

French Government Showed Intension to Nationalize EDF — Positive Factor for Rating If Nationalization Is Realized

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the French Government's Plan to Nationalize Electricité de France S.A. (EDF).

- (1) Prime Minister Elisabeth Borne announced her intention to increase the government's stake in EDF from the current 84% to 100% at the National Assembly (lower house) on July 6. At this time, no details have been announced as to when or how the government will raise its stake, but the government has set aside EUR 12.7 billion in its budget for nationalization and other operations. The following day, the board of directors of EDF took note of the government's intention and is prepared to provide support to realize the plan. JCR believes that there are multiple factors behind the government's consideration of raising its stake. Firstly, there is a shortage of electricity supply due to the shutdown of several of EDF's nuclear power plants due mainly to corrosion problems. The second is due to the downward pressure on EDF's earnings performance and financial structure. In addition to the shortage of electricity supply, EDF has been required to purchase soaring electricity from the market due to the government's measure to prevent electricity price hikes by allocating an additional 20 TWh of cheap electricity supply (ARENH) to competitors. In addition, the government has delayed EDF's electricity tariff price increase for 2022. The third is that the government is moving forward with plans to build new nuclear power plants by EDF that will require significant investment.
- (2) JCR considers it difficult to incorporate the plan to increase in the capital contribution into the rating, since it remains intention shown by the Prime Minister at this time. However, if it were to be realized, it should reflect more strongly on the creditworthiness of the French government (Foreign Currency Long-term Issuer Rating: AAA/Stable), which we see as a positive factor for the rating. Our rating incorporates solid support from the government, in addition to the solid domestic operating base and efforts to curb net debt. In the past, the French government subscribed capital increases and accepted its scrip dividends. More recently, the government subscribed for an amount of EUR 2.7 billion capital increase in April 2022. JCR will closely monitor the progress of the plan and reflect it in the rating.

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<Reference>

Issuer: Electricité de France S.A.

Foreign Currency Long-term Issuer Rating: AA Outlook: Stable

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