

## Case #6. NGOs Challenge RWE on Coal Withdrawal

**RWE AG** is a large Germany-based electric utility in Europe with ancillary operations throughout the world ([rwe.com](https://www.rwe.com)). Over the past decade RWE has made significant strides in shifting from a hydrocarbon-based generation to renewables, including a significant reduction in coal-fired generation. (See [rwe.com sustainability report](https://www.rwe.com/sustainability-report))

RWE has pledged to be free of coal-fired generation in Europe by 2030. However, according to the NGO **coalexit** ([coalexit.org](https://coalexit.org)), as of the end of 2020, RWE still had over 14,000 Megawatts of installed coal-burning generating capacity, constituting 41% of its total electrical generating capacity and 23% of its revenue. As a result, **coalexit**, **reclaimfinance** ([reclaimfinance.org](https://reclaimfinance.org)), **ember** ([ember-climate.org](https://ember-climate.org)), and other climate change-focused NGOs are pressing RWE and other utilities to accelerate the closing of their coal-fired plants.

### RWE History of Electrical Generation

**The following excerpts are from the RWE website:** <https://www.rwe.com/en>

With 120 years of successful history behind us, RWE has undergone fundamental change and is now a leading supplier of renewables worldwide, with wind farms, solar power and battery storage facilities in many countries. Even today, most of our core business is green electricity.

RWE is helping to shape the sustainable future of the world's power supply. As part of society and a key player in the worldwide energy market, we are aware of the responsibility that goes with our role.... (We are) investing five billion euros net in renewables by 2022 and entering the promising hydrogen technology at full speed...RWE will be carbon neutral by 2040. Our climate targets for 2030 have been certified by the **Science Based Targets** initiative to be in line with the Paris Climate Agreement.

We invest €5 billion (net) until 2022...We intend to cover the rising demand for electricity as best we can and protect the climate at the same time. The steps we need to take towards climate neutrality are clear.

RWE has set **Science Based Targets (SBTi)**. (see [sciencebasedtargets.org](https://sciencebasedtargets.org) and [Appendix A](#)) These targets cover own operations as well as the entire value chain. The targets are based on a new emission inventory calculated for the new RWE for the year 2019. The company is committed to reducing specific emissions from **Scope 1 and 2** by 2030 by 50% to 296 g (grams) CO<sub>2e</sub> / kWh of electricity produced. Reference are emissions of 591 CO<sub>2e</sub> / kWh in 2019. RWE intends to reduce **Scope 3** emissions by 30% by 2030, from 22.3 million tons CO<sub>2e</sub> in 2019 to 15.6 million tons CO<sub>2e</sub>. These targets include all greenhouse gases. The emission targets and the roadmap behind them were reviewed in December 2020 by the non-partisan **Science Based Targets** initiative. This provides scientific confirmation that RWE's strategy is in line with the goals of the Paris Climate Agreement. (See [Appendix B for an explanation of Scope 1, 2 & 3](#))

*CO<sub>2</sub>e is the shorthand for “carbon dioxide equivalents.” It is the standard unit in carbon accounting to quantify greenhouse gas emissions, emissions reductions and carbon credits.*

## **Corporate Responsibility Reporting: What RWE Has Done and Future Commitments**

Our aim is not just to report on our business activities transparently. We also want to explain how and why we make our decisions. Our annually published report contains the key information about RWE and its subsidiary companies, our long-term goals and what we have already achieved along the way.

Moving purposefully towards climate neutrality... with concrete measures:

CO<sub>2</sub> reduction at RWE in three steps towards climate neutrality. Breakdown by estimated figures in million metric tons: after completion of the transaction with E.ON.

### **Between 2012 and 2019, t**

The company reduced its CO<sub>2</sub> emissions by around 90 million tonnes – equivalent to a reduction of more than 50%. We will continue to move in this direction. Massively expanding renewables is at the heart of our strategy to reduce CO<sub>2</sub> emissions. It involves steadily and responsibly phasing out fossil fuels. We are modernising our power plant fleet and decommissioning older plants in order to improve energy efficiency. In doing so, we are also reducing our CO<sub>2</sub> emissions per unit of electricity or heat generated and cutting resource consumption, as well as fuel costs and the need for CO<sub>2</sub> certificates. We are also currently moving ahead with projects to produce ‘green’ hydrogen on the basis of electrolysis with renewable electricity and researching storage technologies.

### **From 2020 until 2030**

- In the UK, RWE has decommissioned its last coal-fired power plant in 2020, in Germany RWE will close its last two hard coal power plants at the end of 2020.
- The Inden and Hambach opencast mines in Germany will be decommissioned by 2030.
- Dutch policy-makers are keen to end coal-fired electricity generation by 2030. RWE will therefore stop emitting CO<sub>2</sub> from burning hard coal in the Netherlands by then. RWE is endeavouring to convert both its plants in the Netherlands to biomass and will only operate them with this primary energy source, provided it is politically and economically feasible.

