

# Chairman's Statement



**Scott Wheway**  
Chairman

In many ways Centrica's centrally important role in the energy market has been affirmed over the last 12 months. During times of uncertainty, our size, strength and responsible approach has helped provide stability in a crisis that, despite it being no fault of energy customers, has left many struggling.

I'm proud of what we've managed to achieve over the last year to stabilise the market. We have taken on more than 700,000 customers from failed energy suppliers since the second half of 2021. We agreed a deal with Equinor to bring additional gas supplies to the UK, which has already started delivering enough gas to heat an additional 4.5 million UK homes over the next three years. We brought 36 Liquefied Natural Gas (LNG) cargoes into the UK, enough to supply millions of homes. And we have re-opened our Rough gas storage facility in the North Sea, adding 50% to the UK's capacity and boosting the UK's energy resilience.

All of these actions help incrementally reduce costs for our customers and strengthen the UK's energy security.

We've also taken more direct action for customers, having created the largest voluntary energy support fund for customers in the UK, helping those struggling with rising costs through grants of up to £1,500. Nobody has done more than Centrica in this space. We donated more money in grants for support and invested more in customer service to meet additional demand, than we made in profit from British Gas Energy.

## Outperforming expectations

We've been clear that Centrica has been in a period of turnaround since 2020. In 2022, while we reported a statutory loss, we delivered strong operational performance, which is reflected in our underlying financial result. Elevated market prices and volatility provided favourable market conditions for our Energy Marketing & Trading business, which continues to play a critical role in storing, transporting and balancing energy supply across Europe. However, I am confident that even in a more benign environment we would have seen adjusted earnings growth, demonstrating our progress towards delivering the turnaround of Centrica.

I was pleased that we have been able to reinstate the dividend at a prudent and sensible level. As shareholders you have been very patient during years of underperformance. The reinstatement, and the start of a share repurchase programme in November, underpins the Board's confidence in the strength of Centrica and the journey we are on to grow a sustainable business that delivers for our colleagues, our customers, our shareholders and the UK as a whole.

## Responding to the cost of energy supplier failures

We know that customers are struggling financially in these challenging economic times. On a number of occasions this year I have spent time speaking with colleagues who take calls from our customers. No one could fail to be touched by some of the accounts our staff hear every day of people genuinely struggling to make ends meet.

Almost 30 suppliers failed during 2021-2022, leaving the customers of other suppliers to bear the cost. Given how high customer bills are already, many simply cannot afford to keep picking up the tab for the failure of suppliers. This is why we are continuing to engage with both the UK energy regulator and the Government to put in place a robust regulatory framework that will deliver a future retail energy market that is stable and puts at its heart the long-term interests of customers.

## Strong expertise and capability in risk management and managing commodity markets

While 2022 has been a challenging year for our retail energy supply and services businesses, this has been compensated by the rest of our portfolio, with our Optimisation and Infrastructure businesses delivering strong operational and financial performance. This is a demonstration of the resilience that comes from having a balanced portfolio.

Part of the reason we have been able to manage the storm is our ability to manage our commodity exposure and risk in core markets, thanks to the strong expertise and capability we have built over a number of years within our Energy Marketing & Trading business.

With European energy markets increasingly interlinked, it is an advantage to have expanded our activities outside our core markets of the UK and Ireland. In total, we now trade in 24 markets across Europe and employ around 600 colleagues across our main offices in Aalborg, London, and Antwerp. This is a core platform for growth within the business.

## The important role of natural gas in the net zero transition

The significant increase in energy costs was born not just of the conflict in Ukraine, which has created greater uncertainty in energy markets, but also the premature disinvestment in natural gas driven by the urgent necessity to move away from carbon-emitting assets.

The net zero transition is happening at pace, but the reality is that given current capacity and the time it takes to build new infrastructure, the combination of solar, wind, nuclear and battery storage are not yet sufficiently developed to allow us to turn our back on gas completely.

It is likely that for the next 15 years methane will continue to play a role as a transition fuel. On one hand, by helping to keep UK homes warm, and on the other providing vital balance to support the growth of renewables. At present, around 40% of the UK's power comes from gas-fired turbines, which are typically brought online to fill the gap when renewables aren't generating sufficiently to meet our needs.

Although this figure is likely to decrease year on year, as more renewable assets are built and technologies develop, gas is likely to continue to play an important role for the foreseeable future – playing a vital balancing role in energy markets.

## Transitional times for energy

A strong and responsible Centrica is uniquely placed to help see us through to the next phase of the energy transition.

The roll-out of net zero technology remains at a nascent stage, nevertheless we installed around 8,000 electric vehicle charging points and nearly 50,000 hydrogen blend ready boilers last year. And while demand hasn't been as high in 2022 as we'd hoped, we still installed more heat pumps than any other supplier in the UK and we've got plans to significantly ramp up roll-out through our British Gas Net Zero Ventures business which has launched a market-leading price guarantee to tackle affordability.

It's estimated around £500 billion could need to be spent on transforming the UK and Ireland's housing stock for net zero. Having the largest engineering force in the industry positions us to deliver a significant proportion of those upgrades.

We are laying the groundwork by growing our apprenticeship programme and providing world-class engineer training in our academies – to help develop the right capabilities for future net zero driven growth. This gives us confidence for the future of our services business.

We're excited too about the role that hydrogen can play in energy generation, heating homes and decarbonising transportation.

Hydrogen represents an opportunity for the UK to return to energy independence. But it will need long-term thinking beyond the usual political cycles, as well as both public and private investment to deliver at the scale and pace required. We're in a race with other developed economies for first mover advantage and the rewards for the winner could be very attractive.

Without question, a combination of technologies will be required, creating opportunities for companies with strong balance sheets, flexible business models and detailed knowledge of markets.

## In summary

This year's strong performance demonstrates the new resilience of Centrica, showing our ability to trade through difficult times while providing support to our customers struggling with the cost of living crisis.

There is still work to do, and we haven't got everything right, but we're striving to improve.

Centrica is evolving into a new type of integrated energy company using our strong established positions in retail, optimisation and infrastructure. These capabilities and our financial strength are a result of the magnificent work of every member of the Centrica team and I want to take this opportunity to thank them for everything they have done for our customers, shareholders and our wider stakeholders in 2022.

**Scott Wheway, Chairman**

15 February 2023