NYSE:NPWR Q4 2025 Earnings Call Transcript

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Conference Operator:

Greetings and welcome to NetPower Inc. fourth quarter 2025 earnings conference call. At this time, all participants are on a listen-only mode. A question and answer session will follow the formal presentation. If anyone requires operator assistance during the conference, please press star zero on your telephone keypad. As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Bryce Mendez, Director, Investor Relations. Thank you. Please go ahead.

Bryce Mendez | Director, Investor Relations:

Thank you. Good morning, everyone, and welcome to NetPower's fourth quarter and full year 2025 earnings conference call. With me on the call today, we have our Chief Executive Officer, Danny Rice, and our President and Chief Operating Officer, Mark Horsman. Yesterday, we issued our earnings release for the fourth quarter and full year ended December 31st, 2025, along with an updated investor presentation. Both are available on our investor relations website at ir.netpower.com. During today's call, our remarks will 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, which are discussed in our SEC filings. We assume no obligation to update any forward-looking statements. With that, I'll turn the call over to Danny Rice, NetPower's Chief Executive Officer.

Danny Rice | Chief Executive Officer:

Danny Rice Thanks, Bryce, and thanks, everyone, for joining us this morning. Mark and I are glad to be here, and we have quite a bit of ground to cover. So I'd ask you to pull up the investor presentation and follow along as we walk through it. After our prepared remarks, we'll open the line for questions. So let's start on slide three, and I want to set the stage with a bit of framing before we get into the specifics. When we look at the executive summary on slide three, what you're seeing is a company that made a decisive strategic call at the end of last year and is now executing against it. We pivoted away from oxycombustion as our primary near-term commercial vehicle, and we did so deliberately. Oxycombustion is a remarkable technology, and we're preserving that work carefully. Meanwhile, there's a pathway to the same destination, natural gas power with greater than 90% carbon capture that can be executed with equipment that exists today on a timeline that matches the urgency of the market. That path is a combined cycle gas turbine paired with post-combustion carbon capture, GT plus PCC. proven turbines, proven solvent-based capture technology, and with the right partner, Entropy, the integration of these two proven systems into a single bankable project is now within reach. So this is not a retreat from our mission. NetPower's mission has always been to transform natural gas into the lowest-cost form of clean, firm power. That mission is unchanged. What changed is we found a more direct route to get there in the intellectual honesty required by us to take it. Now, let me turn to slide four, which covers the macro backdrop, because I think this context is essential to understanding why we believe the timing of this decision is exactly right. We're in the early innings of what may be the most significant build-out of power generation infrastructure in American history. AI data centers are the proximate cause, but it's bigger than that. You have AI-driven hyperscale compute demand. You have industrial re-onshoring. You have electrification of transportation and industry. All of this converging simultaneously on a grid that hasn't had meaningful baseload capacity in decades. In ERCOT, the Texas grid, it's ground zero for this collision. The load growth being projected in West Texas alone over the next five to 10 years is staggering. It's not a theoretical forecast. You can see it in the permitting activity, in the

interconnection cues, and in the conversations we're having. And what every one of those conversations comes back to is the same thing, speed and reliability. Power buyers are not sitting around waiting for the perfect clean solution. They are racing to secure any electrons they can trust to show up 24 hours a day, seven days a week, 365 days a year. What we're seeing is a pragmatic reordering of priorities. Environmental idealism hasn't gone away, but it's being subordinated to an immediate physical reality. You cannot run a hyperscale data center on intermittent power. You cannot build a $10 billion compute campus and hope the wind is blowing or that new nuclear can be built at a price never achieved before, and certainly not in this hyperinflationary cost environment for new infrastructure. But natural gas is different. The U.S. has among the lowest cost natural gas reserves on Earth, 50 plus years of supply in proven basins from Appalachia to West Texas. The honest question is whether we can advance technology that reduces the environmental impact of natural gas combustion, because natural gas is what we have, and is what we need right now. That's where we live. And if there was any doubt about how central domestic oil and natural gas are to this country's economic security and physical safety, the last three months have been about as clear a reminder as you could ask for. We just came through one of the harshest winters on record, and the U.S. kept the lights on without missing a beat, not because of solar, not because of wind, but because we have an abundant reliable supply of natural gas in the generation infrastructure to dispatch it on demand. At the same time, we are actively engaged militarily and diplomatically to ensure that global oil supply chains remain in reliable hands because the world does run on oil and the U.S. understands the consequences of that supply falling under the control of adversarial actors. These are not abstract geopolitical concerns. They are direct expression of how important domestically produced fossil fuels remain to our national security and economic prosperity. And they reinforce in the starkest possible terms why the answer to our energy challenge is not to wish away natural gas or oil, but to figure out how to produce more of it domestically and use it more responsibly and more cleanly. That is what we are doing. The good news is that the policy environment is beginning to confirm this view. The 45Q tax credit now provides parity between CO2 sequestration and CO2 utilization for enhanced oil recovery, and that's significant for us. EOR or enhanced oil recovery is the process by which captured CO2 is injected into oil formations to recover additional oil. Beyond the incremental production benefit, the CO2 stays underground permanently. You get a direct economic credit for the carbon capture. It supports domestic oil production and U.S. energy security, and it enables a meaningful reduction in the cost of clean power. In West Texas, where we have both the Permian Basin's vast oil formations and abundant low-cost gas, EOR is what makes the economics of our first project genuinely compelling. It's not a workaround. It's an integral part of the value chain. The bottom line in the macro is this. The need for clean, firm baseload power has never been greater. The policy support for CCS has never been stronger. And the geography we're developing in, West Texas, is exactly where load growth and energy resources are converging the fastest. We believe net power is in the right place with the right solution at the right time. So with that, let me turn it over to Mark to walk you through what we've been building.

