

NYSE:NPWR Q3 2025 Earnings Call Transcript

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Conference Operator | Operator:

Greetings. Welcome to the NetPower third quarter 2025 earnings call. At this time, all participants are in a listen-only mode. The question and answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press star zero on your telephone keypad. Please note this conference is being recorded. I would now like to turn the conference over to Bryce Mendez, Director, Investor Relations. Thank you. You may begin.

Bryce Mendez | Director, Investor Relations:

Thank you. Good morning and welcome to NetPower's third quarter 2025 earnings conference call. With me on the call today, we have our Chief Executive Officer, Danny Rice, and our Chief Operating Officer, Mark Horsman. Yesterday, we issued our earnings release for the third quarter of 2025, along with an updated presentation, both of which can be found on our investor relations website at ir.netpower.com. During this call, our remarks may include forward-looking statements. Actual results may differ materially from those stated or implied by forward-looking statements due to risks and uncertainties associated with our business. These risks and uncertainties are discussed in our SEC filings. Please note that we assume no obligation to update any forward-looking statements. With that, I'll now pass it over to Danny Rice, NetPower's Chief Executive Officer.

Danny Rice | Chief Executive Officer:

Danny Rice Thanks, Bryce, and thanks, everyone, for joining our call today. We're going to reference some slides in our latest investor presentation, so I'd ask you to have those handy and follow along. And then after our prepared remarks, we'll open the line for questions from the analysts. So let's start on slide three, talking about our mission. So back in 2021, the team at Rice Acquisition Corp 2, which included myself, noted there had been a major underinvestment in baseload power generation for the better part of the prior decade. This is really driven by a confluence of three things. First, a broad social desire to decarbonize. Second, very healthy subsidies for renewables, which made these intermittent forms of power highly economic to deploy. And third, we had a very healthy grid system that didn't appear to need additional baseload power generation capacity. Load growth was flat. We could supplant the existing baseload capacity with intermittent renewables, and we'd be okay. However, what was really missing from this viewpoint was the reality that at some point we'd eventually need to replace our nation's aging fleet of baseload facilities. In the US, the average active coal, gas, and nuclear plant is over 40 years old. And we ascertained that if we experience a load growth scenario, one that suddenly forces an industry that's been dormant for the last decade to have to begin building again, and doing so in a regulatory environment that is increasingly making it harder, more expensive, and longer to get things built, we're going to be in a little bit of trouble. Unfortunately, that's the situation we find ourselves in here in North America. For the first time in a long time, we're seeing unprecedented demand growth for power, primarily driven by artificial intelligence and data centers, but also from re-onshoring of US manufacturing and growing residential demand for power. So it really begs the question, how do we balance the desire of society to reduce emissions without compromising access to affordable, reliable energy? The answer to that question will come from the companies that are innovating supply-side decarbonization solutions that don't compromise energy affordability or reliability. When most people think of clean power, they think of nuclear, they think of hydro, geothermal, wind, and solar energy. But the metrics that really matter are carbon intensity, land intensity, water intensity, and air quality. Those are

measurable, and more importantly, they are energy agnostic. So we took a somewhat contrarian view, one grounded in science and economics, that said the lowest cost form of clean, reliable power can and should come from natural gas. Yes, we'll need to advance technologies to make it happen, but so too does every other form of energy in order to deliver the energy trifecta of clean, affordable, reliable power. We believed that back then, and we still believe today that the lowest cost form of clean, reliable, affordable power will come from natural gas. And NetPower has stood out in its singular mission to transform natural gas into the lowest cost form of clean, firm power. And we decided it was important that we pursue this mission in the public spotlight to educate and to help inform the paradigm shifting narrative of natural gas as the cleanest, lowest cost source of base load power. So the industry today is at a really pivotal point, as are we at NetPower. We can choose to continue to allocate our scarce resources, namely our financial capital and our human capital towards what we've all been doing for the last decade or two, or we could take a step back and reassess an allocation of those resources towards solutions for what the world really needs looking ahead. The market is saying the highest value solutions are those that are reliable, scalable power that can be deployed as quickly as possible. This isn't just the hyperscalers saying it. It's local communities and grid operators who understand if we don't build new generation fast enough, the cost of power for ordinary Americans and small businesses will go way up. It's also the federal government who sees losing the AI race as an existential threat to America. The common denominator here across these cases is our ability to build reliable, scalable power as quickly as we can. And if this power can also be clean, that's the icing on the cake. With all things power, you can't have icing without the cake. Reliable, affordable power is that proverbial cake. I believe this is becoming an arms race for AI, and this really is a call-to-arms moment for the energy industry. If you're a company that possesses the ability to design, build, and operate power plants safely and in a timely manner, you should do it. If you have access to the natural resource inputs and outputs for power generation, I think you should find ways to utilize them towards power. And if you know where and how to do this in a way that minimizes the impact on the environment, those resources should certainly be prioritized. That is the pivotal moment we really find ourselves at NetPower. We have a choice to singularly keep our heads down the path of proving our oxycombustion technology, which I would say is a very noble path and one that we believe is the right power solution in the long term. Or we can take our differentiated and valuable resources and skill sets and prepare to allocate them towards more pressing and more valuable near-term opportunities. Ones that have proved to be successful will help fund our long-term ambitions in a more creative way to our shareholders. The pivot that we'll discuss with you all today is one that stays true to our mission to transform natural gas into the lowest cost form of clean, reliable power at a cost that people can afford with reliability that we cannot afford to lose. And as I mentioned above, speed to market is paramount. We as an industry cannot afford to wait five to seven to 10 years for new generation. We need to get building now for the benefit of our shareholders, our prospective customers in the communities where power demand is increasing. That's what we intend to do responsibly, but with conviction. So turning to slide four, as we've noted on previous calls, the power sector faces unprecedented load growth through the end of this decade to support AI and data center build outs. The market has shifted dramatically in favor of natural gas for all the reasons I've mentioned. Conventional gas turbines, reciprocating gas engines, All of them are being deployed as quickly as they can to meet data center demand. The US is in a very fortunate place where we have over 50 years of ultra low cost natural gas reserves. In fact, we in the States have essentially stopped exploring for new gas many years ago, simply because we possess a very deep inventory of proven reserves across the major sedimentary basins from Northeast Appalachia to Texas and everywhere in between. Our energy resources are totally different than any other country on earth. Unlike places like China, India, and most of Europe, the US doesn't necessarily need to pursue new forms of energy today. We have the lowest cost energy to last us for many, many decades. So what we really need to ask ourselves, are we advancing these other forms of energy because we need the energy or are we doing it to reduce emissions? Nuclear is probably the greatest example. It holds great long-term promise. but it's not necessarily needed to meet our energy needs today. Nuclear is more competitive in places that are short energy today and more so ones that are short natural gas. Europe comes to mind, but not here in the U.S. If the U.S. has sufficient low-cost gas to supply the AI industry, can we advance the technologies that reduce natural gas's environmental impact? Now, if you thought we weren't going to need to build new gas power generation, you probably wouldn't think about CCS. But here we are at the beginning stages of a natural gas power super

