FINAL: EMBARGOED UNTIL 07:00 BST MONDAY 3 APRIL 2017

MAJOR EUROPEAN UTILITIES PUT €14 BILLION OF EARNINGS AT RISK BY MISSING CLIMATE GOALS, NEW REPORT FINDS

New CDP report reveals European utilities such as RWE and Endesa at risk

- 14 major European utilities set to exceed carbon targets by **1.3 billion tonnes** of CO_2, equivalent to Japan's entire annual CO_2 emissions[1];
- **€14 billion of earnings at risk** across the 14 major European utilities from carbon price of €30;
- Industry heavily depends on fossil fuels for power generation, despite EU renewables target. The global utilities sector as a whole is responsible for a quarter of emissions;
- **Verbund, Iberdrola, Fortum** and **Enel** are best performing companies on carbon-related metrics relative to peers; **RWE, CEZ, Endesa** and **EnBW** rank lowest of companies assessed.

April 3, 2017: A new report '*Charged or static*' analyzing a €256 billion market cap grouping of Europe's major publicly-listed utilities companies reveals many are locked into high emissions from long-lived fossil fuel power plants until 2050 and EUR€14 billion of earnings are at risk[2] unless they rapidly respond to climate goals laid out in the Paris Agreement.

The report from CDP – voted no. 1 climate change research provider by institutional investors – reveals major utilities companies remain heavily dependent on fossil fuels, which is responsible for 43% of their electricity generation. Almost half are producing more than 20% of electricity from coal and on aggregate the 14 companies are set to exceed the 'carbon budget' required to keep temperature rises below 2°C by 14% or 1.3 billion tonnes of greenhouse gases. This comes despite the EU's target to provide 45% of electricity from renewables by 2030[3].

The electric utilities industry is responsible for a quarter of global emissions and must reduce greenhouse gas emissions by over two thirds (67%) by 2030 to meet the goals of the Paris Agreement. Capacity for short-term turnarounds are restricted due to the long term capital investment in fossil fuel power plants. There are positive signs that the sector is already in transition, highlighted by the UK's decision to close all coal fired power plants by 2025 and decisions taken by E.ON and RWE to split their renewable and fossil fuel assets into separate companies. Utilities generating larger amounts of power from renewables are outpacing their peers in reducing emissions compared to those reliant on fossil fuels, with emissions ten times more intensive than those using renewables[4].

Paul Simpson, CEO of CDP, said: *"EU utilities are at a crossroads and must make some rapid decisions. The last year has seen a step change in support for, and engagement with, low carbon policies but the industry remains heavily reliant on fossil fuels to meet electricity needs. Market prices are showing that renewable energy sources like wind and solar power are more cost competitive than ever and utilities should look to capitalize on the strong growth that is forecast for these technologies. The recommendations of Mark Carney's Taskforce on Climate-related Financial Disclosure (TCFD) is another marker of increasing investor pressure for companies to not only disclose but manage their transition risk. CDP's mission is more important now than ever and we continue to drive global environmental disclosure and track corporate progress towards achieving a well below 2-degree world."*

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[1] The majority of companies assessed will break their implied 2°C carbon budgets based on current and announced fossil fuel power plants – in aggregate by 14% or 1.3 billion tonnes CO2e between 2015 and 2050. This figure represents Japan's emissions from Netherlands Environmental Assessment Agency's CO2 time series 1990-2015 per region/country

[2] Our analysis estimates at a carbon price of €30 and assuming no change in sources or volumes of power generation, carbon costs rise to up to 38% of EBITDA

[3] The EU's 2030 framework for climate and energy targets

[4] The most coal focused utilities have emissions more than ten times higher per unit of power generated compared to utilities with the highest share of renewables

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Today's report benchmarks major European utilities' performance on climate issues and finds that **Verbund**, **Iberdrola**, **Fortum** and **Enel** are the best performing companies on carbon-related metrics relative to peers, with **RWE, CEZ, Endesa** and **EnBW** ranking lowest among those who disclose to CDP.