Mark Horsman | President and Chief Operating Officer:

Thanks, Danny. Good morning, everyone. I'm going to take you through the business progress across three areas, the status of our product development, where we stand on project permit, and how our commercial pipeline is developing. So let's start with slide five. The foundation of everything we're building is the integrated clean power product, two Siemens SGT835 gas turbines prepackaged by relevant power solutions paired with Entropy's post-combustion capture system designed for greater than 90% CO2 capture. Our integrated clean power product represents something the market hasn't seen before, a fully pre-engineered power plant that combines a natural gas combined cycle with post-combustion carbon capture into a single standardized design. By working directly with Entropy, WSP, and our OEM partners to deliver modular pre-engineered components, we will have systematically reduced the execution risk that has historically plagued first-of-kind projects. The plant is entirely air-cooled. eliminating water dependency, which dramatically expands the addressable geography and significantly relaxes a traditional siting constraint. Because our product is built on commercially proven technology, configured to a repeatable standard, we enter Project Permian with high confidence in performance, reliability, and availability. And with each

deployment, our design matures, our procurement leverage grows, and our cost curve improves. We're not building one plant, we're building a product. This is the product that will be deployed at our first project called Project Permian in West Texas. We passed our conceptual design review, CDR, and we're now working with WSP Engineering to advance the detailed design. Major equipment packages are progressing as well. We have the two modular gas turbine packages on order. Delivery is targeted for early 2028, and we're working through the commercial selection and structure of our EPCs. The product design CDR milestone is a meaningful de-risking event because it confirms that the integrated system can be engineered to specification and that our cost assumptions are grounded in real engineering, not just estimates. On the entropy partnership, this is a critical workstream. Entropy is a global leader in solvent-based post-combustion carbon capture. Their technology has been deployed commercially in Canada at their glacier facility. and we expect the Glacier Phase II commissioning this summer to provide real-world validation data for the performance assumptions underlying our clean power product. We are in the final stages of completing our joint development agreement with Entropy. We expect to finalize definitive agreements in Q2. Upon signing, NetPower will make a strategic equity investment in Entropy, and we will structure a joint venture for Project Permia with Entropy co-investing. Securing entropy as an equity partner, not just a technology licensor, is an important structural element of how we design this partnership because it aligns the incentives and performance directly with ours. I also want to spend a moment on product economics because this is an area where I think the market may still be underappreciating what we put together. When you benchmark our integrated GT plus PCC solution in West Texas against every other clean, firm power alternative, nuclear, geothermal, solar plus storage, our product is cost competitive across a wide range of capital costs and gas price assumptions. That's not a promotional statement. It's the output of rigorous independent benchmarking we've done. With West Texas gas prices and utilizing the 45Q EOR credit pathway, the LCOE of this plant is in range that makes sense for power buyers and delivers returns that make sense for equity investors. That's a combination that, frankly, we weren't sure we'd be able to demonstrate when we started this process. We're much more confident in it now. On that note, I want to flag an important upgrade to the plant design that occurred through fourth quarter. When we last spoke with you in November, the plant was configured for approximately 60 megawatts of net electrical output. Through our design efforts and product engineering with Entropy, we restructured the configuration and now approximately have 80 megawatts of net electrical output. a roughly 33% increase in generation capacity from the same site footprint and roughly the same capital envelope. Equally important, the redesign also reduced performance risk on the carbon capture side. We now have higher confidence in the capture rate assumptions underlying the project economics. That's a meaningful step forward on both the revenue side and the risk profile of the project. Turning to slide six in path to our financial investment decision, Our FID target is the second half of 2026, with a targeted commercial operations date of early 2029. If we hit that date, Project Permian will be the first commercial natural gas plus CCUS project in the United States. That's a milestone that the industry and our customers will notice. To get to FID, there are four major work streams running in parallel right now. First, product and project engineering. We need to advance the detail design to a point where we can execute our EPC contract. and provide lenders with an independent engineer report. They can stand behind. Second, long lead equipment commitments. There are line items that require commitments well before FID in order to protect the COD timeline. We're targeting approximately 50 million in pre-FID long lead commitments by mid-year. And we'll be coming back to update you on that as the year progresses. Third, project financing. We're in the process of selecting a financial advisor to run the project finance process, and we have engaged with prospective lenders and co-equity investors. The project economics are strong, and we believe Project Permian is financeable. The project is designed to meet the return thresholds required by institutional infrastructure investors. Fourth, offtake, which I'll cover on the next slide. And it is important to note site control is in place. We have an executed ground lease with Oxy. Grid interconnection is progressing with Encore with a targeted interconnection data for Q2028. The basic project infrastructure is established. Turning to slide seven, the commercial picture, securing offtake is the most important thing we'll do this year. Let me give you a sense of where we stand. Our most advanced discussion is with Oxy. our site landlord, and a natural commercial partner. Oxy takes the CO2 offtake for enhanced oil recovery. That's the core of the EOR economics Dana described. And we are in active negotiation on the power purchase structure as well. Beyond Oxy, we have a growing pipeline of prospective offtake relationships across industrial, utility, and data

