

Energy Surcharge - FAQ:

(FAQs in bold will also be published on the Lineas website)

1. Why an energy surcharge? Did Lineas not hedge its energy cost?

- Energy is one of the biggest cost positions in rail freight.
- When Lineas negotiated freight contracts with its customers in late 2021, nobody could anticipate the energy price explosion.
- As of Q4 2021, energy markets started to become very volatile because of the looming Ukraine conflict. On the leading European energy trading platform, Leipzig Energy Exchange are highly volatile and cannot predicted for the timeframe of a long-term offer.
- These increases affect us differently in the markets we serve, depending on the local model of energy supply - e.g. in France energy is part of increased railpath costs, in Germany, we procure energy from the market. In Belgium, we purchase from state provider but they hedge a high share at a fixed price.
- Lineas is hedged to some degree against increasing energy prices. We pass on this hedging effect to our customers, i.e. only pass on the effective cost increase. In 2023, the hedging conditions have become significantly worse as in 2022 long-term contracts were based on conditions signed before energy prices were exploding.
- Our surcharge is dynamic, which means, once the cost of energy will go down, the surcharge will also reduce.
- Our purchasing conditions change in 2023 significantly and the possibilities to hedge some of our energy cost at lower levels has terminated.

2. Do we differentiate the energy surcharge per country (as different countries have different energy costs)?

Lineas operates mainly in 4 countries (BE, DE, FR and the NL) and the purchasing situation of energy in these countries varies widely. Lineas is implementing a model that reflects the additional cost per country for domestic traffic (i.e. start and end of a transport are in the same country or ends at nearest handover point in a neighboring country). For all international traffic, Lineas is using a basket which is based on the energy share of the different countries.

3. When did we actually start charging the surcharge to the customer?

The energy surcharge was introduced for traffics starting on April 1st, 2022. This allowed to prepare the invoicing process and gave our customers time to prepare. The surcharge grids are being update for 2023 as the purchasing conditions and state aid schemes have been changed significantly.

4. What are key arguments for an energy surcharge?

- All energy intensive companies are imposing surcharges or price increases to customers as it is matter to cover cost, not extending margins. All other transport industries have it: road, barge, air cargo.
- It is common to pass on increasing cost to customers. You can see that every day in the supermarket, at the gas station, in industrial goods prices.
- Lineas needs to earn back increased costs via the prices that customers pay. If not, Lineas would incur significant losses which, as a private company, would mean we need to stop doing business or cut loss-making traffic.
- Lineas could not foresee these extreme rises when 2022 contracts were signed.
- The hedging of energy at lower prices has become practically impossible and this extra cost needs to be passed on
- The volatility of energy prices cannot be predicted for the duration of a contract. Therefore, flexibilization of energy cost as part of the contract is a fair mechanism to adjust the price.

5. Is there an international / European rail association reference (e.g. UIRR) for the energy prices in Europe?

At the moment, there is no such reference and no support expected from any association. But the association of non-state owned railways (NEE) has requested such a reference at the German Statistical Association ('the German Statbel') in January.

6. Does Lineas take subventions into account when issuing energy surcharge price grids?

State aid in Europe varies per country. In countries with capped energy prices, Lineas automatically passes through the benefit to its customers since the price per MWh is computed in the calculation. Other than that, Lineas is not benefiting from any such benefits. In the event legislation would pass to grant state support in any of the 4 countries Lineas is operating in, the grids will be revised downwards.

7. Is the Energy Surcharge linked to the entire transport cost for our customers or just to the portion operated by Lineas? How do we treat the portion operated by sub-contractors?

It is linked to the entire transport cost. Sub-contractors now also widely apply surcharges for energy. Our Energy Surcharge is in place to offset these extra cost. Whether high energy cost are paid directly by Lineas, or by the sub-contractor and then passed on to Lineas, has the same effect.

8. Where can we/customers track the monthly evolution of this energy surcharge?

On our website www.lineas.net, in the document library. Or via the sales manager.

9. When do we determine the amount of surcharge ? Do we fix the surcharge for the current month on the 1st day of the month, or at the end of the month, based on the average of the past month, looking backwards?

The surcharge refers to the so-called future price which reflects what you have to pay at a certain date to secure energy for the next month. In order to prepare invoicing, we define the 25th of each month as day to set the surcharge percentage for next month. If the 25th is a weekend or public holiday, we take the last weekend prior to the 25th. So, we do not look back. This price is publicly available at the EEX European Energy Exchange or <https://www.eex.com/en/market-data/power/futures/#%7B%22snippetpicker%22%3A%22EEX%20Belgian%20Power%20Futures%22%7D>

The model is planned to stay without an end date. It is now part of a regular offer.

10. Can the surcharge grids be changed?

The surcharge grids reflect the current situation at which Lineas is affected by an unforeseen cost. It reflects at what cost and conditions private or state-owned infrastructure providers deliver energy to Lineas.

Lineas has announced from the beginning to preserve the right to make changes to the grid in accordance to changes in the market. In such event, Lineas will give the client prior notice hereof.

As hedging and purchasing situation has changed, the surcharge grids 2023 were published in December 2022 for January 2023. State aid was not included as no legislation had passed by December 16th, 2022 in any of the 4 countries.

In January 2023, legislation was passed in Germany and France. The grids are adjusted and published and apply as of February 2023.

11. Is the energy surcharge applied on Value-Added-Services and penalties?

The surcharge is applied on transportation revenues. This includes revenues from rail transportation but also road transportation (Truck). It is not applied on handling charges or penalties.

The energy surcharge applies for VAS services that are transportation service (e.g. shunting a train to siding).