the actions of others, including governments and customers, to play their parts as we play ours. We go into greater detail on these dependencies and the conditions we advocate for within our plan. But we are fully committed. These ambitions have been developed with the leaders of the business with clear ownership and strong governance. We will ensure accountability through integrating into leadership incentive schemes and we will report regularly and transparently on our progress.

Our climate transition plan quite rightly focuses on managing our scope one, two, and three emissions. However, it is worth noting that we make significant contributions to the system-wide transition. And in line with the TPT recommendations, we explain our economy-wide approach. This slide (slide 20) provides some examples of these activities, which range from providing energy storage solutions for both electricity and gas, to providing route to market and balancing services for renewable power. And as I mentioned earlier, many of these don't lower our emissions, in fact, some increase our emissions, but they're all needed for the transition and are trade-offs that require management.

It's important that our plan is integrated into our financial strategy and planning, and this is another area where we've upgraded our disclosures (slide 21). We have a strong track record of quantifying the financial risks and opportunities associated with climate through our annual TCFD disclosures. The strategic responses to which are embodied within our plan. Our plan is also fully embedded within our financial plans and balance sheet, which is strong and well-capitalised to support our investment needs.

We built on our plans to invest between 600 million to 800 million annually (£) by setting an ambition to spend over 50% of our total investment between 2023 and 2028 on green activities. And as you can see here, we're making good progress. To categorise this, we use a company framework which builds on the foundation of the EU taxonomy but allows flexibility where required.

As I mentioned before, our plan is very much dependent on working with others across our value chain (slide 22). This includes our business partners and our peers within the industry who we work with closely to complement our expertise to deliver everything from low carbon

infrastructure to innovative solutions for customers. Our climate ambitions are also highly dependent on policy conditions developed by governments, and it's important that we present Centrica's view of how to facilitate an orderly transition.

We centre our policy asks around three themes: security, affordability, and sustainability, which we outline in the plan. And finally, we continue to engage closely with investors to understand their expectations and secure their support for our transition plan.

Now, let me turn briefly to an aspect of our transition plan, which is of huge importance to us, and that is the need for a Just Transition (slide 24). Our view is that the transition to net zero will fail if we only focus on cutting carbon. Equal care and attention is needed to prioritise people alongside the planet to ensure a just transition.

We believe that net zero presents immense opportunities to deliver carbon reductions in a way that can benefit all of society, whether that's customers and colleagues or communities and supply chain. These are the four key stakeholder groups that we continue to focus our efforts on. Our research tells us that 80% of homeowners are willing to adopt green technologies in their homes, but they require additional support to make the transition simpler and more affordable. We use insights like these to shape our products, services, and support packages.

On colleagues, net zero will require a fundamental shift in training and skills. We have the biggest single engineering team in both the UK and Ireland and, while best known for installing boilers today, we have great ambitions on creating green jobs and upskilling colleagues to install heat pumps, EV charging points, smart meters, and Hive.

Our climate transition plan also details how we're helping communities on their path to net zero by bringing new opportunities to communities that host us and targeting engagement in areas where we can make the greatest difference. It also outlines how we're working closely with our supply chain to transition to a greener future in a sustainable and ethical way by partnering responsibly and advancing action through collaboration.

My final section is on culture and governance (slide 26). Strong governance is embedded across the full breadth of our business to ensure we have the right oversight to deliver on our net zero commitments. You can see on the left (of the slide) a governance structure we have established which allows the Board and its committees, alongside senior management, to integrate our climate transition plan into key processes and strategic decisions from the top to the bottom of our business. This arrangement is supported by measures to assess and strengthen Board capability on climate change, integrate delivery of our climate goals into incentive schemes, all underpinned by regular internal and external reporting of progress.

Finally, our people are our heartbeat (slide 27). So we've introduced our new purpose to ensure that our business culture and strategy is fully rooted in energising a greener, fairer future. Creating a culture where colleagues feel empowered and able to make a difference for people and planet in and beyond their job is really important to us. In doing so, we hope to build a happier and healthier team whilst amplifying positive impacts beyond Centrica. We're running colleague awareness campaigns that bring to life our purpose as well as our People and Planet Plan and our Climate Transition Plan whilst providing net zero training.