center verticals. There are discussions progressing with a hyperscale data center developer in West Texas for a potential behind the meter arrangement that could be significantly larger than Permian phase one on the order of 300 megawatts. The breadth of this pipeline validates the thesis that our market for clean, firm, dispatchable power is real and growing. The conversations we're having today are categorically different from the conversations we're having even a year ago. Customers are not asking us whether they need clean baseload power, They're asking us how fast we can deliver it. Our goal for this year is to have a signed offtake agreement, or MOU, at pricing at or above $100 per megawatt hour, which is the level that supports project bankability and delivers returns we believe are appropriate for the risk profile of a first-of-a-kind project. We're working hard to get there, and we expect to be able to share more on this front in coming quarters. Before I hand it back today, I want to make one more point that I think is important context for how we've been thinking about the longer-term value of this site. Permian Phase 1 is an 80-megawatt project, but this is not an 80-megawatt site. This location, with its land, its gas access, its CO2 off-take infrastructure with Oxy, and its interconnection, has a capacity to support a much larger power complex. We believe this single site can scale to approximately 800 megawatts. As we replicate and expand the plant configuration, that means the infrastructure we're building, the relationships we're establishing, and the operational knowledge we're accumulating with Permian phase one are not just the foundation for one project. They're the foundation for what could become one of the largest clean firm power campuses in the country. That scale potential is a meaningful part of how prospective customers and co-investors are evaluating this opportunity. And Danny will say more about it. I'll hand it back to Danny.

Danny Rice | Chief Executive Officer:

Thanks, Mark. So I want to cover two things before we open for questions. First is our financial position. And second is how we're thinking about the financing of Project Permian. And then we'll close with a few broader thoughts. So we ended the fourth quarter with approximately $379 million in cash, cash equivalents and investments, which came in above our internal targets for the quarter. I think that really reflects the discipline of capital management through the transition. We wound down work streams that were no longer core. We right-sized our cost structure, and we kept our powder dry. So we have the financial runway to execute the Permian Phase 1 FID process deliberately, and that matters when you're making a first-of-its-kind investment decision. On project financing, I want to give investors a clear picture of how we're thinking about this because it's an important dimension of the Project Permian story. There are essentially three ways to fund a project like this. The first is 100% equity, which is we and our co-investors write the full check, no external debt. Simple, but it's very capital intensive. The second option is equipment financing. A meaningful portion of this plant's components, particularly the power island, the gas turbines, the Herseg, the steam turbine, the electro equipment, these are proven commercially marketable assets that lenders understand well. You can finance against them much like you'd finance a fleet of industrial equipment without requiring the full project finance structure. That gets the equity requirement down to roughly 75 to 80 cents on the dollar. Better, but we think we can do better still. The third path is full project financing. Non-recourse debt secured against the project's long-term contracted cash flows. And that's really what we're pursuing. And if done right, project financing gets the equity requirement down to roughly 25 to 35 cents on the dollar. The difference in capital efficiency between option one, 100% equity finance, and option three, the project finance is enormous. And it's the difference between Project Permian phase one being a use of our balance sheet and being the launch of a capital efficient scalable platform. Now, I'll be direct about where the work is. Post-combustion carbon capture at this scale on a U.S. natural gas power project is new. PCC, it's a bit like the Loch Ness Monster. Everyone's heard about it, but project finance lenders haven't seen it operating in the wild in the U.S. power sector before. Entropy has been doing this commercially in Canada for years, so the technology itself is not speculative. But getting infrastructure lenders fully comfortable with PCC performance assumptions requires education, it requires data, and it requires some handholding. So that's part of the work ahead of us, and it's precisely why the Glacier Phase 2 commissioning that Entropy is doing this summer matters so much. Real operating data from a live commercial plant accelerates that conversation dramatically. The other piece that unlocks project financing is strong offtake. Credit-worthy, long-term power purchase agreements are what

