

**ASSESSMENT**

13 November 2025



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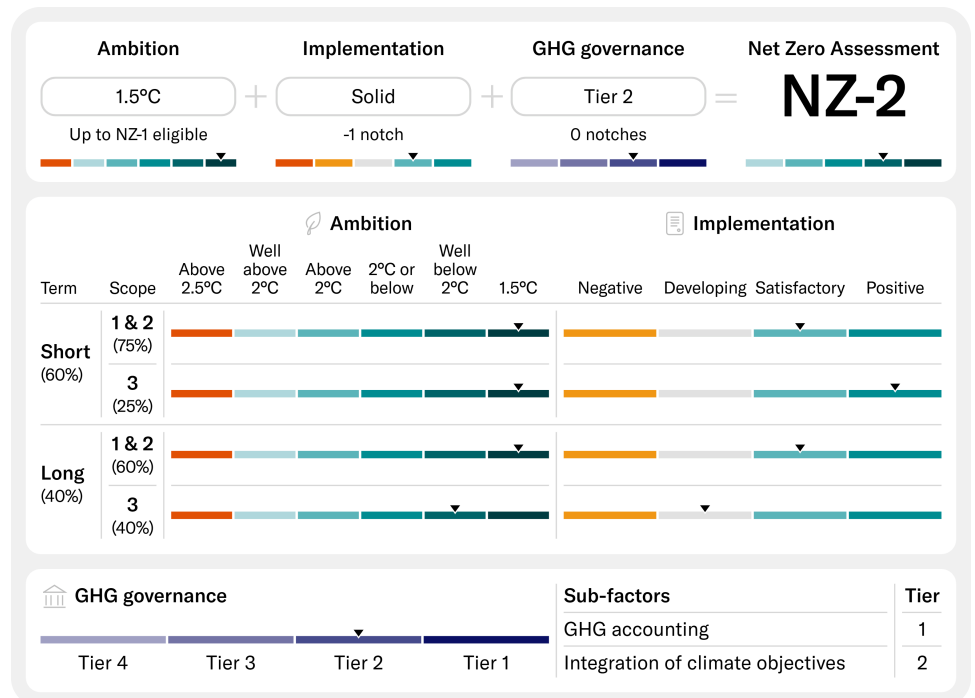
# EnBW Energie Baden-Wuerttemberg AG

Net Zero Assessment - EnBW Energie Baden-Wuerttemberg AG assigned an NZ-2 score

**Summary**

We have assigned a NZ-2 net zero assessment (NZA) score (advanced) to EnBW Energie Baden-Wuerttemberg AG's (EnBW) carbon transition plan. The group's emission reduction targets are consistent with the most ambitious Paris Agreement goals of limiting temperature increases. EnBW's solid implementation is supported by the substantial progress already achieved and clear short-term actions. However, this is somewhat offset by the company's long-term reliance on the availability of low-carbon gases at scale and commercially viable costs to replace its exposure to natural gas.

EnBW continues to decarbonise its electricity generation: it is likely to complete its coal phase-out by 2028, and its renewable capacity is expanding in line with its ambitious goals. Part of its generation, using its most carbon-intensive assets, is however contingent to demands from the grid operator for grid balancing or market supply purposes. The related contingent emissions are likely to decline as grid bottlenecks are resolved and the oldest plants are decommissioned from reserve pools. The complete decarbonisation of EnBW's activities depends on securing low-carbon baseload production, or on importing such electricity when required.





### NZA strengths

- Strong track record of expanding/building its renewable energy portfolio, on the coal phase-out targeted by 2028, and further recent GHG emissions reductions
- EnBW's decreasing exposure to the B2B gas sales market grants credibility to its short-term scope 3 target



### NZA weaknesses

- Dependency on the availability of green hydrogen or biogas at scale and at commercially relevant prices to reach its long-term objectives
- Reliance on the timing and extent of the nationwide electricity grid update in Germany, which affects EnBW's levels of generation for reserve and redispatch purposes, potentially impacting its ability to meet its absolute targets



### What could strengthen or weaken the NZA?

- ▲ An improvement in the overall NZA score would only occur through a combination of improvements at the Implementation level. Reduced need for reserve and redispatch-induced generation, as well as lower uncertainty on the availability and cost of low-carbon gases would help
- ▼ The NZA score may deteriorate if the take-up of low-carbon gases turns out to be significantly lower than currently anticipated for availability reasons