cycle. And I think folks are just now beginning to see the relevance and the importance of CCS. For example, Google just signed the industry's first power offtake for a gas plus CCS project in Illinois. And we think with the right projects in the right areas, there should be a lot more to come. Gas plus CCS can be meaningfully lower cost than any other scalable, clean, firm power solution. That's always been our thesis, and we think it's about to begin playing out as such. So the signals, they're beginning to form that natural gas with CCS is being embraced, simply because natural gas power generation is quickly being accepted as the only scalable power solution that can be deployed on the hyper accelerated timeline to meet accelerated need for 24-7 power. So let's flip to slide five and talk about the steps we're taking to best position our company for success. So we can call this an expansion of our business. We can call it a pivot, but at the end of the day, it's really focusing our resources on actionable opportunities to transform natural gas into clean, affordable, reliable power. And over the past decade, We at NetPower have built an incredible team of technical leaders to develop our oxycombustion power generation technology, which is arguably one of the most challenging and promising technologies in the energy sector. Second, probably only to nuclear fusion in both complexity and potential. And while the team has been diligently working to design, develop, improve our technology, both in the lab and at our pilot plant in La Porte, Texas, we've been assembling a small portfolio of ideal locations to cite these NetPower projects. And you can really see that on the bottom of the slide. We really consider this setting the table for successful future commercial deployments. So within NetPower, we possess a very good understanding of where our projects, where these NetPower projects make really, really good economic sense and also where they don't. And in most cases, For them to make economic sense, you really need three things. You need access to gas, the lower the cost, the better. You need proximity to a high quality carbon sink, the lower the cost to transport and sequester, the better it is for the power economics. And if you can find someone to purchase the CO2 for an industrial use, that's even better. That just means lower power prices at the end of the day. And then there's proximity to high capacity transmission lines. And in North America, The optimal combination of these features that I just mentioned are predominantly within deregulated competitive power markets, where anyone with the capability to build, own, and operate a power plant can do so. So, for the last couple years, we've assembled a couple high-quality locations that were really meant to prove and commercialize our initial net power deployments. Because we had always been planning to license our oxy-combustion technology, We didn't really see the rationale to continue to secure additional high quality locations in these and other areas. But I'll come back to the bottom of this page in a second. One of the setbacks we've faced at NetPower is the rising cost for our first facility and learning it was going to be much more expensive than we previously anticipated. And we've come to that hard realization that trying to fund and then build a \$1.7 billion 200 megawatt first-of-a-kind facility before completing all of our testing is a low probability event. So in a best-case scenario, we'd be looking at a COD of that first plant in 2030 or 2031. But just given the persistent inflation that we're seeing in the industry sector, in the energy industry sector, those costs could be higher in a few years. We can either keep our heads down and continue investing 100% of our capital to advance our oxy-combustion technology, which we have great confidence can be the right long-term solution, or we can slow down that spending in order to free up some of our resources for near-term accretive opportunities. We strive to allocate our capital in a responsible manner that maximizes shareholder value and is aligned with our mission. The day that we can't do that will be the day we return that capital to shareholders. but today is not that day. I'm really excited to talk about the right side of this page for a few reasons. Conventional gas power with post-combustion carbon capture technology, or PCC for short. The conventional power side of the facility, gas turbines and gas engines, are proven bankable technologies. The other half of that configuration, the PCC side, has also been proven, but it hasn't been widely deployed or as quickly as it should. And it's not necessarily a technology issue. It's been an economic and timing issue. It could take a long time to permit sequestration wells. It could take a long time to permit new CO2 pipelines. And if you're in areas where it's uneconomic to transport and sequester or the underlying power project doesn't operate at sufficient uptime to justify the capital investment in PCC, in those instances, it's just not economic to install PCC versus just doing a simple cycle or combined cycle facility. But as we all begin to see the tangible support for adding new 24-7 power and the differentiated value the market is willing to pay for clean firm power, PCC becomes very interesting in the right geographies. So for us and everyone else in the power and data center space these days, speed is everything. And we believe gas turbines with PCC can and should be the fastest to market and most cost competitive clean firm solution for our