give lenders the cashless certainty to underwrite the debt, which is why, as Mark said, signing offtake is our single highest priority for the year. And Mark's point about scale is really worth reinforcing because it directly informs the financing strategy. When a prospective lender or equity partner looks at Project Permian Phase 1 as the anchor of a 500 to 800 megawatt campus, They're not just evaluating a small first of its kind project. They're evaluating the first chapter of a major clean power platform in the fastest growing power market in the U.S. That framing changes the risk reward conversation meaningfully. Every major data center developer we speak to is thinking in terms of gigawatts, not megawatts. The fact that we have a site that can grow into that demand with established infrastructure and a proven operational model is genuinely differentiating. So to close, The mission is clear, the strategy is decided, and the execution is underway. This year's milestones, the entropy JDA, long lead appointment commitments, signed offtake, and project financing are what stands between us and FID. We're working every one of those work streams with urgency. We look forward to updating you on our progress in the quarters ahead. But with that, let's open the line for questions. Turn it over to the operator.

Conference Operator:

Thank you. The floor is now open for questions. If you would like to ask a question, please press star 1 on your telephone keypad at this time. A confirmation tone will indicate that your line is in the question queue. You may press star 2 if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up the handset before pressing the star keys. Again, that's star 1 to register a question at this time. Our first question is coming from Martin Malloy of Johnson Rice. Please go ahead.

Martin Malloy | Analyst, Johnson Rice:

Good morning. Thank you for taking my questions. Just on the pricing on the offtake, I think you mentioned $100 a megawatt hour. Can you maybe give us some perspective for out in that area, what the competitive landscape looks like?

Danny Rice | Chief Executive Officer:

Hey, Marty. It's Danny. Good to hear from you. Yeah, I think, I mean, it's really interesting. If you look at just kind of what's transpired over the course of the last few years, you know, We've certainly seen prices start to move up, not just on the merchant side of ERCOT. You know, I think if you go back a couple of years or shoot, you go back 12 months and you look at what's the forward curve sort of suggesting power prices in ERCOT are going to be. You know, if you went back last year or the year before last and you looked at the strip for 28, 29, 20, 30, that forward curve was at $40, $45 per megawatt hour. And if you look at that curve with where it is now, you're talking about $65 to $70. And this is just merchant unabated. You know, this is just power from the grid. So you've seen almost an 80% increase in just wholesale power prices in West Texas, you know, towards the end of this decade, which is when this plant is going to come online. So that's sort of like what's actually there on the commercial merchant side. I think where things are really interesting is if you're looking at where power prices are for new contracted capacity, for firm delivery, which means potential co-located, and ignoring the clean piece. We're hearing chatter of those conversations north of $100 per megawatt hour if you're trying to get new capacity online before the end of this decade. I think that really reflects the importance of reliability, of speed, and I think equally important of the scale piece. I think what we haven't seen in the market is what are people willing to pay if it's fast, if it's scalable, if it's reliable, and it's lower carbon intensity. That's a market that just hasn't yet been established. And I think we're going to be the first solution out there that establishes what that market is. I think the really compelling piece for us is, you know, compared to where we were at on the ox combustion and you needed a power price well north of $130, $150 per megawatt hour to be able to make the math pencil out, that's not a price point we need for

this clean gas solution with entropy. All to say, like, I think we're going to be in that zip code where it's a compelling price for the counterparty, and it's a compelling price for us that pencils out on project economics, both on the equity side, but also on being able to support project finance on the debt side.

Martin Malloy | Analyst, Johnson Rice:

Okay. That's helpful. And then for my follow-up question, I just wanted to ask about the potential for government support on the financing side. to maybe mention there regarding the DOE?

Danny Rice | Chief Executive Officer:

Yeah, I mean, I won't get into any of the specifics, but I think, you know, if you look at what this administration is really pushing for and what they're really encouraging, it's really shoring up domestic energy supply. And that goes across the board. That's not just for fossil, it's for anything from rare earth metals. But certainly, as you look at just oil and gas and the importance that they both play in terms of just national energy security. Those two are at the top of the list. And so if you look at solutions that align with this administration, solutions that can utilize domestic energy supply, unlock new domestic energy supply, help firm up the grid, help bring down grid prices from where they're trending, and can do so in a responsible way for the environment. That's ultimately something that this administration is highly supportive of. And I think everybody on the call would agree with that. The interesting thing about this solution where we're using domestic natural gas, super low cost natural gas to firm up the grid in a really, really scalable way that enables both the AI build out that is an existential threat if we don't win. while at the same time boosting domestic oil production. There's very few solutions. Actually, there's zero solutions in the world that are trying to do that right now. We are trying to do that right now because we think it's the right thing for the country, we think it's the right thing for consumers, and we think it's the right thing for the shareholders. And so this solution really does align with this administration. And so certainly that does become... something that I would say the government's not just potentially supportive of on a verbal piece, but I think potentially on a financial piece. Whether it's grants, whether it's loans, it's going to be a pathway that we pursue because this is probably one of the few solutions that fully aligns in a very comprehensive way across all of the energy solutions that this administration wants to see succeed.