This assessment reflects our point-in-time opinion of the company's carbon transition plan as of the publication date of this report. Our view draws on public and non-public information provided by the company and is based on our [Net Zero Assessments framework](#), published on 9 November 2023.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

## Entity profile

EnBW is one of the leading utilities in Germany, with a dominant position in the south-western state of Baden-Wuerttemberg, one of Europe's wealthiest regions. Its vertically integrated energy activities serve around 5.5 million customers. They comprise electricity generation and trading; transmission and distribution networks; renewable electricity generation (RES); and the supply of electricity, gas and related services. EnBW's generation capacity totalled 11.2 gigawatts (GW) as of 31 December 2024, 59% of which is composed of renewable energy assets. The company's wind generation capacity accounted for 2.4 GW, pumped storage for 2.0 GW, hydro (run-of-river) for 1.0 GW, and solar and other renewables for 1.2 GW as of year-end 2024. Thermal generation capacity includes 3.1 GW from coal, 1.2 GW from gas and 0.3 GW from other sources.

EnBW's majority shareholders are the Land of Baden-Wuerttemberg and Zweckverband Oberschwaebische Elektrizitaetswerke (OEW), an association of nine administrative districts. Each entity holds a stake of 47% via subsidiaries. A further 3.92% is owned by several municipal associations in Baden-Wuerttemberg, with the remainder held by EnBW as own shares (1.74%) or free float (0.34%) on the Frankfurt and Stuttgart stock exchanges. Public ownership does not result in specific public obligation for EnBW, such as generator or supplier of last resort, beyond normal market regulations applying to all participants or operators. It is run on an economic rationale.

EnBW's emissions have decreased by over 44% in absolute terms between the 2018 reference year and the most recent year of record, 2024. This reduction has been roughly evenly distributed across all three scopes proportionally. Scope 3 emissions continue to dominate the overall footprint, at more than 80% (see Exhibit 1).

Exhibit 1

### EnBW's GHG inventory shows significant reductions in nearly all categories GHG inventory as of 2018 base year, latest performance, and short-term and long-term GHG reduction targets

EnBW's emissions, in Kt CO <sub>2</sub> eq	2018 (base year)		2024 (most recent)		Short-term targets by 2035; vs. 2018	Long-term targets; vs. 2018
Total gross GHG emissions	68,759		38,738			
Scope 1	11,254	16%	6,465	17%		
Generation	9,922	14%	4,650	12%		
Grid infrastructure operation	1,294	2%	1,769	5%		
Miscellaneous	38	0%	46	0%		
Scope 2 (market-based)	1,632	2%	691	2%	Absolute Sc 1+2 emissions excluding electricity and heat generation: -71.4%	Absolute Sc 1+2 emissions excluding electricity and heat generation: -90%, by 2040
Generation	667	1%	357	1%		
Grid infrastructure operation	946	1%	326	1%		
Miscellaneous	19	0%	8	0%		
Scope 1+2 generation intensity (gCO <sub>2</sub> e/kWh)	391		248		Sc 1+2 emissions intensity from electricity and heat generation: -87.4% (from 391 to 49 gCO <sub>2</sub> e/kWh)	Sc 1+2 emissions intensity from electricity and heat generation: -97.7% (from 391 to 8 gCO <sub>2</sub> e/kWh), by 2040
Scope 3	55,873	81%	31,582	82%		
Category 1+2 Purchased goods and services	7,475	11%	5,051	13%	Absolute Sc 3 emissions (up- and downstream) from natural gas and coal: -71.4%	Absolute Sc 3 emissions (up- and downstream) from natural gas and coal: -90%, by 2050
Category 3 Fuels and energy related activities	1,294	2%	3,753	9%		
Category 5 Waste	426	1%	552	1%		
Category 11 Use of sold products	46,412	67%	21,597	56%		
Category 15 Investments	266	0%	629	2%		

Source: EnBW and Moody's Ratings

EnBW's largest single source of emissions, accounting for 69% of the group's total footprint in the 2018 base year and 58% in 2024, arises from its sale of natural gas and hard coal, mostly to corporates and utilities. The company has recently begun reporting the impact of hard coal sales to external customers separately under category 11, which represented about 9% of total scope 3 emissions in 2024. Upstream emissions associated with its supply chain, including upstream emissions of sold fuels, accounted for 13% in the base year and 16% in 2024. Scope 3's category 3, which includes mostly the emissions linked to the electricity bought for resale to end customers is the only category to have increased significantly in both absolute and relative terms, to 9% of total emissions in 2024 from 2% in 2018. This is due to the phaseout of EnBW's nuclear generation in 2023, which forced the company to purchase more electricity from third parties.