Thanks for listening. I hope you found that a review of our new Climate Transition Plan helpful. We're now going to move to a Q&A session where I'll be happy to answer any of your questions.

Fraser Jamieson, Centrica

Thank you, Jim. I'm Fraser Jamieson, the head of Investor Relations at Centrica. I hope everybody found that presentation useful. To give you a sense of how Centrica thinks about climate change. I hope you've also had a chance to work through the full Climate Transition Plan, which is available on our website. And if you would like to ask a question, you'll find a button just below the presentation on the website.

Please click that, enter your question, and then hit submit. We've got a couple of questions already through, so clearly at least some of you have figured out how to do that so far. And we look forward to getting more questions through in due course. Our first question is "Why has Centrica chosen to accelerate its progress towards net zero and establish more ambitious targets?"

Jim Rushen, Centrica

Thank you, Fraser. Hello, everyone. I see the questions coming and do keep them coming. So why have we chosen to accelerate our targets now? I think the first thing I'd say is because we think it's achievable. And by that I mean in the three years since we first published our Climate Transition Plan, we've really advanced the strategic plans for our main assets and activities and our key emission sources.

And as we are pivoting or moving Centrica toward a lower carbon future, frankly, we're driving carbon out of the business. So these new targets reflect our commercial strategy. I think that's a really important point – it goes with grain strategically. We're setting more ambitious targets, not from a sort of ideological standpoint, but because frankly it just makes good business sense for us.

I think the second point I'd also raise is that the climate debate right now, the ESG debate, has become quite complicated and in many ways quite divisive. So we believe that now is not a time to waver. Now is actually a time to double down and show leadership. It's really important for companies and for governments to show leadership in this space. And underpinning that is our continued view that the move toward a low carbon economy actually represents huge opportunities for Centrica. So we just see this as making absolute sense for us as a business and hopefully it'll inspire others and in particular our customers to come on that journey.

Fraser Jamieson, Centrica

Thanks, Jim. I've got another question here. "Your charts are very useful. However, your mid-term goals suggest a backloaded decarbonisation profile and actually in the short term Centrica's emissions are likely to rise. Can you please discuss in a bit more detail how you plan to achieve decarbonisation of LNG shipping so rapidly between 2030 and 2032? Similarly, could you please explain what drives decarbonisation of baseload power generation by 2032. (That says 2023 here? But I think that's a typo.) Is it switching to hydrogen for Whitegate or lower load factors?" [i]

Jim Rushen, Centrica

Okay. Thanks a lot. Good question. And a few components there, but I think actually kind of really gets into important topics. So I'll address the bigger picture first, and that is the near-term trajectory of some of our scope one and two emissions. And again, the first thing I'd say is that we've always been really clear that the transition toward net zero is unlikely to be linear.

We're going to have some years where we overperform, some years where we underperform. I think that's true for Centrica. I think that's true for many companies and indeed many countries. So there's a nonlinear pathway. And we've also been very upfront in our climate transition plan that we do expect some years of this decade where we may see an increase in our emissions (our scope one and two emissions).

And really that's principally because we are trying to manage that trilemma of decarbonisation, security of supply and affordability. Just to bring out some specifics behind some of the increase in emissions: one area is we are investing in a small portfolio of rapid response gas-fired peaking engines. It's well understood that these are needed to back up intermittent renewables – when we don't have wind, when the sun doesn't shine. We've been having some of those periods recently in the UK. We need these rapid response assets which today run on unabated natural gas to balance the load so we can meet the demand. Governments want us to invest in these. Many of our partners want us to. It's a responsible thing to do. But it does push our emissions up unfortunately, in the near term.

Equally, recent geopolitical events have shown that energy security for Europe, for the UK is actually more important today than ever. And so we're seeing an increase in demand for LNG. We're growing our LNG business. We're looking beyond UK and Europe to other parts of the world. So it also helps decarbonise certain markets where coal is still on the system. And again, LNG shipping does push our emissions up. It's needed, but we've got to manage those emissions in the near term.

Just on LNG, the question touches on our shipping ambition - this is a new ambition for us. We think it's really important. It's quite aggressive. Absolutely. It's got some dependencies associated with it. The reason why we think we can do it is we're not a shipowner. We lease ships, so we're not always locked into a certain ship or vessel for a long period of time. That allows us to bring on more and more efficient ships. And we can see the maritime industry is really trying to put its shoulder against decarbonising that particular sector. So we're looking to bring on more and more efficient ships in the near term.

