

Enel SLBs: Q3 results off-track for 2023 target

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Enel, an Italian utility, has \$10.8bn of Sustainability-Linked Bonds (SLBs) with a potential coupon step-up linked to the emissions intensity of its 2023 power generation. Enel’s H1 reporting indicated that the 2023 target of 148 gCO₂e/kWh would be challenging to meet.¹

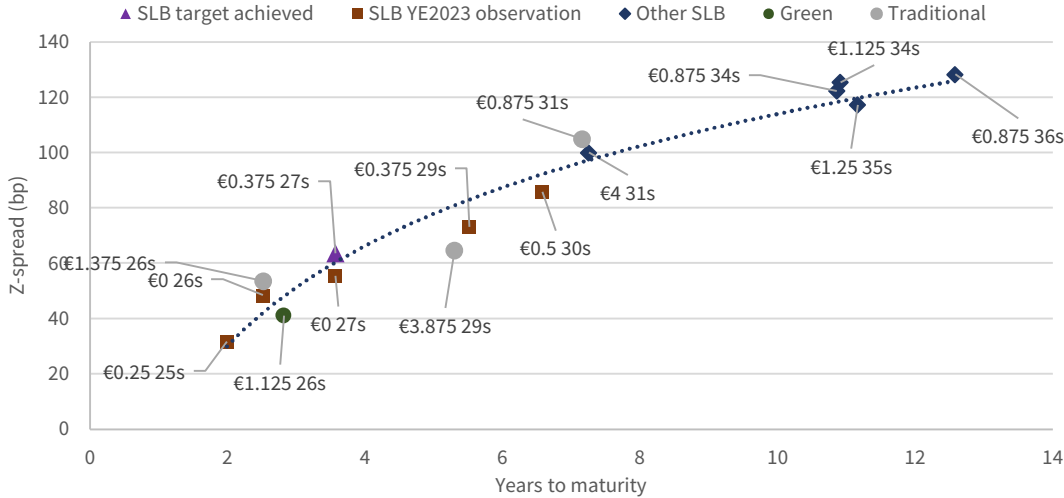
Enel has recently released its Q3 figures, which includes its power generation mix,² from which we have estimated emissions intensity figures. Table 1 (overleaf) shows the generation figures, and our estimated intensity for Q3 of 161 gCO₂/kWh.³ We note that coal as a percentage of conventional generation has reduced, which has driven the lower emissions intensity. However, the reduction is limited due to a largely unchanged proportion of renewables.

Based on this data, we estimate that a Q4 intensity of 90 gCO₂e/kWh is needed to achieve the 2023 target, which seems highly unlikely given the recent data.

On 22 Nov, Enel gave an update on its strategy, specifically reducing its investment in renewables.⁴ We have so far been focused on the 2023 emissions intensity target, but there are other Enel SLBs referencing further reductions in the same KPI by 2024 and 2025, which may also now be at risk.

Figure 1 shows updated bond pricing for EUR bonds. **Bonds that may pay a step-up if the target in 2023 is missed have performed well, demonstrating that investors are valuing this option.** The switch between 0.375% 27s (target achieved in 2021) and 0% 27s (target in 2023) has moved to -8bp, implying a 40% probability of the target being missed.

Figure 1. Enel EUR bond z-spreads. Source: Bloomberg, accessed 22 Nov 2023.



¹ For full analysis please see “[Enel SLBs: update on 2023 observation date](#)”, AFII, 20 Oct 2023.

² “[2023 9M Key Figures](#)”, Enel, accessed 22 Nov 2023.

³ We have implied an intensity figure of 490 gCO₂e/kWh for non-coal conventional generation and 2x for coal from H1 2023 figures, and kept these flat.

⁴ “[Italy’s Enel to cut renewable investments](#)”, FT, 22 Nov 2023.

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Table 1. Enel generation and emissions intensity. Source: Enel, AFI.

Date	Renewables (GWh)	Nuclear (GWh)	Russia (non renewables) (GWh)	Coal (GWh)	Other (GWh)	Total power generated (GWh)	Coal / Conventional	Renewables / Total	Scope 1 Intensity (gCO ₂ e/kWh)
H1 2021	54,748	12,815	9,722	5,803	22,731	105,819	15.2%	51.7%	207
H2 2021	54,070	12,689	11,526	8,055	30,446	116,786	16.1%	46.3%	247
H1 2022	54,741	13,447	10,056	9,937	27,325	115,506	21.0%	47.4%	237
H2 2022	57,708	13,061	0	9,785	31,707	112,261	23.6%	51.4%	221
H1 2023	60,460	12,441	0	6,881	22,217	101,999	23.6%	59.3%	173
Q3 2023	33,527	6,916	0	2,664	13,156	56,263	16.8%	59.6%	161

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