EnBW's scope 1 emissions, mainly associated with the generation of electricity and heat, have more than halved in absolute terms since the base year. Importantly, the company distinguishes between controllable emissions from the electricity it chooses to generate, and emissions from forced generation, referred to as redispatch emissions. Redispatch emissions occur when EnBW is mandated by

the transmission system operator (TSO) to generate electricity from its active generation portfolio to balance supply, due to grid bottlenecks that restrict supply from other regions or producers.

Additionally, the TSO also routinely instructs EnBW to produce electricity from its retired thermal assets, which are maintained in use only for those requests, to ensure demand is consistently met. EnBW classifies that production (and related emissions) as “reserve” generation. Together, these generation-related emissions beyond EnBW's control, albeit produced and accounted for by the firm, constitute about 10% of scope 1 emissions.

EnBW has updated its greenhouse gas (GHG) emissions targets in 2025, to reflect an increase in the pace and scope of its decarbonisation strategy. While the previous targets extended only till 2035, EnBW has now added long-term targets across all scopes of emissions.

In line with GHG Protocol recommendations, the company has adjusted its absolute emissions and carbon-intensity values to account for significant M&A activities, such as the sale of its largest lignite plant. The updated targets also incorporate changes to emissions accounted for in the Corporate Sustainability Reporting Directive (CSRD) reporting, including the reclassification of certain emission sources and the inclusion of previously excluded emissions. For example, its scope 3 targets now include emissions from hard coal sales, increasing their coverage to 95% of the total reported emissions for that scope.

### **Ambition assessment — 1.5 C**

EnBW's overall ambition score is 1.5 C, reflecting the consistent similar assessments of all its short-term and long-term targets.

EnBW's targets include both intensity-based objectives capturing its electricity and heat generation under its direct control, and absolute measures encompassing the residual scope 1 and 2 emissions from operations required under redispatch and reserve obligations, which are not under the company's direct control.

The intensity-based targets are significant, as they effectively reflect the group's primary emission sources: electricity and heat generation, and electricity resale. However, they don't fully cover overall scope 1 and 2 emissions. The remaining emissions are addressed by absolute targets, which serve as a complement to the intensity targets. Our analysis integrates both sets of targets.

For the assessment of EnBW's short- and long-term scopes 1 + 2 generation intensity target, we have used our electric and gas utilities global benchmark, which focuses on the carbon intensity of generation, as measured in grams of carbon dioxide-equivalent produced per kilowatt-hour (CO<sub>2</sub>/kWh), and thereby offers the most accurate comparison.

To assess EnBW's short- and long-term absolute scopes 1 + 2 operations targets, as well as its absolute upstream and downstream scope 3 emissions targets related to sold commodities, we have used our sector-agnostic global benchmark. This benchmark provides the most accurate reference for emissions not directly related to the company's electricity generation activities.

#### **Short-term scopes 1 and 2 — 1.5 C**

We assess EnBW's ambition score for this subfactor at 1.5 C based on the weighted average of intensity-based generation and absolute operations targets outcomes. For the generation target, which covers scopes 1 and 2 emissions under EnBW's direct control, we have assigned a weight of 82%, reflecting its share of emissions in the base year. The operations target, concerning scope 1 and 2 emissions not under the company's direct control, is assigned an 18% weight. EnBW's goals for its generation and operation activities are consistent with decarbonisation pathways that limit temperature rises to 1.5 C for both its absolute and intensity targets by 2035.

#### **Short-term scope 3 — 1.5 C**

We assess EnBW's ambition score for this subfactor at 1.5 C. The company's absolute scope 3 target covers use of sold products (3.11) and related upstream emissions accounted for as part of the procurement categories (3.1 and 3.2). Together, these account for around 95% of EnBW's scope 3 emissions. Its aim for the reduction of commodity-linked upstream and downstream emissions is consistent with a decarbonisation pathway that limits temperature rises to 1.5 C for its absolute target by 2035.