prospective customers. So we connected with the Entropy team over the summer and discussed ways we could work together to accelerate the deployment of clean gas projects together in the U.S. Entropy, which I'll cover on the next slide, is a Canadian-based company. They're a bit under the radar here in the States, but they have the only operational natural gas CCS facility in North America, and it's been running for a few years now. They've fine-tuned their solvent mixture for carbon capture from natural gas. In between our two companies, we've recognized an opportunity to combine NetPower's power generation and site origination skill set with theirs on PCC to accelerate the deployment of clean gas power projects in the U.S., which takes me back to the bottom of the page. One of the immediate commercial synergies we can realize with Entropy is the ability to accelerate deployment of their technology at net power sites, specifically starting with our project Permian site in West Texas and our second originated site in Northern MISO region. I think each of these locations is great in their own right. Our West Texas project has real potential to be the lowest cost clean firm power project in North America. We're targeting a below \$80 LCOE for the first phase of this project, and below \$70 per megawatt hour as we scale to 300 megawatts and beyond. And our Northern MISO project can add much needed 24-7 power to a grid system that is not seeing enough new base load power showing up in the queue, not to mention zero new clean firm base load showing up. So by utilizing our existing sites, we have the instant ability to deploy up to 600 megawatts into these key power markets with the ability to do even more through additional interconnect upgrades or behind the meter co-location. And through this exclusive partnership, both us and Entropy will have the ability to co-invest in the equity of the projects we develop. So the price of this partnership is building high quality, clean, firm power projects in markets that value 24-7 clean power on an accelerated timeline. And over the course of the next several months, we'll be working several work streams in parallel with the entropy team. First, we'll be finalizing definitive documents of the LOI. Second, we'll wrap up technical diligence to fully confirm this is the right path, as well as complete design work around our first project, which Mark will talk about in some detail. It's worth flagging that if we choose to complete this transaction, we'll be making a small strategic investment into Entropy to help fund their ongoing business and technical work supporting our joint development. I have to mention there's no binding obligation on the part of either of us or Entropy to consummate the transaction, but sitting here today, assuming everything continues to track the progress we've made to date, we expect to finalize the JV in the first quarter of 26 in conjunction with preparations to FID, the first phase of our West Texas project. So when we take a step back and we think about what net power is becoming, we're still a company with a singular mission to transform gas into the lowest cost form of clean, firm power. But instead of just having one solution to do it, we now can have two. And in a market that's operating with a very near-term focus on scalable, reliable power, but still thinking about a cleaner end state, we think us having a high impact deployable solution today to complement our game-changing long-term patented product is the optimal setup for our business, our shareholders, and our future power customers. Turning to slide six, we wanted to briefly summarize the landscape of our new product portfolio, which has really evolved to prioritize speed to market and technology readiness. In summary, we have a technology in the oxy combustion, the top line, that looks a lot like new nuclear. ready in the 2030s, and LCOE in the mid-100s with a pathway to sub-\$100 LCOE or lower with an extremely low environmental impact. We are keeping that technology in our arsenal and will methodically advance its development on the right timeline. But then skipping down to the bottom of the slide is where we'll be with entropy today. Conventional turbines with capture, proven technologies, ready to be deployed today in the right areas, areas that we control with very compelling break-even economics. We think this can be the most competitive near-term solution that the market needs now. So turning briefly to slide seven, I wanted to provide a brief overview of Entropy. As I mentioned before, we've signed an LOI to partner with them to deploy its proprietary aiming-based solvent PCC solution to the build-out of clean firm power in the U.S. Entropy is based in Calgary and has a world-class ownership group that includes Advantage Energy, Brookfield, and the Canada Growth Fund. They operate the world's first, and I believe it's the only natural gas facility equipped with post-combustion carbon capture and sequestration at the Glacier Gas Plant in Alberta, which has been operating consistently since 2022. Entropy's solution is designed to capture more than 90% of the CO2 emissions associated with gas power generation. We put it at the highest level of technology readiness a TRL9, which enables us to develop and deliver clean power hubs before the end of this decade. We're really excited to work with the entropy team and get these clean, firm power projects off the ground quickly, because that's what the market wants. The entropy solution, coupled

with our power generation knowledge and product approach, allows us to deploy a clean, natural gas-fired solution meeting the current market demands. I think it would be helpful if we could share some of the early work we've already been doing around this program and these projects. So, with that, I'd like to turn the call over to Mark Horstman, NetPower's Chief Operating Officer.

Mark Horsman | Chief Operating Officer:

Thanks, Danny. Slide 8 details how we'll be leveraging the existing infrastructure that has been established through our project permitting efforts to develop our first clean power hub, where we're preparing to deploy gas turbines with post-combustion capture in a modular, scalable configuration. This site represents a pathway to ultimately deliver up to one gigawatt of capacity as we expand over time. We are leveraging the existing Project Permian land position near Midland, Odessa. Phase one is being structured around a 60 megawatt module and a clear expansion path to one gigawatt as demand and offtake agreements mature. Our gas turbines for phase one are being prepared by relevant power solutions, or RPS, and carbon capture will be delivered through entropy's proprietary amine solvent technology, which is designed to achieve greater than 90% CO₂ capture. On the commercial side, we've already begun to set this project up for a successful FID in 2026. We've reached indicative terms with Oxy to purchase 30 megawatts and 100% of the captured CO₂ under long-term agreements. And we're in advanced discussions with another major oil and gas off-taker for the remaining capacity. One of the core advantages of this project is the ability to use the existing Permian infrastructure, land, interconnect, gas supply, and offtake. With that foundation in place, we can deliver our clean, firm power by utilizing gas servants prepared by RPS and paired with inter-piece PCC technology. This approach enables a faster development timeline, a lower cost relative to greenfield alternatives, strengthening Project Permian's position as a repeatable, scalable build-out platform. Our current schedule targets a financial decision in first half of 2026. Assuming that is achieved, construction will begin in second half of 2026 with commercial operation expected second half of 2028 or first half of 2029. This project is structured to demonstrate speed, repeatability, and long-term commercial durability of our clean power product. Key steps in building a gigawatt scale footprint in the premium. Turning to slide nine. Slide 9 focuses on our development pipeline. I want to provide an update on our northern MISO project, which represents our next major clean firm power buildout alongside our permian project. This project continues to progress on schedule. We're targeting commercial operations between 2029 and 2030. We've secured the project site and are actively working with a local carbon capture and sequestration development partner. This partnership is central to our plan, as the project is expected to utilize Class VI sequestration for long-term CO₂ storage. Our partner currently holds two Class VI well applications, and both are on track for permitting in the second half of 2028. Similar to the Permian, we're designing phase one of this project to utilize gas turbines paired with Entropy's PCC technology. FID is targeted for 2027, and we expect commercial operations to come as soon as 2029. Net power is an active dialogue with strategic outtakers for the power at this site. Overall, Northern MISO is moving forward as an anchor site for our next phase of growth, complementing the Permian program and reinforcing the scalability of our clean power product platform. Slide 10 shows that Project Permian remains on track for its first power in 2028. Phase one is designed around a 60 megawatt module with more than 90% carbon capture and target availability of 95% plus. Our current estimates point to a levelized cost of energy, or LCOE, under \$80 per megawatt hour. With internet capacity secured at 300 megawatts, we see a clear path to more than 750 megawatts of future expansion at this site. Our MISO project is progressing with first power targeted for 2029. The project features similar performance expectations, 95% availability, and greater than 90% carbon capture, with a projected LCOE of roughly \$100 per megawatt hour. This site also holds 300 megawatts of internet capacity and supports more than 400 megawatts of future phases. Moving to the right-hand side of this slide, we'll continue to leverage our people and skill sets to build a robust project pipeline, following the same blueprint we have thus far, finding the bright spots. securing interconnect spots, securing the poor space to sequester CO₂, negotiating long-term supply and offtake agreements, and leveraging our strategic owners to establish clean, firm power hubs that can scale into large, multi-gigawatt campuses in the early part of the decade. These actions set the foundations for scalable, repeatable project execution. Big picture, we're designing

these clean, firm power hubs to come online beginning 2028 through 2030 with the potential to expand into multi-gigawatt campuses by the early to mid 2030s. We're excited for this next stage of our story and look forward to sharing updates on our progress in future quarters. With that, I'll pass it back to the operator to open up the line for Q&A.

Conference Operator | Operator:

Thank you. We will now be conducting a question and answer session. If you would like to ask a question, please press star 1 on your telephone keypad. The confirmation tone will indicate your line is in the question queue. You may press star two to remove yourself from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment, please, while we poll for your questions. Our first questions come from the line of Nate Pettleton with Texas Capitol. Please proceed with your questions.

Nate Pettleton | Analyst, Texas Capital:

Good morning. Thanks for taking my questions. With the pivot you announced here, can you provide your perspective on what makes net power uniquely positioned to take advantage of this opportunity compared to some of the others, given your prior focus on the oxy combustion cycle?

Danny Rice | Chief Executive Officer:

Yeah, good to hear from you, Nate. That's a great opening question. I think when you really get down to it and you look at the skill set that net power has, You know, it's not just about the skills, but it's about, like, the resources and assets that we possess today. I think it starts with having, like, a fundamental understanding of both power, really the above-ground piece, along with a really, really solid understanding on the subsurface. And I think, you know, when we take a step back and you just ask yourselves, like, why hasn't, like, gaps with CCS really taken off in the past? I think it's because, you know, when you look at all of these potential projects that have really been proposed on the CCS side for PCC, It's always been through like a power first sort of approach. Where's the best place to put a power plant? And then secondarily is, well, can we do PCC here? And if you're not close enough to the sink, if you're not close enough to a high quality reservoir, the PCC economics fall apart pretty quickly. So it's all about like location, location, location, and finding the best place to be able to put these sites. You kind of pair that up with, as I mentioned in like the prepared remarks, how long it takes to actually permit a lot of this stuff. This isn't something where you can just wake up tomorrow and say, let's start doing PCC here. It takes years to be able to permit the wells, years to be able to permit the pipelines. I think that will be changing over time as you see permit reforms start to accelerate and shorten those timelines to get this infrastructure built. But sitting here today, I think the biggest differentiator, who has actionable projects in the right areas to be able to deploy? And so I think one of the unique synergies that I sort of mentioned earlier was we're kind of sitting in this unique position where over the last several years, we've started to originate high-quality sites to put these net power plants. And these sites work just as well for PCC as they do for net power because it's the same exact inputs and outputs. The same quality of natural gas comes in and the same amount of high-quality, high-security CO2 comes out. And so as we think about the best places to be able to put PCC, net power is sitting here today with a couple high quality sites to put these projects. And so part of just the obvious synergies that we saw with the entropy folks is, hey, we've assembled like really great sites to be able to put our net power plants. The deployment and commercialization of those net power plants is many years away. And so we're going to have RID Connect ready for 300 megawatts in West Texas, 300 megawatts ready in Northern MISO, that could potentially sit there unutilized if all we said was we're going to wait to deploy net power. So this opportunity that we see in front of us is we can actually accelerate the deployment of a clean gas technology on these sites much sooner than we would if we just waited for net power. And so you kind of end up in this place where You

know, when Mark's talking about, you know, getting to FID in 26 and CODing that first plant in 2028, that positions us to have the first clean, firm gas power plant online in the United States years ahead of the next guide. And that's really just the first phase, right? I think over the course of 28 through 2030, 2031, If we do this right, we're going to have the ability to scale and develop multiple phases across both West Texas and Northern MISO. And so I think when you get to 2031, 2032, when the next competitor's clean gas project comes online, we're going to have three to four years of operational runtime, as well as three to four years of multiple deployments under our belts by the time the next project comes online. But the key to all of this is having the right locations in the right areas that are really conducive to clean gas power. And net power just coincidentally possesses those today.