The climate transition plan quotes a 23% reduction in carbon emissions per nautical mile in our portfolio since 2019. We're going to build on that. But then in the future, we are going to be looking at perhaps ammonia-fired ships, hydrogen-fired ships, and other technologies as well. So we're already working with shipbuilders and owners for that particular sectoral transition piece.

Similarly, with the power side of things, yes, you'll see that we're looking to decarbonise Whitegate power station in the early years. As that asset falls down the merit order, as more and more renewables come on the system, we're going to be running it less – lower load factors. Many of you will have already seen that we embarked upon a plan to actually convert that asset to extend the life of that asset beyond its current existing economic life, which is about in the mid-thirties, primarily through switching perhaps to ammonia/hydrogen. We're partnering in that area for hydrogen production and hydrogen storage. So, we're already showing we're investing and making progress in that space. The plans are evolving quite nicely. I think I'll leave that one there.

Fraser Jamieson, Centrica

Thanks, Jim. The next question is around SBTi validation. “Why don’t we have SBTi validation for our targets?”

Jim Rushen, Centrica

That’s a good question. So, a number of years ago, we committed to have our targets validated by the Science Based Targets initiative. Some of you may know that since then, they’ve been working on their oil and gas sector guidance, which has been quite heavily delayed, by a number of years now. Not long ago, they made a decision that they could not and would not validate targets of any business that had any activity associated with gas.

So for us, gas production, gas retail, it basically means SBTi opposing the validation of our targets, which is fine. They need some time to develop that guidance. And when that guidance is published, of course, we’ll re-engage with them to then pursue validation if it makes sense. The one thing I would say, though, is that SBTi presents a very attractive and credible way to demonstrate your targets are science-based, but it’s not the only way you can go about that. So we’ve worked hard to try and use alternative methods. In our climate transition plan, we use net zero pathways. We use Science Based Targets initiative modelling itself because we can use that for the power sector and building sector, just not the oil and gas one. So we use SBTi and also the Climate Change Committee pathways, and so on. We do try very transparently to show how our emission reduction glide path aligns with science – with both the well-below 2- and 1.5-degree pathways.

Fraser Jamieson, Centrica

Next question is around politics to some extent. “Do you think that the UK and Europe will stick to their net zero targets given the recent round of executive orders in the US?”

Jim Rushen, Centrica

Yeah, I mean it goes back to my point around how the ESG and climate conversation has become rather complicated. Do I think that the UK and Europe will roll back their net zero targets? I actually don’t think they will. I think the political will is still there, the cross-party unity is there. I think what’s happening in the US, we’ll have to see how it plays out. It is likely to be temporary in its permanency. And equally, I think we all know where the destination is. The pace of getting there and the timing of arrival is, of course, to be debated. But the transition of most economies toward a lower carbon future is rolling. It makes commercial and financial sense and customers and consumers are engaging. So I think actually it’s a train that’s already left the station. So we’re not in any way being distracted. And I don’t think the markets in which we operate will be distracted either.

Fraser Jamieson, Centrica

The next one is around scope three emissions. “The majority of your scope three emissions appear to come from gas. And you referred to slow progress decarbonising heating. How does it follow that the decarbonisation of electricity is where you see most of the decarbonisation happening? What do you need from the political, regulatory, and market context or from partners to make heat easier?”

Jim Rushen, Centrica

Starting with the bigger picture, you'll see in the climate plan, the majority of our value chain emissions relate to our customers' use of gas and electricity. We can see clearly that the initial phase of decarbonising the customer base will be through the decarbonisation of electricity. Not just electricity itself, but then also fuel switching for customers, moving from gas boilers to heat pumps (which are electric). And of course, we're making great progress in that regard.

While we do that, we need to perfect and ramp up the solutions to enable the decarbonisation of heating in the home. We're quite clear here as well – we don't think progress is quite on track in decarbonising heat to meet the net zero targets (in the UK). And there's a number of reasons for that. There are quite a number of barriers to the adoption of air source heat pumps today in many of our markets. There's the upfront capital cost. They're more expensive than the incumbent technologies such as a gas boiler. And there's the running costs. We see electricity three or four times the price of gas per unit. So we need to see that addressed as well as the fabric upgrades you often need in the homes. And also something I've mentioned that I don't think gets enough air time is awareness.