#### **Long-term scopes 1 and 2 — 1.5 C**

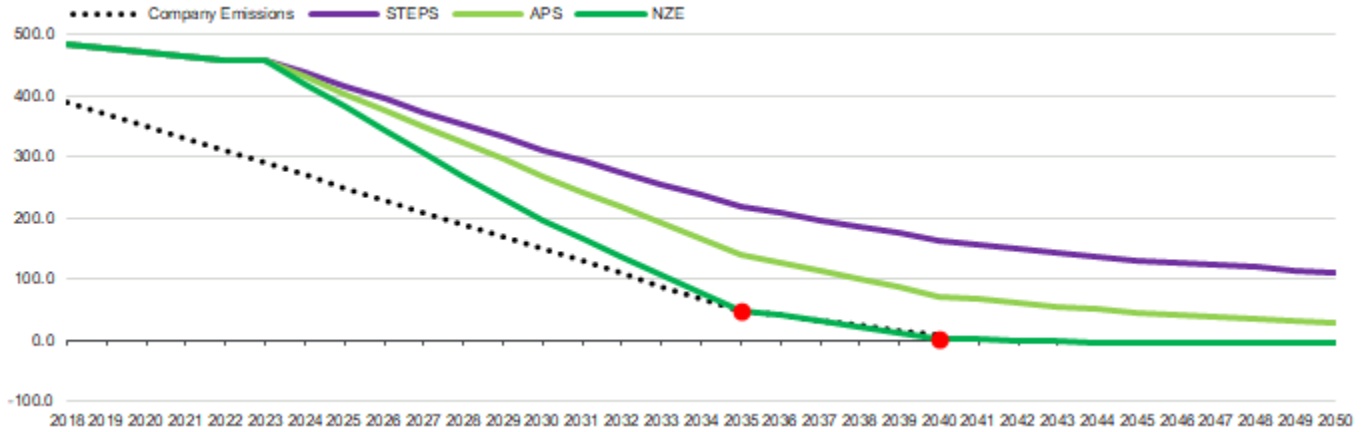
We find the combination of EnBW's long-term target to reduce emissions-intensity and its absolute emissions from operating activities to be consistent with a 1.5 C trajectory.

**Long-term scope 3 — Well-below 2 C**

We find EnBW's long-term target to reduce its scope 3 emissions to be consistent with a well-below 2 C trajectory.

Exhibit 2

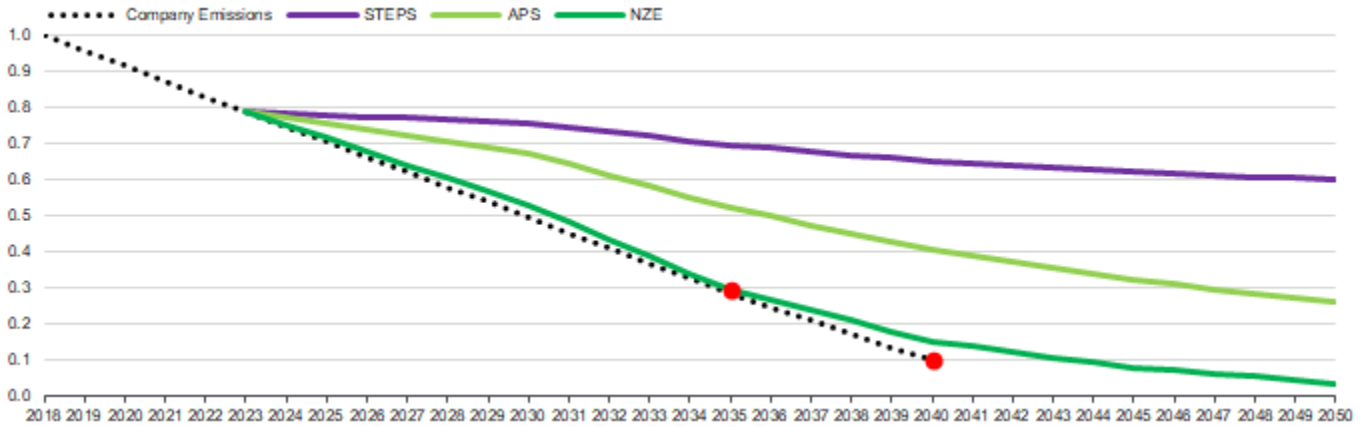
**Scopes 1 and 2 generation intensity targets are aligned with a 1.5 C trajectory, over both the short and long terms**  
 EnBW's scopes 1 + 2 intensity target compared with the electric and gas utilities benchmark in gCO<sub>2</sub>eq/kWh



NZE = International Energy Agency (IEA) Net Zero Emissions by 2050 Scenario; APS = IEA Announced Pledges Scenario; STEPS = IEA Stated Policy Scenario.  
 Source: Moody's Ratings