### **From 2030 until 2040**

- The Garzweiler opencast mine will only be in operation after 2030 for the purpose of supplying RWE’s remaining power stations and refinement facilities with fuel until coal-fired electricity generation comes to an end.
- Germany plans to end coal-fired electricity generation by 2038 at the latest.

## 2040 onwards

- In addition to an extensive international portfolio with wind turbines and solar panels, RWE will rely on storage devices, biomass and in particular gas-fired power plants run with “green” gas, which will offset fluctuations in the production of energy from the wind and sun.

## RWE contributes to achieving the goals of the Paris Agreement

The European Union has committed itself to reducing greenhouse gas emissions by at least 40% by 2030 compared with the base year 1990. RWE is making an important contribution by pressing ahead with the expansion of renewable energies. Our ambitious climate protection targets go beyond those set by the EU and our core markets. Since December 2020, RWE's climate targets for 2030 have been scientifically certified as consistent with a "well below 2 degree" scenario. RWE is thus one of the few electricity producers worldwide with such Science-based Targets.

## Cutting other emissions

Pollutants, such as nitrogen oxide, sulphur dioxide, particulate matter and mercury, are also emitted during the generation of electricity and heat at our power stations. Statutory thresholds are observed in our plants with the help of primary emission reduction measures, such as the optimisation of the firing technology and secondary emission reduction measures, including duct extraction and desulphurisation in all operating conditions. The goal is to ensure compliance with the EU targets to reduce mercury emissions from mid-2021 onwards using improved technology.

Particulate matter and noise are the main emissions associated with open-cast mines. We always take suitable measures to reduce these in agreement with supervisory authorities and taking account of operational and local factors. (Concrete measures are outlined in the [Sustainability Report](#). See <https://www.rwe.com/en/sustainability-report> )

## NGO Pressure on RWE

NGO pressure on RWE and other coal companies have taken many forms and been pursued through numerous channels. Here are four prominent examples of NGO strategies, although some NGOs exert pressure through multiple channels.

### **Coalexit: Focusing on the Investment Community**

The following are excerpts from the coalexit website: ([www.coalexit.org](http://www.coalexit.org))

Coal is the number one driver of climate change, and phasing out investments in the coal industry is the single most important step financial institutions can take to protect our climate. Effective divestment, however, requires a precise understanding of who the coal industry is. This is where the **Global Coal Exit List (GCEL)** comes in. We are revealing the investors and banks behind the companies on our Global Coal Exit List.

The GCEL was devised to help financial institutions navigate the complicated landscape of coal-based business models. It offers key statistics on over 900 parent companies and 1,800 subsidiaries operating along the thermal coal value chain.

Investors representing over US\$ 14 trillion in assets are already applying one or more of the GCEL's three divestment criteria to screen coal companies out of their portfolios. But unless more follow and do so quickly, we will fail the most basic of all climate tests: leaving coal behind.

### **Reclaimfinance: Focusing on Banks**

**The following are excerpt from the reclaimfinance website: ([reclaimfinance.org](http://reclaimfinance.org))**

**Reclaim Finance** urges financial institutions to adopt a public policy on coal, aiming to align their financial services with the target of limiting global warming to 1.5°C above pre-industrial levels. This means (1) ceasing all financial services supporting sector expansion at once, and (2) adopting a strategy for shutting down the world's existing coal infrastructure.

### **EMBER: Focus on OECD Countries and Governments Worldwide**

*The **Organisation for Economic Co-operation and Development (OECD)**; **French: Organisation de Coopération et de Développement Économiques, OCDE**) is an intergovernmental economic organisation with 38 member countries, representing the major economies of the world (except for China, Russia and India) founded in 1961 to stimulate economic progress and world trade. It is a forum of countries describing themselves as committed to democracy and the market economy, providing a platform to compare policy experiences, seek answers to common problems, identify good practices and coordinate domestic and international policies of its members. Generally, OECD members are high-income economies with a very high Human Development Index (HDI) and are regarded as developed countries.*

**The following are excerpts from the EMBER website: ([www.ember-climate.org](http://www.ember-climate.org))**

OECD countries must phase-out coal power by 2030, and everywhere else by 2040.

Countries need to build new clean power fast enough to both meet rising demand and replace coal.

To avoid catastrophic climate change, OECD countries need a coal power phase-out by 2030, and the rest of the world soon after. We're going to work flat out to make that happen – and without an expansion in false solutions such as fossil gas or unsustainable biomass.