Nate Pettleton | Analyst, Texas Capital:

Yeah, it seems like a compelling opportunity. So thanks for laying that out. And if I may, looking at entropy, you know, there seems like a phenomenal partner from what I understand about their history and what they've been able to achieve. So with their Glacier project and their entropy 23 solvent, it does seem quite a bit better than what's in the market today on an array of metrics. So can you maybe elaborate on why specifically you chose to partner with Zinn and what you see in that technology that may make post-combustion carbon capture truly competitive economically?

Danny Rice | Chief Executive Officer:

Yeah, I'll start and then Mark can certainly fill in the holes. I mean, first and foremost, I think they're just a great group of people. And I think one of the things I've learned over my career is it's always better to work with great people. It makes the experience a lot more fun. And I think that ultimately is what leads to the best potential economic outcome at the end of the day is partnering with good people. And the entropy guys are top of the class. I think what is really differentiating about the entropy folks is their operational experience with the solvent technology. I think because the industry as a whole hasn't really gotten off the ground, the real differentiators are the ones that have actionable, real projects in the ground today. And the entropy guys have done that. And as a result of being able to have real projects, you're able to fine-tune the technology. You're able to fine-tune the assets to optimize for performance. And so being able to have three years of runtime on their facility, they've been able to optimize and improve the performance of their technology, which is both the infrastructure, but also the solvent technology. And so they've been able to optimize essentially their cocktail for capture. And I think when you take a step back and you say, what differentiates one solvent from the next? There's a couple of ways to measure it. It's the amount of energy it takes to separate the solvent from the CO₂. It's the capture efficiency of the CO₂. It's the degradation rate of how long does it take before that solvent breaks down. And then it's also the inhibition of that solvent or the amines to become nitrosamines, which is not good. And the entropy solvent, they've done a phenomenal job essentially like building what is a peer-leading sort of technology. And so that's really where this whole synergy comes in is they have what we would say is a TRL9 product that should and can be deployed in the power markets that need clean power the fastest. That happens to be the U.S. And we have these sites that are ready for clean power projects. So this sort of coming together of us enables them to accelerate the deployment of their technology in the largest market in the world, the U.S. power market. And for us, it allows us to accelerate the deployment of clean power projects that stays true to our mission. And I think where we both sort of win is we both will be participating in the equity in the investment of these projects side by side. So the goal here is let's stand up and develop, build, own, and operate high-quality, clean, firm power projects leveraging Entropy's solvent and PCC expertise, combine that with our power generation and site development expertise, and what you end up with is a win-win situation for both of our firms.

Nate Pettleton | Analyst, Texas Capital:

Got it. I really appreciate the detail, and thanks for taking my questions.

Danny Rice | Chief Executive Officer:

Yeah, thanks, Nate.

Conference Operator | Operator:

Thank you. Our next questions come from the line of Martin Malloy with Johnson Rice. Please proceed with your questions.

Martin Malloy | Analyst, Johnson Rice:

Good morning. I wanted to ask if you could maybe talk broadly about the financing strategy with Phase 1 and then follow-on projects. It sounds like from Mark's comments with Phase 1, you've got potentially all the power. You've got an offtake for as well as the CO2 going to Oxy. Maybe if you could talk about just broad terms, the financing strategy in terms of being able to put debt on these projects. And also, you know, I did see on InterPete's website that Brookfield is an investor in them, if that plays a role here at all.

Danny Rice | Chief Executive Officer:

Yeah, no, Marty, great to hear from you. Those are really awesome questions. Yeah, I think starting on just, like, the financing of these projects, I think – You know, I think when you take a step back and you look at just what we were planning to do on the net power side, because, you know, net powers, oxy combustion technology was going to be a first of a kind sort of facility. One of the things we told the market is, hey, we're most likely going to have to equity finance the entirety of that first facility. So you're talking about \$1.7 billion of what would most likely need to be 100% equity financed because there's no, you know, quote unquote bankable technology. within that plant and that's okay. And that's, that's sort of common across new first of a kind technologies. Um, I think you contrast that against what we're doing here with entropy, with the gas turbines and the PCC, like I mentioned before, you know, half of that facility is, is, is existing proven bankable technologies, the gas turbines, steam turbine, the, the, the Herseig that's, that's all stuff that is, that is financeable because these are, this is proven equipment that has real value in the market. So you buy the equipment, it maintains its asset value if you want to transfer or sell it. So that becomes very financeable on the project financing side. And so the way we kind of look at it is we know we're going in with at least half of the capex, very, very bankable with just project financing. So it's not going to require equity financing. I think you kind of wrap this whole thing within long-term contracted cash flows. And, you know, we're talking 10 to 15 years. contracted cash flows and you get to a place where you could probably project finance a good chunk of the total capex spend of this project. And that is really just because like sort of what we're targeting in terms of how competitive is this from an LCOE perspective. I think LCOE isn't the end all be all in what project economics are. But knowing if you're on like the low end of the LCOE range and you're able to command a higher price for that power, that implicitly says these are going to be, you know, mid-double-digit sort of IRRs, you know, 10% to 15% on a levered after-tax basis. That provides sufficient capacity to be able to have project financing on the whole thing. And so as we look at the financing piece, you know, this isn't going to be net power is going to have to put up \$300 million or \$400 million of equity dollars for the first project. It's going to be a much smaller portion of that. And then one of the arrangements that we have with Entropy is their ability to participate alongside us in these projects. And that certainly becomes really interested for Entropy's investors, for Brookfield and CGF and Advantage, and potentially for other Entropy investors to be able to participate through Entropy in these projects alongside us. So the equity capital burden

that we're going to be looking at on West Texas Phase 1, but also on the future phases as we expand this thing, The equity capital needs are going to be a whole lot less intensive on a per megawatt basis, on a per dollar of CapEx basis than we would have otherwise seen with net power projects. So it's sort of like a perfect setup where we're able to deliver clean from power sooner. It's more accretive to our equity dollars that we're investing on an accelerated timeline in terms of speed to market with new power generation.