So what do we need from the political and regulatory actors here? I think we need a number of things. Firstly, to continue to provide subsidy and support, such as the boiler upgrade scheme in the UK. We're a strong supporter of that as it helps address that capital cost. We've long been an advocate for removing some or all of the policy costs from electricity onto general taxation. We need to get electricity cheaper so that we can really stimulate the electrification of much of the economy, including heating. We don't see that we should put that (policy costs associated with electricity) onto gas. We think that would be regressive. Let's get it onto general taxation.

And also that point about awareness. The UK government has a target of 600,000 heat pumps installed by 2028. I think last year we had about 60,000, so about 10% of that target. We've only got three or four years to go. So I do think we're probably off track. But I was struck by some research I read the other day that said around 30% of the UK public didn't know what a heat pump was. So we spend our time thinking about this stuff quite deeply, assuming everybody knows the problem statement. But I think they don't actually. I think we need a national awareness programme to really bring people with us.

There's a lot the government can do, and there's a lot that companies like us can do and are doing. We are constantly engaging with the government to try and help them create those conditions that we need to see.

Fraser Jamieson, Centrica

Thanks, Jim.

The next question is around the Just Transition. "It's great to see you've integrated just transition into your transition plan. Have we considered looking at nature as a theme in the plan too?"

Jim Rushen, Centrica

We have. The recognition of nature, not just in how it's impacted by climate change, but also how it can provide solutions to help mitigate and adapt to climate change, is growing. We see the work of the Task Force on Nature-based Disclosures growing in popularity. As a company, we are looking more and more at this.

We've increased the content in our climate transition plan around nature and biodiversity, but I think we're ramping up slowly as a business because we actually don't have a big nature

impact. We're not a big landowner or a big land user. However, we do recognise that we need to continue to improve in that space. So I think you'll see more and more from us as we adopt best practices in that area.

Fraser Jamieson, Centrica

Thanks, Jim.

Next one is back onto net zero. "What factors external to Centrica should investors be watching to understand whether our achievement of net zero might be achieved sooner than expected or be delayed? The question then goes on to reference political, regulatory, market, and technological factors."

Jim Rushen, Centrica

I think it's a really important topic and actually something we've worked hard to expand upon in this year's climate transition plan. The dependencies upon which our ambitions rely. We've engaged a lot with the investment community as we've developed this climate plan and we hear very loudly from them that they would like us to be ambitious on our targets and our ambitions, but they recognise that there are significant dependencies. So let us be clear about those and also be clear about what we're doing to try and influence in a positive way on those dependencies. You'll see in the plan quite a lot of detail about many areas that we want to see progress in. It can be everything from the points I made around helping the customer adopt low carbon heating to reducing the delays of getting grid connections for solar assets. We're also very vocal about public charging infrastructure. And to convert our Rough facility to store hydrogen, we would really need to see some government support, maybe a regulated asset base there to help de-risk revenues. We're ready to invest quite significant sums of capital into converting carbon-intensive assets today to actually be clean assets, playing a positive role in the net zero transition. But we need to see support from the government.

So, look at the plan. You'll see a lot in there. We're going to continue to be very transparent about the advocacy we undertake. We now have a repository on Centrica.com showing all of the advocacy we undertake. You'll see what we're talking about with governments, and we'll report as well about how those dependencies evolve and whether they're going to be headwinds or tailwinds for our targets.

Fraser Jamieson, Centrica

Thanks, Jim.

Back on to heat pumps. There's a question around the negativity on heat pumps and whether it is really achievable to deliver the targets that we've set out. This would obviously be a key component of our emissions reduction targets.

Jim Rushen, Centrica

I knew heat pumps would come up today. I've already said a bit about the dynamic, so I probably won't repeat that too much. But we've got to address the capital costs. We've got to address the running costs. We've got to be very clear that we have quite an old, leaky stock of housing in this country. So, we absolutely need to bring the customer with us. I think it is achievable, but we need awareness and the proper support mechanisms in place to allow it to happen.