## **Urgewald: Focusing on Public Campaigning and the Media**

<https://urgewald.org/english>

Urgewald is a German environment and human rights NGO, whose goal is to establish strong environmental and social standards for the international finance industry. It was founded in 1992 to monitor the activities of European banks and companies abroad and to provide advocacy services to communities, whose environment and livelihoods are threatened by controversial investment projects. A special trademark of Urgewald's work is the combination of in-depth research, media outreach and **public campaigning**. Urgewald compiles the **Global Coal Exit List**. All in all, 40 NGOs from 18 countries around the world are official partners of the GCEL project.

**Global Energy Monitor.** [globalenergymonitor.org](http://globalenergymonitor.org)

**Global Energy Monitor** is a US-based NGO whose "Global Coal Plant Tracker" lists all coal power stations in planning or in various stages of development worldwide and is an important information source for the GCEL.

### **NGOs Combined Report on Fossil Fuels**

Two days ahead of the 5<sup>th</sup> **Paris Agreement anniversary**, 18 NGOs released a joint report showcasing 12 of the most devastating fossil fuel projects that are currently planned or under development. These expansion projects alone **would use up three-quarters of the total remaining carbon budget** if we are to have a 66% probability of limiting global warming to **1.5° Celsius**. The report exposes the **banks and investors** that are providing financing to the **fossil fuel companies** developing large-scale, contested coal, oil and gas expansion projects.

### **Actors in the Case:**

**RWE**

**EU and European National Governments**

**Media**

**Anti-Coal NGOs**

**Coalexit**

**Reclaimfinance**

**Ember**

Urgewald

Global Energy Monitor

**Financial Institution**

Banks

Equity Investors

World Bank

**CASE QUESTIONS**

1. (2) How do the following see the social contract of RWE?
  - a. RWE
  - b. The NGOs

**(maximum 40 words each)**
2. (1) Of the various strategies being pursued by the NGOs, which do you think are most likely to be persuasive on RWE? **(maximum 40 words)**
3. (4) What is RWE's best strategy in defending its "Scope" commitments and withdrawal from coal timetables? **(maximum 120 words)**
4. (1) Is cooperating with any of the NGO a good strategy or waste of time? If a good strategy, which NGO would be most useful to RWE? **(maximum 60 words)**

## Appendix A. Science-based targets

*Science-based targets show companies how much and how quickly they need to reduce their greenhouse gas (GHG) emissions to prevent the worst effects of climate change. Science-based targets provide companies with a clearly-defined path to reduce emissions in line with the Paris Agreement goals. More than 1,000 businesses around the world are already working with the Science Based Targets initiative (SBTi). Targets are considered ‘science-based’ if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement – limiting global warming to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.*

<https://sciencebasedtargets.org/how-it-works>

“Science-based targets” are a global initiative of non-governmental organizations, including **World Wildlife Fund (WWF)**, **UN Global Compact**,\* **World Resource Institute (WRI)\*\*** and **CDP**, a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

*\*The **United Nations Global Compact** is a non-binding United Nations pact based on CEO commitments to encourage businesses and firms worldwide to adopt sustainable and socially responsible policies, and to report on their implementation.*

*\*\***WRI** is a privately-funded non-profit global research organization that works with governments, businesses, multilateral institutions and civil society groups to develop practical solutions that improve people’s lives and protect nature.*

# Appendix B. Scope 1, 2, & 3 Emissions

Greenhouse gas emissions are categorised into three groups or 'Scopes' by the most widely-used international accounting tool, the Greenhouse Gas (GHG) Protocol. Scope 1 covers direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company. Scope 3 includes all other indirect emissions that occur in a company's value chain.

Scope 1	Scope 2	Scope 3
Fuel combustion Company vehicles Fugitive emissions	Purchased electricity, heat and steam	Purchased goods and services  Business travel  Employee commuting Waste disposal Use of sold products  Transportation and distribution (up- and downstream)  Investments  Leased assets and franchises

## Why should an organisation measure its Scope 3 emissions?

There are a number of benefits associated with measuring Scope 3 emissions. For many companies, the majority of their greenhouse gas (GHG) emissions and cost reduction opportunities lie outside their own operations. By measuring Scope 3 emissions, organisations can:

- Assess where the emission hotspots are in their supply chain;
- Identify resource and energy risks in their supply chain;
- Identify which suppliers are leaders and which are laggards in terms of their sustainability performance;
- Identify energy efficiency and cost reduction opportunities in their supply chain;
- Engage suppliers and assist them to implement sustainability initiatives
- Improve the energy efficiency of their products
- Positively engage with employees to reduce emissions from business travel and employee commuting.