Exhibit 3

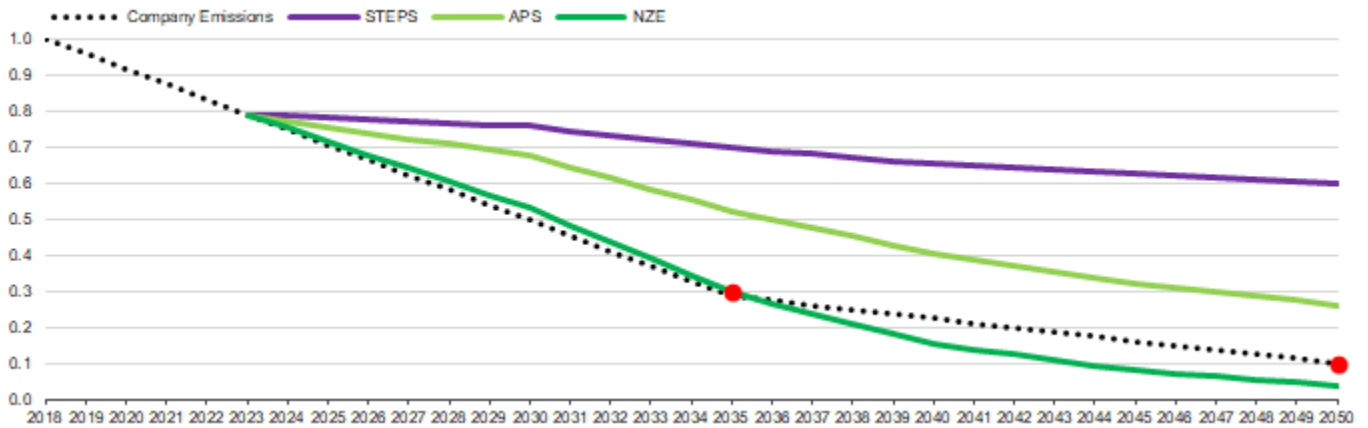
**Scopes 1 and 2 absolute emissions targets are also aligned with a 1.5 C trajectory, over both the short and long terms**  
 EnBW's scope 1 + 2 absolute emissions targets compared with the sector-agnostic benchmark in tCO<sub>2</sub>eq



NZE = International Energy Agency (IEA) Net Zero Emissions by 2050 Scenario; APS = IEA Announced Pledges Scenario; STEPS = IEA Stated Policy Scenario.  
 Source: Moody's Ratings

Exhibit 4

Scope 3 emissions targets are aligned with a 1.5 C trajectory in the short term and a well-below 2 C trajectory in the long term  
 EnBW's scope 3 emissions targets compared with the sector-agnostic benchmark in tCO2eq



NZE = International Energy Agency (IEA) Net Zero Emissions by 2050 Scenario; APS = IEA Announced Pledges Scenario; STEPS = IEA Stated Policy Scenario.  
 Source: Moody's Ratings

## Implementation assessment — Solid

EnBW's implementation quality is solidly supportive of its ambition.

The company has made substantial progress on its transition plan from its 2018 reference levels towards achieving its 2035 targets. To date, EnBW has retired nearly two-thirds of its coal-fired plants, aligning with its publicly communicated plan to phase out coal by 2028. However, some coal-fired capacity will be retained at the regulator's request as part of the grid reserve. EnBW will continue to own and manage these plants, although the regulator will control the intensity and timing of their production. This shift from active status to reserve is still likely to result in a significant decrease in production.

New efficient and hydrogen-ready gas-fired plants are being constructed as planned, with commissioning phased until 2027. The gradual decarbonisation of the German national grid contributes to reducing EnBW's scope 2 emissions. Additionally, the company increasingly offsets the electricity lost while operating its regional grid by purchasing guarantees of origin (GOs) for low-carbon electricity generation. However, EnBW does not focus on precisely matching the time and location of the electricity it consumes with the GOs it purchases, which in our opinion reduces their relevance. We discount the efficiency of such GOs in our assessment. Furthermore, the company's strategic reduction in business-to-business (B2B) gas sales, which have been less attractive in terms of returns, has significantly contributed to reducing its scope 3 emissions in line with its short-term targets.

### Short-term scopes 1 and 2 — Satisfactory

We assess EnBW's short-term plans for scopes 1 and 2 as satisfactory, as we expect the company to reach between 75% and 90% of its targeted progress by 2035. This would be achieved through a more significant decarbonisation of the generation it controls, somewhat tempered by a lower likelihood of achieving the emission targets related to its redispatch and reserve activities, which are beyond its control.