One thing I would dive into a bit deeper is what Centrica is doing right now. To try and address these hurdles, these barriers, we have a price match guarantee out there that will match any other credible comparable quote on a heat pump to try and be price competitive.

We were the first company to bring out our warm home performance guarantee. Another barrier is whether a heat pump will heat a home as well as a gas boiler. In recognition of that, once we survey your home and agree to certain performance criteria, if your heat pump isn't heating your home to the degree we said it would, we will come back and address it. And if not, we'll give you your money back. I think that's really powerful. So we're trying to do what we can to stimulate uptake.

I think it's achievable, but we need all those actors to play their part, including the customer, to be open to adopting the technology.

Fraser Jamieson, Centrica

Thanks.

And next one is back to dependencies. I think you've already outlined a few of those, but let me read through. "What do you see as the biggest challenge in achieving your transition ambitions? Is there a key dependency outside of your direct control that's front of mind?" So this is perhaps around the prioritisation or the importance of those different dependencies.

Jim Rushen, Centrica

On scope one and two, the reason why we have been bold in bringing forward our net zero target to 2040 and improving our mid-term target is because we have much more control over those emissions. We have a high level of confidence in staying pretty close to the glidepath we've laid out.

The upside with, let's say, government support for some of the conversion of our assets to store hydrogen or for carbon capture and storage, is the extension of life of those assets to play those kinds of roles. But if we don't get that, it's not a significant risk to our glide path. We still think we can decarbonise those assets anyway.

I think the bigger dependency absolutely lies with scope three and it comes back to the consumer. I can't state it enough: we need to bring the customer with us. We need awareness. We need to make sure we do it with them, not to them. And also the government support (as a key dependency). Most immediately, that is working with them and other players in the industry to try and make the clean (power) grid by 2030 in the UK target a reality. And addressing that decarbonising heat point I mentioned earlier.

Fraser Jamieson, Centrica

We've got quite a specific one now. "The chart on Slide 20 suggests the majority of Centrica's scope one and two emission reductions in the early 2030s will come from the depletion and decommissioning of ageing oil and gas fields. Is there a reason why Whitegate's switch from natural gas to ammonia cannot happen earlier?"

Jim Rushen, Centrica

We debated this internally a lot – when should we aim to get Whitegate to net zero? You will see in many of our major asset-based businesses, we've been ambitious enough to say net zero by 2035. For Whitegate, we've got a range of 2034-2039, a window of opportunity. If all the stars

align, it could be as early as 2034-2035, which is very early. But we do need that window because of the amount of variables and uncertainties around it. The things we're looking at for Whitegate are things like working with partners on green hydrogen production locally. Us and other partner industries in the area can be that sort of demand signal. We're working with offshore wind operators, for the generation of green hydrogen, also offshore geological storage for that hydrogen, and also working with partners like Mitsubishi on ammonia and the turbines needed. So you can see there are a number of different avenues that we can take to decarbonise and we're proceeding on all of those fronts. We just need time to understand exactly which one will be commercially viable soonest, hence that window.

But I still think that's a pretty aggressive plan.

Fraser Jamieson, Centrica

Thanks.

Let me go on to the next one. "Hi, Jim. Thanks for a great presentation. Good to see the improvement in the transition plan reporting. On scope three and heat pumps, I'm wondering if you feel you need further government support for the rollout of heat pumps and how do you see the rollout playing out post-2030? How do you expect to tackle the imbalance between the unit price of electricity versus gas?"

Jim Rushen, Centrica

On that specific point, I mentioned it earlier and we have been advocating for some time that we do need to move the policy costs from electricity, in our view, best to put that onto general taxation. Putting it on gas can be regressive. It can impact those who are least able to afford it, perhaps because they have a high gas bill due to the state of their home. So let's get that onto general taxation. It really is critical, I think, to lower the unit price of electricity.

How do we see heat pump rollout playing out post-2030? Our view is that the early move will be electrified solutions for heating. I think they probably will be the most common type of low carbon heating, and we haven't even touched on hydrogen, which may play a role regionally and post-2030. But I think we need to really move quickly on heat pumps and perfect regional use of hydrogen as we go.

But I've said it before, it needs all those actors to play their part. Companies like us with offers that really meet the needs of the customer, government with its support mechanism, and customers with awareness and openness to adopt that technology.

