

WBA's second climate and energy benchmark shows the most influential electric utilities companies are powering down on decarbonisation

- *Sector seen as the 'Great Enabler' has less than 10% Paris Alignment. Just four of the world's 50 'keystone' electric utilities companies have set fully Paris-aligned targets towards clean energy transition*
- *In the decade of action 70% of companies are already locked-in to exceeding their carbon budgets to 2033. The climate performance of two thirds of the companies is even expected to decline near-term*
- *Denmark's Ørsted leads the sector due to its rapid energy transformation to a low carbon business model, rigorous target setting and focus on renewables*

London, 6th July 2020: World Benchmarking Alliance (WBA) has today launched the second Climate and Energy Benchmark focused on electric utilities, finding only four of the world's fifty most influential companies in the sector have defined a clear target to provide green energy aligned to the Paris Agreement. They are Ørsted (Denmark), Enel (Italy) and The AES Corporation (USA) and EDP (Portugal). Of these, only Ørsted, EDP and Enel are on track to meet their targets.

This is the second benchmark in the series looking at high-emitting sectors and company preparedness to the low-carbon transition, in partnership with CDP, ACT and ADEME. Ørsted leads the ranking with its rapid whole business transformation – it has radically transitioned its power plants; decommissioning coal plants and ramping up renewables.

Some companies such as Vattenfall, Iberdrola and E.ON have set carbon neutrality targets but these are not ambitious enough to meet the rate of reductions required by the IEA's Beyond-2-Degrees Scenario (B2DS) – which ends in net negative emissions for this sector by 2050. The climate performance of two thirds of the companies benchmarked is expected to decline in the near-term.

"This sector is often seen as the 'great enabler' to cleaner green energy use across transport, real estate and industry," commented Charlotte Hugman, Researcher for the Climate and Energy benchmark at WBA, "but for too long the sector has been content with making small reductions in the carbon intensity of electricity production. This could mean lights out for the Paris Agreement."

How switched on are the electric utilities companies?

With electricity demand predicted to increase nearly 80% by 2050, decarbonisation of the electric utilities sector is crucial in enabling change and needs to be at the forefront for the transition to a low-carbon economy. There is still a strong fossil fuel dependency from the 50 companies assessed. Only 12% of installed capacity is from solar and wind, with 60% relying on coal, oil, gas.

There are 35 out of the 50 companies locked-in to exceeding their carbon budget by 2033 unless they cancel some of their plans to build further fossil fuel power plants or decommission

early. Ten of the 35 companies, for example, CHN Energy and China Huaneng (China) and NTPC (India) account for 97% of excess emissions of the 50 companies. These big emitters are based in China, India and Egypt. Forty-five companies tie executive incentives to fossil fuels (or do not report on this) which is further preventing the sector from decarbonization.

Forty-two of the companies assessed have set low-carbon transition plans, however half of these (21 companies) do not contain appropriate financial content. To build for the future, it now becomes about delivering on these targets. “These companies can and need to adapt before they run out of road,” said Vicky Sins, Transformation lead on Decarbonisation and Energy at WBA, “with new scenarios measuring towards a 1.5-degree path the ambition gap will only increase. These companies need to embed transition planning, milestone creation and greater accountability across the entire sector.”

Most companies are not investing adequately in the research and development needed to enable the decarbonisation and energy transition. Very few companies are providing transparent reporting in this area, though Fortum emerges as a clear leader, investing 7.5% of its total capital expenditure in low-carbon R&D.

David Marchal, ADEME’s Executive Programme Lead, commented, “Resource availability, changing policies and falling technology costs can drive renewable energy’s share of power generation for rapid decarbonisation in the next decade. One challenge for this sector among others is to combine renewable energy with new uses such as Electric Vehicles. This is where the sector can play an active role to drive demand side management and energy efficiency.”

Nikki Bartlett, Global Director of Climate Change at CDP said, “This is a make or break sector in the transition to low-carbon economies, and this research shows it’s currently off track. The good news is the tools, technologies and policies needed all exist, but they are not being deployed quickly or strategically enough. Unless utilities companies quickly wean their business models off fossil fuels, they will not be able to thrive in the low-carbon economies of tomorrow.”

The Electric Utilities Benchmark and its full research are publicly available here: <https://www.electricutilities.worldbenchmarkingalliance.org/>

-ENDS-

Notes to editors:

Our methodology - Electric Utilities Benchmark: <https://www.worldbenchmarkingalliance.org/wp-content/uploads/2020/06/WBA-Climate-and-Energy-Benchmark-methodology-EU.pdf>

Electric Utilities is the second benchmark to be completed under WBA’s Climate and Energy Benchmark series. The third benchmark focusing on oil and gas will be published in Q3 2020.

About the World Benchmarking Alliance: The private sector has a crucial role to play in advancing the SDGs, but to boost companies’ motivation, there needs to be real change in the way that their impact is measured. WBA is benchmarking companies to compare performance on the global challenges the world faces. In January 2020 WBA announced the SDG2000 most influential companies by impact on the UN’s SDGs to benchmark up to 2023. WBA will act as an independent, transparent body with a broad group of more than 130 allies to be a successful driver of change. The benchmarks free and publicly available to all will empower all stakeholders, from consumers and investors to employees and business leaders, with key data and insights to encourage sustainable business practices across all sectors. www.worldbenchmarkingalliance.org

About CDP: CDP is a global non-profit that drives companies and governments to reduce their greenhouse gas emissions, safeguard water resources and protect forests. Voted number one climate research provider by investors and working with institutional investors with assets of over US\$106 trillion, we leverage investor and buyer power to motivate companies to disclose and manage their environmental impacts. Over 8,400 companies with over 50% of global market capitalization disclosed environmental data through CDP in 2019. This is in addition to the over 920 cities, states and regions who disclosed, making CDP’s platform one of the richest sources of information globally on how companies and governments are driving environmental change. CDP is a founding member of the We Mean Business Coalition. Visit <https://cdp.net/en> or follow us @CDP to find out more.

About ADEME: ADEME - the French Agency for Ecological Transition is proactively engaged in climate change mitigation and adaptation as well as resources deterioration prevention. We involve citizens, the

private sector and local authorities, by giving them the means to progress towards a low carbon, more frugal, just and harmonious society. We advise, facilitate and support with projects funding, from research to solutions transfer, in all areas from energy, air quality, circular economy, waste, etc. We provide expertise and prospective advisory services to government bodies and the public at large, to enable them to establish and consolidate their environmental action.

About ACT: ACT is a joint voluntary initiative recognised by the UNFCCC secretariat Global Climate Agenda. It provides sectoral methodologies as an accountability framework to assess how companies' strategies and actions contribute to the Paris mitigation goals. It aims at driving companies' climate action by responding to each sector's own transition challenges and aligning their strategies with low-carbon pathways. ACT takes an integrated and forward-looking approach to measure quantitatively and qualitatively decarbonisation performance across the past, present and future focusing on the major emissions sources in the business value chain. ACT assessments are transparent with publicly available methodologies.

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