EnBW's strong track record of closing its coal-fired plants supports the likely reduction of its controlled generation footprint, further strengthened by concrete plans to remove remaining plants from its active portfolio. The company's ambitious pace of growth in renewable and efficient gas-fired generation assets appears realistic. Despite facing typical constraints such as grid access, limited auctions for renewable contracts and supply-chain bottlenecks, EnBW's stated strategy to assume some price risk for renewables, along with expected progress in local and national grid connections, should mitigate uncertainties in its expansion. Although new national north-south grid connections, crucial for reducing redispatch requirements and delivering wind-generated power to consumers, may be delayed beyond 2035, such delays are likely to be limited.

EnBW aims to achieve 75%-80% renewable capacity by 2030, translating into 10.0-11.5 GW, or an average incremental growth of about 1 GW per year. The company is already surpassing its 2025 target of 5.5 GW, with future growth based on proven technology, even without subsidies. A robust 28 GW development pipeline, with half of the projects either advanced or in development, grants credibility to its short-term targets. EnBW's strategy accommodates the development of up to 30% of renewable projects outside of subsidies or minimum price frameworks, the company relying on power purchase agreements (PPAs) or bearing electricity price risk. Outside of its renewable portfolio, EnBW will only use natural gas for electricity production past 2028. Although these assets will be hydrogen-ready, the transition to hydrogen is planned to occur only from 2035, so any potential availability issue does not impact short-term performance.

EnBW's lack of control over the volume of production required for redispatch generation, and for reserve production from its older plants, introduces uncertainties. Currently, redispatch emissions constitute the larger portion of these involuntary emissions. However, these emissions are likely to decrease significantly after 2028 as coal plants are fully removed from the active portfolio. Their continued use as reserve assets will result in much lower emission levels due to the current and expected reduced utilisation rates of these reserve assets.

Scope 2 emissions reductions are likely to be met through incremental use of GOs, with progress in gas grid upgrades, including the conversion to hydrogen transport capabilities, all contributing to reduced gas network loss emissions.

### Short-term scope 3 — Positive

We assess EnBW's short-term scope 3 implementation as positive, expecting the company to achieve at least 90% of its targeted progress. This assessment is based on the progress made so far, the predictable impact of its coal phase-out (prompting the shutdown

of its coal sales to third-party end users), and its commercial incentive to reduce the profitability-diluting share of its B2B gas sales market.

EnBW's plan to phase out coal generation from its active portfolio by 2028 will lead to the closure of its small coal sales activity, primarily to other utilities, as it would then lose critical mass in that activity. B2B gas sales are also likely to decline: this segment has become increasingly unattractive due to low margins and short-term, price-focused contracts with low customer loyalty. EnBW has already closed two gas-selling subsidiaries, reflecting the segment's low strategic priority. Although its B2B customers include some of its own local utilities and local government shareholders, EnBW is not obligated to maintain supply relationships. The scope 3 emissions reductions needed to meet short-term targets incremental to the impact of the exit from coal generation and sales are limited, amounting to less than 20% of the overall effort, making their achievement likely.

#### **Long-term scopes 1 and 2 — Satisfactory**

We assess EnBW's long-term scopes 1 and 2 implementation as satisfactory, expecting between 75% and 90% achievement of the targeted progress. As with the short-term targets, we distinguish between emissions reductions under EnBW's direct control and those beyond it, with both likely to be achieved.

The longer time frame provides greater certainty in EnBW's ability to expand its renewable energy capacity. However, this performance may be tempered by uncertainties regarding the availability and cost of low-carbon gas needed for baseload generation. By 2040, EnBW expects nearly 90% of its generation to come from a mix of renewable sources (wind, solar, run-of-river hydro and pumped storage), which aligns with the company's efforts and market developments. The remaining production would rely on low-carbon gases, if available at scale and commercially viable cost. This could mean hydrogen, if cost-effective large-scale import networks have been developed, or alternative more locally sourced biogas. Alternatively, the company could improve its ability to source baseload electricity from other grids through interconnectors, the development of which would likely be encouraged in the event no low-carbon gas supply is available.

Our satisfactory assessment also translates into higher certainty of the completion of electricity grid upgrades. These upgrades are crucial for resolving bottlenecks in renewable electricity supply and are more likely over a longer time frame. By 2040, we expect the full completion of the planned national-scale SuedLink and Ultranet expansions, which should reduce production constraints and associated emissions. As a result, redispatch requirements would be significantly lowered. Any remaining redispatch needs could potentially be met by thermal assets powered by low-carbon gas. Meanwhile, reserve generation would rely on retired high-efficiency gas plants, minimising carbon emissions compared with the current footprint. This could be further improved depending on the availability of low-carbon gas.