Martin Malloy | Analyst, Johnson Rice:

Great. Thank you. That was very helpful. I'll turn it back Thanks, Marty.

Conference Operator:

Thank you. Our next question is coming from Wade Suki of Capital One. Please go ahead.

Wade Suki | Analyst, Capital One:

Good morning, everyone. Appreciate you all taking my questions. Just real quickly, just to expand a little bit on Marty's question on Project Permian, could you give us an updated sense for project costs, total project costs there?

Danny Rice | Chief Executive Officer:

Yeah, we can give you some rough numbers on sort of what we're seeing right now. Wade, I'll turn it over to Mark to give you some of his approach to it.

Mark Horsman | President and Chief Operating Officer:

Yeah, Wade. Hi, Mark. So just a little bit of background. In the last couple of months, we've gone from, you know, call it the conceptual through the conceptual design of the product. And, you know, as we continue to work with entropy, we've worked with an EPC and then also major OEM vendors to to really spec out and understand the overall plant design. So, as you know, there's a lot of many, many factors that go into play relative to the TIC itself, and then also relative to the, call it the competitiveness of the LCOE. Right now, we're sitting in, and we just, as I stated, passed through the conceptual design phase. You know, we're sitting from a range of call it the upper 400s to the upper 500s. So call it 475 to 575 is what we're looking for as a range. And that range supports, obviously, the economics that we talked about in the presentation today. I think it's worthwhile noting, as we advance through the design ahead of FID, this will allow us to achieve that pre-engineered project. which will give us a, you know, call it a firmer view on cost as we move forward. I can tell you that, you know, as we look at our overall design and our product solution, you know, the risk around that product solution, at least the risks that are out of our control is, you know, as Danny has mentioned around the AI race and, you know, around the, you know, speed to power, those risks around OEM pricing and what that does or what it doesn't do is something that we're going to be looking at closely. As we stated, we're in a pretty good position right now because we've secured the gas turbines and the gas turbine packages, and we look to begin to secure some of the other long lead equipment this summer, even in advance of FIDs.

Danny Rice | Chief Executive Officer:

To add a little bit to that on the CapEx piece, the CapEx is a little bit higher than what we were projecting before. I think some of that is inflationary in nature, where I think people are expecting. I think some of it is design changes. You know, Mark talked about us being able to boost the capacity of the facility from 60 megawatts to 80 megawatts. So there's CapEx associated with that, but all of that at the end of the day is really intended to really drive down the LCOE. So I think when we look at things on an LCOE basis, they're sort of still in that same range. I think what's really helpful to understand is, you know, how does CapEx of the facility translate into equity needs of the project? Because I think at the end of the day, that's where the rubber really meets the road is what is our equity share of the capital spend going to be? And so if you're in that, call it like $550 million range, and you're able to do, we're able to get this thing fully contracted on the PPA side, on the offtake, you know, we should be in a really good position to be able to secure project financing, which would be around 65% of the total capital spent. So that's around, you know, $350 million of debt. And so then that leaves an equity plug of $200 million. And that's a $200 million equity check that would be, you know, assuming Entropy and Brookfield participate alongside us for their equity share of the project. You know, we would be at around $100 million, $105 million for our equity share of that first project. We certainly have the capital in our balance sheet to be able to fund that. So, we're sitting in a pretty good position, but again, it requires, you know, those two things to come into place, the PPA and certainly securing the project financing as we get through this year.

Wade Suki | Analyst, Capital One:

Fantastic. That's really helpful. Thank you so much. The second question, I might have missed it in the presentation, just, you know, I always ask you about the commercial pipeline. I might have missed it, but is there any update on the MISA project or even beyond MISA? Or are you just focused on Project Perbium for now?

Danny Rice | Chief Executive Officer:

Yeah, I think we really have the horse blenders on a little bit on West Texas, West Texas in general, with a specific focus on the first project on that one site that, you know, I think when you look at the slide, you know, it's The first phase of that is this 80 megawatt project that Mark described in pretty good detail. But, you know, as you can see on that slide, that's a site that can accommodate 800 megawatts. So that's a pretty sizable block for clean farm power. So that area is the focus right now. I think when you look at just the economics and where we can generate the lowest cost clean farm power, that is ground zero for it uh certainly more so than than myso um you know we still have optionality around that myso site um i think everybody saw you know we we disclosed you know we pulled out of the the myso queue uh late last year because of just rising costs of what the interconnect was going to be it just didn't make sense for us to put that capital uh into my so when we continue to see such great opportunities to reallocate that those money uh, to West Texas. So, uh, the, the focus really for the foreseeable future is going to be on the West Texas opportunity. Uh, in, in, I would say a lot of it is economic driven. And I would say like the other part is, it's just opportunity driven. The opportunities that we're going to see in West Texas that we're seeing right now are, uh, are, are worthy of, of us spending as much of our time there as possible.