Martin Malloy | Analyst, Johnson Rice:

Great. That was very helpful. And then for a follow-up question, just wanted to see if you could share with us maybe any anecdotes of conversations that you have had with potential off-takers in the data center market, you know, that are looking for this type of solution for their power needs and might be willing to enter into a longer-term off-take agreement, how they're viewing this. And I know you mentioned the Google announcement recently.

Danny Rice | Chief Executive Officer:

Yeah, I mean, it's quite interesting. I mean, today's really like us, like this is sort of like our coming out party as far as starting to say these are the projects, this is the timeline for the projects, this is the carbon intensity profile, this is the reliability profile of us doing this in both West Texas and in northern MISO on these sites that we control. It's really, so yes, we've been having conversations with the hyperscalers. I think the conversations have historically been around the net power technology. which is a great technology, but I think the one just challenge on the net power piece is you're talking about projects that would start in 2030 or 2031, and then the second plant in 2033 or 2034. And I think when you think about the urgency of power for the hyperscalers, for these data centers, for AI, 2030, 2031 is... Eons, I mean, in dog years or cat years or pick any other animal that has a really short shelf life, like the way they think about time value is totally different than we do through like a traditional financial lens where we think of time value as like a 10 or 12% cost of capital from year to year. I think they're thinking about things like multiples, multiples, multiples of that. And a project that comes online in 2031 is 100 times less valuable than the same project if it could come online in 27 or 28. And so these conversations that we can now start having with strategic off-takers, they become a lot more real and a lot more interesting because we're talking about projects on a very accelerated timeline than the conversations we've been having with them in the past about projects starting in 2031 or 2032. And that is all plays into like why this sort of partnership with entropy makes a whole lot of sense. It accelerates not just the deployment of these projects, but it really starts to bring forward a lot of the strategic conversations around strategic offtake with folks that are in dire need for as much clean, reliable power coming onto these grids or behind the meters as soon as realistically possible. So I think this really sets us up to have much more constructive, much more tangible and real conversations But at the end of the day, it all depends on our ability to continue to progress these projects and deliver the right solutions on the right timeline. And I think this certainly partnership with Entropy allows us to do that.

Martin Malloy | Analyst, Johnson Rice:

Great. Thank you. That was very helpful.

Danny Rice | Chief Executive Officer:

Yep. Thanks, Marty.

Conference Operator | Operator:

Thank you. Our next questions come from the line of Betty Jung with Barclays. Please proceed with your questions.

Betty Jung | Analyst, Barclays:

Hello. Good morning. I want to ask about the slide 10, and then just unpacking the economics of the project. What enables the sub-\$80 LCOE in the Permian compared to roughly 100 in MISO? And if you could just speak to maybe how you're thinking about the capex cost and then some of the other credit stacking attributes on the Permian project?

Danny Rice | Chief Executive Officer:

Yeah, no, that's a great question, Betty. And I think this is an important one for everybody to understand. You know, it really comes down to like two simple things that makes a clean firm power project in West Texas lower cost than anywhere else. I would say almost in the world. And it comes down to the cost of the energy feedstock for the power generation. And in our case, it's natural gas. It's just, it happens to be lower cost in West Texas than just about anywhere else in the country. And that's really thanks to the oil and gas industry that's been able to unlock the shale gas potential out there. So there's that factor. And then the other really, really important differentiating one, and this gets into the subsurface side of things, is you have the ability to utilize that CO₂ versus having to just permanently sequester. And so what that really means is we have active buyers of that CO₂ that are able to ascribe real value for the CO₂ because it has an industrial use. So in most other places where you're just permanently sequestering the CO₂ and there's no industrial value, you're having to pay somebody to take the CO₂, transport it, and permanently sequester it. And so that comes out of the 45Q proceeds that you get. So in a place like Northern MISO, You know, we're going to collect the \$85 and then from the \$85, you'll pay a certain fee per ton to transport and sequester the CO₂. And that's the way it works in most of these applications for CCS. West Texas is a totally different animal. West Texas is an area that's been purchasing, you know, 10, 15 million tons of CO₂ per year for industrial use for enhanced oil recovery specifically. And so that's a market where they can ascribe the value to purchase the CO₂ without you having to then pay to transport and sequester it because they have real industrial value there. And so in a place like West Texas, the plant is going to get paid the \$85 per ton, but rather than paying somebody 20 or 30 or 40, or if you're in a bad area, 50 or \$60 per ton out of that 85 that you're getting paid from the 45Q, you're actually getting paid on top of the 85. So you can kind of think about it as like carbon stacking, where you're getting paid the \$85 in the 45Q, and then you're collecting another amount per ton to sell the CO₂ to an industrial user. And the biggest industrial user of that CO₂ in West Texas is Oxy. They have been pioneers in enhanced oil recovery for a long, long time. We're gonna be using oil in this country and in the world for a long, long time. And so there's real industrial value that then gets valued back to these plants. And so what that really means is the more value that we can capture on the CO₂ side of this facility, the lower the power price can be. And so that's really like the really interesting setup that we see in West Texas is this is arguably the lowest cost place to do clean gas power. And so I think a lot of people are now starting to see a lot more power projects pop up in West Texas, more so than anywhere else in the United States. And it's specifically because of the low cost nature of natural gas there. And then I think if you take it a step further and you say, okay, well, where's the most economic place to do clean gas power projects. It also happens to be in West Texas because of the utilization of the CO₂. So, you know, we, we kind of recognize this way back in the day with net power and we said, hey, the absolute best place to do our first net power oxycombustion project is West Texas. And so that's why we already have the infrastructure in progress with the interconnect, with the site, with the offtake stuff for the CO₂ is because we've been working on it for the oxycombustion. But the same thing applies to what we're going to be doing with entropy on the PCC side of things. So it's a great place to be able to demonstrate that clean, reliable, affordable power can come from natural gas in the right areas. And so that Project Permian site is going to be a great place to be able to demonstrate that on a very

accelerated timeline with the entropy folks.