CDP's summary League Table for European utilities is below:

League Table rank	2015 League Table rank	Company	Country	Market cap 2016 (EUR bn)	European market share in 2015 (i)	League Table score	Managing transition risks	Managing physical risks	Transition opportunities	Climate governance & strategy
1	3	Verbund	Austria	5	1.0%	3.78	A	A	A	B
2	1	Iberdrola	Spain	40	2.4%	5.35	B	E	A	A
3	7	Fortum	Finland	13	1.5%	6.45	B	B	B	D
4	4	Enel (ii)	Italy	37	3.9%	6.48	C	E	A	B
5	11	SSE	UK	20	0.9%	6.51	C	B	C	C
6	2	Centrica	UK	15	0.6%	6.65	B	C	D	C
7	6	EDF	France	23	18.4%	6.68	B	C	E	B
8	5	EDP	Portugal	11	1.4%	6.72	D	D	A	B
9	9	E.ON (ii)	Germany	17	2.7%	7.13	C	C	B	C
10	8	ENGIE	France	34	4.0%	7.98	C	C	D	C
11	12	EnBW	Germany	6	1.7%	8.22	E	C	C	C
12	10	Endesa	Spain	20	2.4%	8.66	D	D	C	D
13	-	CEZ	Czech Republic	9	1.9%	9.44	D	D	D	E
14	13	RWE (ii)	Germany	7	6.5%	10.89	E	C	E	E
Weighting							**35%**	**10%**	**30%**	**25%**

Drew Fryer, Senior Analyst, Investor Research at CDP said: *"In Europe, major utilities must transform their business models to achieve the climate goals laid out in the Paris Agreement. Verbund is leading the way in planning for the future, targeting a 100% renewable energy generation portfolio by 2020 and is decommissioning remaining fossil fuel assets. But many other utilities remain reliant on coal for a significant share of power generated, and will break their carbon budgets in years to come based on existing fossil fuel assets. Rapid deployment of renewables is critical for the sector as it transitions to a low carbon future."*

Other findings from the report include:

- **Renewables:** Companies have increased their renewable portfolios, and 20% of electricity generated in 2016 was from renewables. However, fast progress is needed to meet the EU's 2030 target of 45% from renewables.
- **Innovation:** Carbon Capture & Storage (CCS) technology could be a key means to limit global warming to below 2°C if existing fossil fuel assets are to continue operating, yet progress on this technology is slow which risks it becoming commercially available too late to contribute to effective mitigation.
- **Water:** Exposure to water stress is considerable. By 2030, half of utilities' thermal generation capacity will be in areas of high or extremely high water stress.[5]
- **Nuclear power:** A low carbon option helping the EU to mitigate climate change but with limited growth prospects. Companies that focus on nuclear at the expense of investment in renewables may limit their growth opportunities going forward.
- **Business model innovation:** Only three utilities' targets have been externally validated[6] as compatible with limiting warming to 2°C. The most proactive targets extend as far as 2050 and require complete decarbonization of electricity supplies.
- **Executive remuneration packages:** Only one company out of 14 analyzed has specific long term rewards for its CEO based on climate metrics.
- **Climate policy:** InfluenceMap analysis finds utilities remain opposed to a number of climate policies, in particular to national-level legislation such as the UK Carbon Price Floor and renewable energy subsidies, such as feed-in-tariffs.

You can view the executive summary of the report here.

- ENDS –

Notes to editor

For more information or for exclusive interviews with the CDP team, please contact:

[5] WRI's Aqueduct tool
[6] By the Science Based Targets Initiative

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Scope and methodology: Full details of the scope of the report and methodology used are included in the full version of the report which can be accessed by CDP signatories. For the full report please contact rojin.kiadeh@cdp.net

About CDP and this report

About CDP
CDP is an international 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 US$100 trillion, we leverage investor and buyer power to motivate companies to disclose and manage their environmental impacts. Over 5,800 companies with some 60% of global market capitalization disclosed environmental data through CDP in 2016. This is in addition to the over 500 cities and 100 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, formerly Carbon Disclosure Project, is a founding member of the We Mean Business Coalition. Please visit www.cdp.net or follow us @CDP to find out more

The report
This research is part of a series of award winning in-depth sector analysis by CDP to provide investors with the most comprehensive environmental data analysis. It aims to identify the most material metrics for each specific sector and how they link to financial performance. It is unique in that the weighting assigned to each metric is transparent and can be adjusted according to investor preference. Each of these metrics can provide a league in itself but the over-arching research reveals a League Table – combining all metrics. These rankings are not intended to identify definitive winners and losers for investment purposes, but rather to indicate strategic advantage in an industry where there is a significant regulatory impact on all major markets.

Reports on the oil & gas, steel, cement, automotive, electric utilities and chemicals and mining industries were released in 2015 and 2016.