Fraser Jamieson, Centrica

Thanks.

And we have one final question on the board at the moment. If you would like to ask a question, please do that. As I mentioned earlier, there's a little button below the presentation. Click submit once you've written your question down. So the final question, as it stands: "It's been reported that Centrica is mulling shutting down Rough gas storage again. If that happens, how material would it be for your emissions from gas production and storage? In other words, what's a rough proportion of Rough in emissions?" I assume that's a deliberate pun.

Jim Rushen, Centrica

Lot's of Roughs there! It's in the climate plan, But Rough is around 200,000 tonnes of CO2 per year. That puts it at about ~10% of our scope one and two emissions[ii]. So, as we saw, Plan A is to continue to use Rough in the near term for methane storage, which will drive up our emissions slightly. Then, we want to move to hydrogen storage.

So if we rapidly closed Rough, to answer the question squarely, it would probably address ~10% of our scope one and two emissions. It would also prevent some of the near-term rise in emissions. So as you can see, that's a nice example of how within our plans, those natural hedges, if we do close Rough, we'd actually achieve our targets probably sooner.

But we see value in that asset in the long run playing a role for net zero, particularly in the long-duration storage of green hydrogen. So that's what we're currently pushing hard for.

Fraser Jamieson, Centrica

Thanks. We've got another question that just came in. "Why is the target on customer energy Scope three not provided separately for gas and electricity? Are the two expected to decarbonise at the same rate? Or are we decarbonising all of electricity first and then moving to customer gas?"

Jim Rushen, Centrica

As I mentioned earlier, the early phase will involve the decarbonisation of electricity primarily. Today, we provide our customers with about 75% zero carbon electricity. We want to gradually ramp that up to 100% by 2030. At the same time, we will start to ramp up the decarbonisation of gas. So if you think of it as pinching out the emissions of electricity and then gradually pinching out the emissions of gas as well, they overlap, but it's electricity first and then gas primarily post-2030.

Fraser Jamieson, Centrica

Thanks. Another question has come through. "We have been asking to move electricity fee subsidies onto the taxpayer, but governments cannot afford it and subsidising energy will encourage higher consumption. Gas domestic consumption is arguably not taxed appropriately, which is why heat pumps are not being taken up. Surely consumers are best placed to manage charges and become more efficient?"

Jim Rushen, Centrica

I'm glad you mentioned efficiency. You're absolutely right: efficiency needs to play a role, and it's not spoken about enough. Perhaps we do speak about it a lot, but we're not making enough progress in it. So I would absolutely agree that we need to improve the efficiency and insulation of homes in the UK.

On whether we should tax gas, we're concerned about the impact on many of our customer base. We do think that could be regressive. It is something that can be done, absolutely. I understand that. But we just need to be very careful that we don't open up social inequality as we do that.

Fraser Jamieson, Centrica

Thank you. And yet questions keep trickling in. "How confident are you in the role of new nuclear in decarbonising the grid? Delays and funding challenges seem endemic. What opportunities

are you seeking in this technological pathway? Are small modular reactors a technology considered for investment in the UK?"

Jim Rushen, Centrica

Just briefly, we're an investor in nuclear today. And we're on record that we would be open to further investment in grid-scale, large-scale nuclear. We think it absolutely has a role to play. Zero carbon baseload power is going to be important. I think the modular reactors are very interesting. We're watching that closely. We're not saying anything about any investments yet, but I think it's definitely one to watch.

Fraser Jamieson, Centrica

Thanks. I think it's also worth mentioning on that one that we typically won't be taking technology risk. We are agnostic, not ideological about different technologies, but clearly, as these things mature, hopefully there will be lots of opportunities for investment across the board.

Thank you, everybody. I don't think we have any more questions. If you do have questions that haven't been answered, please do get in touch either with Jim and his team or through the Investor Relations team.

I'd like to thank everybody for joining us today. I hope what you have seen is how seriously Centrica takes its climate ambitions and all of the work that we have done around this second climate transition plan. Thank you very much for joining and speak soon.

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[i] Our ambition for baseload power generation is to reach net zero by 2034-2029, and LNG shipping to reach net zero by 2035.

[ii] Reported in our climate plan as 7% on page 32.