Betty Jung | Analyst, Barclays:

Got it. That makes a lot of sense. My second question, a bigger picture. So if I think about your business model now or prior, it was capital light. It was licensing model and others. spend the money on the big capital dollars to build these plants. And now it seems you're pivoting to a more capital-heavy model, where in order to scale, you have to grow and spend that money to build these plants. So how are you thinking about the project financing or just the longer-term capital needed to scale this business?

Danny Rice | Chief Executive Officer:

Yeah, no, it's a great question. And I think that's one of the exciting parts about what we're trying to do here. And it all comes down to making sure that we're sizing these things appropriately for what net power can accommodate with this balance sheet and its access to capital. I think one of the things you're seeing with what we're doing on phase one, we could just as easily say, hey, let's go do a 300 megawatt facility right out of the gates. You know, there's really not going to be any technology scale-up risk because we're deploying this PCC technology in a very modular, small-scale fashion. So we could do four or five of what we're doing in phase one. We could just replicate that to do the full 300 megawatts right out of the gate. But in doing that, you're going to get to a really large CapEx number, which is going to require a lot more equity capital than NetPower has access to today. And that's a position we don't want to put our balance sheet or our shareholders in that position. So what we're really doing is we're really right-sizing the scale of these facilities to be able to accommodate NetPower's ability to participate to its fullest in the economics of these projects, to be able to participate for our full economic potential without it being dilutive to the balance sheet or to our share count. And so phase one of that project is going to be smaller, but it's smaller by design, both to both prove this modular concept which isn't really a concept that we have to prove because this is what the entropy folks have been doing up on their glacier facility. But it's really sizing in the way that we can establish a commercial project that requires only a small portion of our existing cash on hand. And so we're in this unique position where, you know, we're going to exit the year with around \$390 to \$400 million of cash. And one of the capital allocation decisions that we're actively assessing today is okay how do we slow down some of the spending that we're doing on the oxy combustion side because that frees up capital that we can then allocate to an equity investment into economic commercial projects on the turbine and pcc side on an accelerated timeline and so we're in this unique position where we're going to be able to get project financing we expect to be able to get project financing for a good chunk of the capital spend on this first project. But because we're doing it at such a smaller scale compared to what we ultimately could be able to do it at, it makes the equity requirements on our side a lot more manageable and a lot more palatable, knowing that what we really need to do is establish clean front power generation prudently and then prepare to scale quickly to the 300 megawatts and above. And that sort of strategy is really like what we're running with at both West Texas and at the northern MISO site, We're going to start smaller, but these are going to be sites that are expandable up to a gigawatt or larger. And so we're going to do that very prudently using our available capital in our balance sheet. But we know that if we do it right and we're able to demonstrate that these are highly economic, highly strategic and differentiated projects, that will really open up the door on our access to additional capital. Because the real prize for us is if we can put billions of dollars to work in projects that generate 15 to 20% after tax returns to us, access to capital becomes a lot easier to get. So the first key piece for us is being able to demonstrate economic differentiated projects at a small scale. And that's ultimately what we're going to be doing with the first phase of this West Texas project.

Betty Jung | Analyst, Barclays:

That's great. Thank you.

Danny Rice | Chief Executive Officer:

Yeah.

Conference Operator | Operator:

Thank you. Our next questions come from the line of Wade Suki with Capital One. Please proceed with your questions.

Wade Suki | Analyst, Capital One:

Good morning, everyone. Appreciate you all taking my questions. And I might have missed it, but maybe just to dovetail on, I think, Betty and Marty's questions, can you give us a sense for what phase one might cost in West Texas, or MISO for that matter, sort of including the carbon capture component? Again, I might have missed it, but I wonder if you could kind of clarify that for us.

Danny Rice | Chief Executive Officer:

Yeah, absolutely. Yeah, we didn't really provide any specifics, but, you know, I think, you know, we're still going through a lot of the final preliminary engineering work over, like, the scope of the facility. You know, the rough number, just to put it out there for everybody, is, you know, total installed CAPEX on that facility will be between, call it 375 and 425. And then when you just kind of go through the math, Wade, in terms of what that could be on an equity piece to net power, if we're doing 50% or 51% of the equity and entropy is doing the balance, if we can get project financing for 50 to 70% of the total capex, that leaves you with around \$200 million, \$150 to \$200 million of total equity. And so if net power is taking 50% of that, You're talking about, you know, \$75 to \$90 million on the equity side. Now, it could be a little bit more. It could be a little bit less, depending on where things shake out on total CapEx and total financeability. But that's probably a good rule of thumb of where we're going to be in terms of potential capital invested in that project. And that's, like, a pretty compelling setup in my mind because we're sitting here with \$400 million, you know, at the end of the year, \$390,000, \$400 million. And so you kind of have 20, 26 capital spend allocated to this of \$80 to \$90 million. That leaves sufficient capital for us for any projects that we want to FID at the end of 26 or the beginning of 27, whether it's West Texas Phase 2 or whether it's MISO Phase 1. I think the real timing of being able to FID those phases, it's probably less on availability of the real key stuff, which is like the turbo machinery. I think Mark's done a good job, an excellent job, not just with securing these turbines for the first phase of West Texas, but really designing this facility so we become very turbine agnostic. This isn't going to be one where we can only fix this thing with one sort of turbo machinery. This is going to be one where If we want to do this with resips, we can. If we want to do it with smaller scale turbines, we can. If we want to do it with larger scale turbines, we can. So the product design that we're doing on this integrated plant is going to be a lot different than how people have thought about PCC in the past, which is every single plant is bespoke on the PCC and power side. This is going to be very customized to be flexible to accommodate any which number of turbines. And so as we think about the supply chain, looking forward for phase two in West Texas, phase one in Michigan, it's not going to be about the availability of the turbine machinery. It's really going to come down to our ability to be able to contract the offtake for the power, to be able to secure the gas supply, the inputs and the outputs, knowing that a good chunk of the economics is already spoken for, the 45Q. And that's, you know, \$85 per ton for each ton that you're capturing to And that really is helpful to being able to like, have like a fully contracted cashflow for, I mean, that's 12 years. So that really helps underwrite a lot of