#### **Long-term scope 3 — Developing**

We assess EnBW's long-term scope 3 implementation as developing, expecting at least 66% (but not more than 75%) achievement of the targeted progress. This is primarily based on the degree of uncertainty around the availability of low-carbon gases in sufficient volumes and at attractive prices to effectively substitute natural gas.

To meet its long-term scope 3 emissions target, EnBW needs to exit the unabated natural gas sales business by 2050. This target is supported by forthcoming legislation and a regulatory environment that promotes alternative gases like hydrogen, especially for hard-to-abate industrial use and electricity generation. However, the availability of cost-effective low-carbon molecules introduces uncertainty. Although importing such molecules from Nordic countries or from further afield by ship, could provide short-term volumes, these are likely to incur high costs, limiting its take-up by clients and its usage by EnBW. Hydrogen pipelines, such as the SoutH2 corridor likely to be operational by 2050, could provide a cheaper and more stable long-term alternative. EnBW may however benefit from alternatives, lowering its potential dependency on hydrogen. Germany's biogas production is currently projected to only cover a fraction of the required volumes. In the absence of cheap and high-volume hydrogen, however, political support could increase to foster incremental biogas production, as we already see in countries such as France. Another alternative to hydrogen to power baseload generation may be to import more of such electricity when required. EnBW is well placed to do so, as its regional footprint borders both France and Switzerland, two low-carbon intensity grid markets. Interconnection opportunities are likely to increase should no long-term alternative low-carbon solution emerge, although they will depend upon regulatory and political choices.

## GHG governance assessment — Tier 2

We score EnBW's transition-related governance practices as Tier 2 (see Appendix for scorecard), the second-highest possible outcome out of the four scoring Tiers. The company's practices demonstrate outstanding performance across several dimensions of our governance analysis, with room for further improvement in certain areas. This governance assessment outcome does not adversely impact the overall NZA score.

We have granted our highest Tier 1 score for the reporting and monitoring queries in the "GHG Accounting" sub-section. EnBW achieved maximum scores for its separate reporting of CO<sub>2</sub> offsets, carbon credits, its accounting for avoided emissions in defining or meeting targets, and for obtaining third-party assurances over its published GHG inventory. However, the company scored lower due to the historic lack of disclosure regarding its sales of hard coal, which have not yet been reported under the "use of sold products" category. Additionally, the intensity-based nature of EnBW's targets, while contributing to the lower score, is typical within the utility sector.

We granted the "Integration of Climate Objectives" subsection a Tier 2 score. EnBW scores maximum on half of the queries, particularly those related to the consistency of its strategy, environmental and social risk management, and board monitoring processes. However, it loses points on other queries due to the lack of a direct link between its GHG emissions and senior executives' incentive schemes, as well as the absence of a formal shareholder vote on its transition plan. Additionally, while the board frequently participates in training on climate disclosures and policy, none of its members meets our stringent threshold for climate expertise.