Wade Suki | Analyst, Capital One:

Great. Thank you very much. Appreciate it.

Conference Operator:

Thank you. The next question is coming from Noel Parks of Toohey Brothers. Please go ahead.

Noel Parks | Analyst, Toohey Brothers:

Hi. Good morning. You know, one thing I was interested in was just talking with these different potential customers around outtake. I'm just wondering if you could kind of characterize The parties you're talking with around why they're particularly interested in the net power solution as opposed to the handful of other often also gas-related type generation options they might have.

Danny Rice | Chief Executive Officer:

Yeah, hey Noel, it's Danny. I'll take our first crack at that. Mark can certainly fill in all the holes. I think, you know, the reality of just the situation that we have at hand today is, it's worth stepping back and sort of just reviewing kind of what's transpired over the last three to four years. You know, three, four years ago, I think the world and certainly, you know, the broader tech community was thinking, We don't need new natural gas power generation. We'll be able to go to nuclear. We'll be able to go to renewables. We're going to have battery storage. We don't need to build new natural gas power generation. We'll eventually be able to find a way to decarbonize without it. And I think NetPower's singular mission has always been the best way to decarbonize is actually just to capture the CO2, not to try to move away from natural gas, but continue to lean into natural gas and just with new technologies, find ways to capture it. just given how low cost natural gas power generation is. So that mission has always been there. I think the thing that's really interesting now as you fast forward to where we are today, and I think everybody's just accepted that there's no way we're going to be able to meet this load growth without new natural gas power generation. So it is a little bit of a conflict in a way of There's maybe some reluctancy to be able to use natural gas, but they need to embrace it. Otherwise, they're not going to win. They're not going to be able to build the data centers. They're not going to win the AI race. They're not going to be relevant because somebody else will do it. And so I think everybody has fully embraced natural gas for what it is, which is the most reliable, most scalable, most

affordable form of energy for power generation in history. And so everybody sees natural gas as the foundation of being able to win the AI race, to be able to meet the load growth that we're seeing across the entire electricity system. And so how do you do that in a way while still not totally conceding your environmental goals? You need to find ways to be able to introduce new technologies that decarbonize. And I think it is quite remarkable. I think there is this absolute focus on speed to power that is absolutely paramount. I think the opportunity that we see is can we introduce decarbonizing natural gas solutions that don't compromise on speed to power and to a certain extent don't compromise on affordability of the power while still giving them the reliability that they come to expect from natural gas power generation. So those sort of three key characteristics is what Mark and the team have been designing around. It's the speed piece, it's the reliability piece, and it's the certainty of capture. And that's certainly one of the reasons why we partnered up with the Entropy folks is they're really the only proven PCC solution that's been operating in the wild for the last few years. And they have great experience there. They understand how to do it. And when you pair that up with the availability of gas turbines, which they are available, and I think we've demonstrated that because we've secured a handful of them so far for the first project. all of a sudden you're in a place where we can deliver the same sort of speed that you'd come to expect from anybody else that was going to build an unabated gas power plant. So I think the proposition is fairly straightforward. You can have the speed to power, you can have the reliability of the power on the same timeline you would from an unabated gas power plant, but now you can do it with 90% carbon capture, which essentially means 90% lower emissions than you would get from the unabated version. I think there's going to be places where you won't be able to do the capture, which is most of the United States. But shoot, when you're in a place like West Texas, where we are, and we have a strategic partnership with Oxy, who has been a leader in CO2 sequestration for the last couple of decades and needs as much CO2 as they can possibly get their hands on for EOR. It creates a pretty compelling setup where this isn't just a pathway to do a single project, a one-off project. It really is the project that becomes the cornerstone of many gigawatts of potential clean gas power that we can install in West Texas over the next five to seven years. So the speed piece, the skill piece, the reliability piece, all of it's there. You just get the added benefit of the clean piece that I think everybody at the end of the day is trying to figure out how are we going to do that, knowing that we're going to have to build a lot of natural gas power generation over the next decade.

Noel Parks | Analyst, Toohey Brothers:

Great. Thanks a lot. And, you know, what you were assessing this now sort of brings to mind something I have heard recently. some of the other alternatives that generation technology vendors talk about. And that's regarding contract terms with, for example, DSN or hyperscaler customers. They're saying that issues of timeliness, of course, are top of mind. Issues of price. know there's so much urgency that it's not that that's totally in the back burner but certainly it's um you know the uh the urgency does seem to be swamping prices some degree uh but one wrinkle i've heard a company talk about is that as far as um agreement duration that they're they are seeing some focus on um in the event that um a behind-the-meter project for a power project for a data center, in the event that an interconnection becomes available, say, five years down the road, that the customers are giving a lot of thought to what would that look like, the opportunity to connect to the grid with the technology that they have, of course, the stability and interoperability issues that gas addresses will still be very much a high priority, but that there is possibly sort of a transition point ahead, you know, looking out to that horizon. So I just wondered if that's something that had come up in your discussions.

