

Climate neutrality>



October 2020

Political and regulatory environment is the starting point for EnBW's climate strategy

Climate package

German Climate & Energy Policy Goals

-40% GHG emissions by 2020 (-55% by 2030)
-20% primary energy consumption by 2020 (-61 to -62% by 2030)

Climate Protection Act



Establishes German climate protection targets by 2050 and sets a **legal framework**.



Climate neutrality by 2050 pursued as long-term target. Annual **sectoral emission budgets** specified through to 2030; German government can arbitrarily reallocate sectoral emission budgets.



Monitoring process for target attainment by 2030: If sectoral annual emission targets missed, department in charge has to submit an immediate action programme.

Climate protection programme 2030



Target of **65% renewables in 2030**¹ and target ranges specified for specific technologies, e.g. offshore wind target raised and 52 GW PV cap lifted.



New act implements **coal phase out by 2038** at the latest. Reduction of coal-fired capacity from ~40 GW to 30 GW in 2022 and 17 GW in 2030.



New act (BEHG) to implement **national CO₂ pricing system in transport and heating**, starting in 2021 with fixed prices followed by a cap-and-trade system from 2026.

¹ Specific tender quantities for target of 65% renewables by 2030 are expected to be implemented in pending amendment of EEG.

EnBW aims for climate neutrality by the end of 2035

Reasons for choosing 2035 as the target year for EnBW to attain climate neutrality



EnBW uses various instruments on the path to climate neutrality

Coal exit/fuel switch

- (Partly) required by coal phaseout
- Only latest hard coal plants and one lignite plant¹ expected to be still in operation in 2030
- District heating/power generation fuel switch to natural gas, biogas/biomass, hydrogen etc.

Use of climate-neutral gases

- Transition to climate-neutral gases necessary in medium term
- Climate-neutral hydrogen not expected to be universally available until mid-2030s

Use of green electricity

- Mainly relevant as substitute for 'grey' grid loss purchases in Scope 2²
- Surcharge for green grid loss purchases

Offsetting

- Unavoidable residual emissions offset by purchase of recognised offsetting allowances (Scope 1³)
- Reduction prioritised over offsetting

Other options

- Action package to avoid relatively small-scale emissions (such as canteen and building emissions)
- About 2% of total emissions at EnBW

¹ Of EnBW's coal-fired power stations, only RDK8, GKM9 and LIP currently still expected to be in service beyond 2030, plus electricity from Walsum in 2030

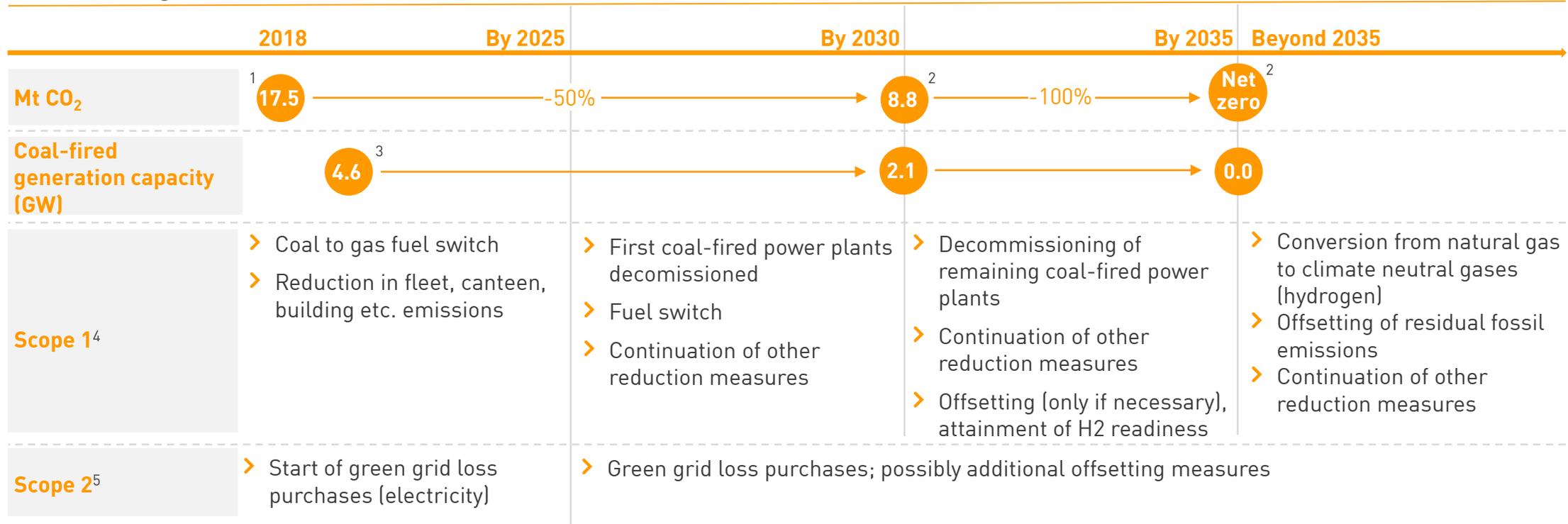
² Indirect emissions from electricity purchased and used by the organisation.

³ All direct emissions from the activities of an organisation or under their control.

EnBW has a clear-cut implementation plan for emission reductions: 50% by 2030, net zero by 2035



Emission targets and measures



¹ Starting figure for Scope 1 and 2 (mainly power generation and grid losses) ² Target for Scope 1 and 2 ³ As of October 2020

⁴ All direct emissions from the activities of an organisation or under their control.

⁵ Indirect emissions from electricity purchased and used by the organisation.



Clear climate targets

Long-term climate targets for EnBW

- -50% by 2030
- -100% by year-end 2035
- Offsets for unavoidable residual emissions from 2036

Calculation of Paris-compliant residual emission budget

- Based on German Advisory Council on the Environment (SRU)

EnBW residual emissions budget with 2/3 probability of 1.75°C global warming [Mt CO₂]



Just transition

No additional job cuts (currently 3,400 employees in conventional generation)

- Attaining EnBW climate neutrality by 2035 does not mean decommissioning coal-fired power plants in excess of the statutory decommissioning path
- EnBW delivers on its social responsibility in the exit from coal: suitable HR instruments (further training e.g.) and forward-looking HR planning
- Former conventional power generation employees are already contributing their technical expertise in other areas today, such as in offshore wind power



Financial feasibility

Cost management

- No need for offsetting expected up to 2035 as 50% target realistically attainable by EnBW
- Offsetting only expected to be needed from 2036 to 2040, on declining trend (notably due to use of climate-friendly gases in power plants)
- EnBW offsets according to Gold Standard and thus complies with prevailing minimum requirements



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