the upfront investment and the financing that we can get in place for these facilities. So we're, we're, we're pretty excited about what the setup could be on the, the timing, the cadence, and really like how accelerated this thing could take off. But the key thing that we're really focused on is let's make sure we have a highly successful FID on this first phase in west Texas.

Wade Suki | Analyst, Capital One:

Fantastic. That's very helpful. Appreciate it. Would you mind just expanding a little bit on the entropy investment to the extent you can at this point?

Danny Rice | Chief Executive Officer:

Our investment in entropy?

Wade Suki | Analyst, Capital One:

Yeah, exactly.

Danny Rice | Chief Executive Officer:

Oh, it'll be a small investment. I mean, the entropy team, fantastic organization. You know, as we look at collaborating with them on this program, it's going to require technical resources from both our side and their side to make this happen. Really, it's not so much on, like, the project side, but it's on, like, if you think about the product and the product roadmap and the program that product is within, it's going to require engineering resources from both their side and ours. And so we said, hey, we'll make an investment on your behalf into your business. So it's a small equity investment. But it's an important one because it gives them the resources to be able to contribute their people and their skill set to ensure that we deliver the right product on this accelerated timeline.

Wade Suki | Analyst, Capital One:

Thank you. One last one, if I could. I apologize. I don't mean to press it here. But just kind of taking a step back, you know, you and I might have discussed this in a previous conversation, but As I look at the business now, kind of new strategy, I guess what's the rationale for being a public entity? I hate to ask. I don't mean to be abrasive or anything, but I'm just kind of curious how you think about that, the current pivot, I guess.

Danny Rice | Chief Executive Officer:

Yeah, I think it's a totally fair question. It's a question I ask myself every day. And it's not because we don't like being a public company. I think it's really important that we're a public company. The access to capital as a public company is unparalleled. But I think it's really important that if you're a public company, you have the ability to access that capital. And that is really a function of do you have places to invest that capital, right? And I think on the net power side, you know, for the standalone oxycombustion, it is pretty hard to justify why do you need to be a public company if you have all the dollars you need to advance the technology and the capital needs you're going to need for that first project are way more than you'll be able to capture as a public company. It becomes a harder proposition for standalone oxycombustion. I think when you now introduce a business that has real actionable projects that can use capital sooner rather than later and use capital not for the sake of being able to spend money but invest money into economic projects, that becomes a lot more

compelling setup for us to be a public company. And then I think like the other part of it is there's no other clean firm public power company in the space today that's gonna have projects online this decade. Yeah, you have the nuclear folks that are out there, but they're in like a 20, 30, 20, 40 sort of timeframe. And so this new sort of net power, I think is really differentiated for public market investors, both the institutional crowd, but also for the retail crowd of, Hey, we're at the beginning of a natural gas super cycle. What is the absolute best way to be able to play this thesis? It's clean, firm power coming from natural gas is going to be the prevailing source of clean firm power for the next decade. Right now, there's really no, the only way to play that really is NetPower. But NetPower, you're making a huge technology bet on a technology that's going to be commercialized in 2030 and beyond. Now, we really bring a whole lot of that actionability forward with projects that can come online in 28 years ahead of the competition. And so I think NetPower now becomes in a really interesting position where we have the ability to be not just the premier clean firm power company, but the one that's actually able to put more capital to work in a very accretive manner, both at the project level, but also on behalf of our shareholders. So I think all of a sudden we're now in a much more compelling place to be able to demonstrate why it makes sense for us to be a public company.

Wade Suki | Analyst, Capital One:

Understood. Great. Thank you so much. Appreciate it.

Martin Malloy | Analyst, Johnson Rice:

Yeah. Thanks, Wade.

Conference Operator | Operator:

Thank you. We have reached the end of our question and answer session. I would now like to turn the floor back over to Danny Rice for any closing comments.

Danny Rice | Chief Executive Officer:

Yeah, thanks, everybody, for joining us today. I know the world is quickly evolving. The market is changing. Power demand is exploding. And it's an exciting, exciting time to be in power. And I think what you really see from us here today is the ability for our team to proactively and at the same time responsibly adapt to this quickly changing market. And I think, you know, when we look forward a couple years and look back on today, I think everybody, hopefully everybody says, wow, that was a really, really smart expansion of your business to be able to capture this market faster than everybody else while still preserving not just the mission, but preserving this really differentiated oxycombustion technology that that combined with Our ability to become experts on all things clean gas really sets NetPower up for long-term success. So this is the beginning of it, and we're really excited for your support, and we're really excited to come back and visit with you all in a few months and show the progress that this team is going to make. So thank you again for your time today, and we will always be available to answer any additional questions or comments you all have. Thank you.

Conference Operator | Operator:

Ladies and gentlemen, thank you for your participation. This does conclude today's teleconference. You may disconnect your lines at this time. Enjoy the rest of your day.