Danny Rice | Chief Executive Officer:

Yeah, you're talking about the transition from behind the meter or fully islanded to eventually being grid connected, right?

Noel Parks | Analyst, Toohey Brothers:

Yeah, the option emerging of, you know, they've been in the queue for half a decade, and finally it's within sight that the interconnect may be possible, and they're just thinking about how to, you know, how and to what degree to sort of integrate into the grid then.

Danny Rice | Chief Executive Officer:

Yeah, no, I think, yeah, I think it's fairly widely known that, you know, the sort of reliability that a lot of these companies you know, large compute campuses need, like the reliabilities need to be extremely high. You're talking about whether it's three nines or five nines reliability. That's something you can typically get from the grid, which is why the grid becomes an ideal place to want to get your power from. I think a lot of these behind the meter solutions, if you're designing it right, you can achieve the same sort of three nines or five nines reliability. You certainly cannot do it with like a single large frame gas turbine or two large frame gas turbines. You won't be able to get there. You really need to fill in all the holes But, uh, you know, this, this is something that's really in Mark's swim lane. So maybe I'll let, I'll let Mark talk a little bit about sort of what that behind the meter sort of configuration looks like. I would just say. what we're designing is really compatible with both sort of applications. Like we could put this power onto the grid and sell it on a virtual PPA or in front of the meter PPA. We can also do the behind the meter solution, which is sort of the fastest go to market for a lot of the potential customers today who want to skip the interconnect altogether. Mark, do you want to add some color to that one?

Mark Horsman | President and Chief Operating Officer:

Yeah, thanks, Danny. And I think it goes back to our overall product design and design philosophy. You know, we selected gas turbines that are known and reliable. They're able to load follow. Couple that with the PCC technology that Danny spoke to before that is proven. It allows us to meet the initial needs of speed to power, but also clean power in the timeframe that folks are looking for. And, you know, what's key with that is the product selection puts us in a, call it 80 to 90 megawatt block, which is a really nice block that most of our customers are looking for when they build data center applications and look at growing their data center demand. So you're able to phase that sort of growth with the data center construction as well, which allows it to also, if a grid connection becomes available, this solution is excellent from the standpoint of being able to provide either that firming power or the load following that's needed when you have the intermittent renewables that are on the grid. So I think we've got the right product mix that threads the needle, if you will, from the needs of the current demands, but then also supplies the power and the firming that's needed for the grid, you know, based on where the project is located. Great. Thanks a lot.

Conference Operator:

Our next question is coming from Betty Jiang of Barclays. Please go ahead.

Betty Jiang | Analyst, Barclays:

Hi, good morning. I want to first ask about the off-take conversations, just given so important. Mark, you characterized it as conversation looks is very different now than even a year ago. Can you just give some more color on what specifically the hyperscalers are looking for or what's perhaps holding them back? Is it the confidence in the technology? Is it scalability, timing? Or what is it that you guys need to address in the subsequent months to get them comfortable?

Mark Horsman | President and Chief Operating Officer:

Yeah, hi, Betty. This is Mark, and then certainly Danny can jump in and add some color. You know, I think it's a lot of the things that you just hit on. I think it's from the – and I'll add a couple to it. I think from the standpoint of the actuality of folks being in the projects to bear for either the behind-the-meter solutions that they're looking for or the grid connections, the realities of bringing all the different aspects of the projects together are quite difficult. And I think that NetPower, we sit in a unique position with the relationships that we have with the land and the work that we've done relative to our sites. that we're able to bring those solutions together. And with what I just spoke to before, the technology being existing technology that we're able to meet their speed of power demands, they certainly see this as a solution that truly makes sense and something that is viable, that provides firm, clean power. I think also from the standpoint of being in West Texas, the abundance of gas and the ability to price the gas so competitively allows our solution to really fit in to provide that power and then also the clean power. And I think as we continue to work with those hyperscalers, and again, the product size, the ability to match their data center, their growth demand from the initial, call it the initial phases, but then able to supply the half a gig or gig or solution that meets their overall demand, whether it be a behind the meter or a physical PPA, it has and will continue to change the conversation. And then I think as we progress the conversations, the overall acceptance or discussions around the use of EOR, and as Danny alluded to, you know, our solution along with our partners, which really fits in with the call it the narrative of shoring up the U.S. grid capacity and the power and enabling gas supplied power generation is really providing a unique solution that there's only a few that are able to provide.

Betty Jiang | Analyst, Barclays:

Okay. And thank you for that. And just on slide seven, The different phases, is that just the first part? Is that for that single project? Is it an extension of Project Permian?