## Appendix – Detailed governance scorecard

Exhibit 5

Sub-factors	Aspect	Score	Comment
GHG Accounting	Emissions reported comprehensively for all scopes	2	EnBW Group follows guidance of GHG Protocol. All subsidiaries under the control of the Group are accounted for. However, scope 3 category 11 has not included emissions from the sale of hard coal in the public reporting so far. This is expected to change with the next reporting cycle.
	The entity separately reports the carbon offsets, carbon removals and avoided emissions in its key metrics and targets	4	EnBW reports CO2 allowances (EU ETS) separately from avoided CO2 emissions, with Scope 1 and 2 emissions targets being independent of these allowances. Currently, CO2 offsetting via climate change mitigation projects is not systematically recorded due to being below the materiality threshold.
	GHG disclosures for Scope 1&2 are third-party verified	4	Limited assurance by BDO AG Wirtschaftsprüfungsgesellschaft for Scope 1&2 emissions.
	GHG disclosures for Scope 3 are third-party verified	4	Limited assurance by BDO AG Wirtschaftsprüfungsgesellschaft for Scope 3 emissions.
	Targets are formulated based on absolute emissions	3	The main targets, related to the company's electricity generation, are intensity-based, which is common for the sector.
	Progress against key material targets is tracked and reported (inc. for Scope 3)	4	Detailed annual reporting, including progress on targets, and GHG emissions.
<b>GHG Accounting score</b>		<b>21</b>	<b>Tier 1</b>
Integration of Climate Objectives	The entity's behaviour is coherent with its stated environmental commitments	4	EnBW is involved in the transmission and distribution of natural gas, a fossil fuel, which brings inconsistency to its strategy. However, such activity represents only a very small part of its overall activity. EnBW has plans to reduce and eliminate its exposure to natural gas, replacing it with hydrogen and biogas in the long term. It doesn't contradict, nor constrain its main strategy of renewable energy expansion.
	Environmental and social risks associated with the implementation of transition plans are identified and managed	4	The Group faces no particular exposure related to just transition and maintains satisfactory risk management practices. EnBW is not directly engaged in fossil fuel production and aims to exit coal, both in usage and retail, by 2028, with a longer-term plan to phase out natural gas thereafter.
	The entity discloses evidence of board or board committee oversight of the management of climate change	4	The Finance, Investment and Sustainability Committee organizes Supervisory Board meetings to address inter-alia sustainability-related issues. Some selected key topics include the sustainability agenda, short- and long-term target setting, as well as portfolio discussions. In 2024, the committee convened nine times.
	The board demonstrates experience with respect to managing climate risks	3	The Board members are provided with regular training and information sessions on sustainability-related topics to ensure they are kept up to date with the latest developments in sustainability. The members are equipped with core competencies to oversee the management of climate-related issues.
	Climate-related Key Performance Indicators (KPIs) are tied to CEO or other senior executive compensation plans	3	For the latest long-term incentive, the supervisory board chose KPIs focused on renewables expansion and health and safety LTIF. Emission-related KPIs currently do not influence board members' remuneration packages, though these sustainability KPIs may vary annually.
	Targets are subject to approval and oversight by owners or public authorities	2	The transition strategy wasn't formally and specifically put to the votes of the shareholders.
<b>Integration of Climate Objectives score</b>		<b>20</b>	<b>Tier 2</b>

Source: Moody's Ratings

### Moody's Net Zero Assessment: Summary of scoring approach

The Moody's Net Zero Assessment provides an independent and comparable evaluation of an entity's carbon transition plan, consisting of the Ambition score and the Implementation score.

#### Ambition score

The Ambition score assesses the level of ambition in an entity's emissions reduction targets. We compare the entity's emissions targets with sector-specific decarbonisation pathways derived from scenario modeling conducted by the International Energy Agency (IEA). The most ambitious pathway considered aims to achieve global net zero emissions by 2050 and limit global temperature increases to 1.5 C.

We assign a score to each target based on the implied global warming, known as the Implied Temperature Rise (ITR). To determine the ITR, we project the entity's GHG emissions using reported emissions and targets, comparing them with emissions estimates from three benchmarks (corresponding to three IEA scenarios: Net Zero Emissions by 2050, Announced Pledges Scenario, and Stated Policies Scenario) in the target year. Linear interpolation is used between these three benchmarks (that imply different levels of global warming) and the entity's projected emissions in the target year, to determine the implied level of global warming in the entity's targets (the ITR).

The Ambition score is expressed on a six-point temperature scale, ranging from 1.5 C to Above 2.5 C.

#### Implementation score

The Implementation score evaluates the quality of an entity's transition plan implementation. We examine the actions, assumptions, and strategic coherence of the entity's emissions transition plan. A higher Implementation score indicates a higher likelihood of achieving targeted emission reductions. This score is expressed on a five-point scale.

Implementation is evaluated by scoring the same four subfactors as Ambition: Short-term Scopes 1 and 2, Short-term Scope 3, Long-term Scopes 1 and 2, and Long-term Scope 3. Each subfactor is scored on a four-point scale (positive, satisfactory, developing, negative) based on the strengths and areas requiring further development along technical, business and financial considerations.

#### GHG Governance score

Governance is assessed using a predefined list of questions, assigning points for each and mapping them to a final factor score along a four-point scale of Tier 1-4.

#### Arriving at the final Net Zero Assessment score

The Ambition and Implementation scores are combined to generate the final NZA score, which represents the overall assessment of an entity's carbon transition plan. The Ambition score determines the maximum NZA that a company may receive, which may be lowered on account of implementation or governance risks. The NZA is expressed on a five-point scale, ranging from NZ-1 (Leading) to NZ-5 (Limited).

For more details, please see the [Net Zero Assessments framework](#), 9 November 2023.

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