Mark Horsman | President and Chief Operating Officer:

Yes. So what it is, that's exactly right. So right now we're calling that top rows Project Permian phase one. That's the, you know, call it first of kind, first of type, proof of concept. And then as we look at deployments two and three, they could really be in whatever size range fits, you know, ultimately whatever offtaker that we would sign. So whether they need you know, the 320 megawatts in deployment two or deployment three, then we would size that accordingly based. Typically, it's based on the data center construction schedule. And the fact that our solution is gas turbine agnostic allows us to be really flexible from the standpoint of selecting gas turbines that are available in order to meet that timeframe.

Betty Jiang | Analyst, Barclays:

Great. Sorry, one more follow-up, if I may. Danny, just on the equity financing comment you made earlier, Assuming 55% of the project being financed, that's a bit higher than the earlier comment on a, you know, a best scenario of closer to 25, 30%. Maybe just what's the risking that you took there and, you know, what do you think could happen for that equity component to be even lower?

Danny Rice | Chief Executive Officer:

Yeah. Yeah. And, Betty, maybe I misspoke. But we're targeting on project financing, we're targeting 65% debt, so 35% equity. And I think before I was talking about the equity portion would be 25 to 35%. So yeah, we're targeting 65% debt, so 35% equity, which on a $550 million headline CapEx number, you're talking about $100 million of equity net to net power. So that's sort of what we're targeting. It could certainly be higher, you know, if you get a solid PPA where you can support a higher debt service coverage ratio, which is sort of just

like the primary metric to utilize to sort of right size the debt capacity. You could certainly see the equity portion be a little bit lower than that. But we feel like that 65% debt coverage is sort of like the middle of the fairway sort of target that we're going after.

Betty Jiang | Analyst, Barclays:

Got it. Now, thank you for the clarification. Yep.

Conference Operator:

Thank you. Our next question is coming from Nate Pendleton of Texas Capital Bank. Please go ahead.

Nate Pendleton | Analyst, Texas Capital Bank:

Good morning. Thanks for taking my questions. Perhaps for Mark, going back to slide seven, on the larger deployments. When your team is designing these modular plants, can you talk about the potential for cost reductions in these potential larger deployments? Would it just be on the front end with the site, or could there be material cost reductions with any integration possible between the modules?

Mark Horsman | President and Chief Operating Officer:

Yeah, thanks, Nate. It's actually both. Certainly from the standpoint of the designing and developing a product, allows us to, you know, have minimal engineering. And when you're at the same site, you really have reduced engineering because you're redeploying that same product over and over again as the phases are needed. And that was a part of the key selection of the megawatt block that we were targeting to make sure that we hit that, call it the construction phase or the power-on phase that hyperscalers want for their data center growth. And then as you kind of hit the nail on the head, as you deploy more and more of the same product, your leverage with supply chain just continues to increase, as well as you're gaining productivity in the field. So your EPC or your general contractor that's doing installation just continually gets better at the installation. And then that also continues on through the startup and commissioning process. So as a part of the looking at this as a, as a product, as a product solution, it allows us to capture lessons learned from the very first implementation of Project Permian phase one. And then we will ruthlessly apply those lessons learned prior to deploying the next phase so that we can continue to drive costs down as we advance.

Nate Pendleton | Analyst, Texas Capital Bank:

Got it. Thanks for that detail. And I wanted to touch just for a moment on oxycombustion. Given the prior partnership with Baker Hughes and their pursuit of the industrial scale oxycombustion plant designs, can you provide some detail around if that use case is still being pursued and maybe what the suspension of the JDA means in the context of future development of the oxycombustion plants?

Mark Horsman | President and Chief Operating Officer:

Yeah, I think the best way to sum it up is that both partners have suspended as we continue and will continue to evaluate the viability of the industrial product. We continue to work that and support that as much as we can. And, you know, once we have that determination, we'll certainly communicate it as necessary.

Nate Pendleton | Analyst, Texas Capital Bank:

Understood. Thanks for taking questions. Yes, sir. Thank you. Thanks, Dave.

Conference Operator:

Thank you. At this time, I'd like to turn the floor back over to Danny Rice for closing comments.

Danny Rice | Chief Executive Officer:

All right. Thanks, everybody. Yeah, we just want to say thank you for the questions, for the support, for the trust you guys placed in this team. You know, what we are doing, which is commercializing natural gas power with full carbon capture at scale, it's never been done before. And we're doing it in a market that's growing faster than anyone anticipated. I think everybody appreciates there are challenges. There will be challenges ahead, but we want you to know that this team comes to work every day with a deep sense of purpose because if we get this right, we'll have helped solve one of the most important problems facing our country and the world, which is how do we keep the lights on affordably and reliably while leaving a cleaner planet for the next generation? So that is important to us. That's worth every ounce of our effort. And we are grateful to have partners and shareholders who believe in that mission alongside us. So we will talk soon. Thanks again.

Conference Operator:

Gentlemen, this concludes today's event. You may disconnect your lines or log off the webcast at this time and enjoy the rest of your day.