

RWE

**Industry
Associations
Climate Review
2019**



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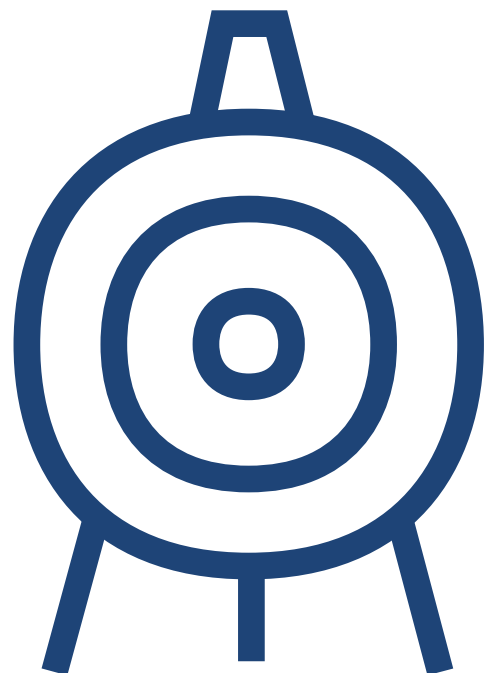
1. Introduction

RWE backs the Paris Agreement and is fully supporting the goals of this seminal climate accord. Part of our commitment is this review and the engagement with our associations to promote support for the Paris Agreement, as far as this is not already the case. The purpose of this report is to present the results of our 2019 Industry Association Review as committed during our Annual General Meeting in 2019. In particular this commitment encompasses the question whether or not the positions of the associations we are participating in are supportive for the goals of the Paris Agreement. As a global player in power generation we recognize the increased interest of our stakeholders about industry associations' positions on crucial issues such as climate change and on the goals of the Paris Agreement. Since transparency and accountability have always been important for us, we see the review process and this report as an important step.

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On the next pages we present the methodology and results of our assessment. Amongst others it is explained which associations fall in the scope of the assessment, and the review process is outlined in detail.

During the review RWE has assessed whether the positions of the most relevant associations RWE is a member of are in line with the core goals of the Paris Agreement. Finally, the report informs about future improvements of our governance relating to our memberships. This report and the underlying methodology have been developed by a working group within the company from September 2019 onwards. The analysis was conducted by RWE employees from November 2019 to January 2020 and the results were discussed and reviewed internally, for example by means of a crosscheck.



2. Our Position on Climate



Since our founding over 120 years ago, RWE has stood for reliable and affordable energy for its customers. Over these years the company has experienced many changes as views and attitudes on power generation have shifted. Nowadays many countries and societies are striving for pathways into a low- or zero carbon future. We support this development. This is why we are transforming RWE at full speed. As we strive for a new RWE we have recognized that transparency about our own positions on issues such as climate is crucial. Within our Group overall responsibility for the positioning lies with the Management Board.

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RWE has a clear stand on climate – acknowledging our responsibility for its protection and acting to decarbonize our fleet. Climate change is a global challenge that requires action and collaboration from everyone. As a utility company we are aware that we play an important part in climate protection. RWE is committed to ambitious and economically efficient climate protection. Part of this is our commitment to the Paris Agreement and to the climate protection goals set by it and by legislators in our core markets. Within Europe RWE falls under the EU-wide Emissions Trading Scheme (EU ETS). This instrument is RWE's means of choice for implementing ambitious CO₂ reductions in the electricity sector. The EU ETS is economically efficient and ensures that targets are met. As a next step, we welcome the proposed EU Green Deal of the European Commission and the ambitious pathway on climate protection. Thus, we also support the proposed tightening of the climate protection target for 2030, which is minus 50% CO₂ emissions compared to 1990 and, if backed by an impact assessment, even minus 55% – which will inevitably lead also to a steeper reduction path for the ETS.



Further positions are articulated in internal and external documents. These are updated regularly and distributed to external stakeholders. RWE communicates the company positions to industry and business associations where the company is engaged in.

RWE has been engaged in reducing its climate footprint and promote innovations and technologies to tackle climate change for years. This includes:

- **Setting ambitious targets and deliver year-on-year reductions from our electricity generation:** RWE has committed to reduce CO₂ emissions by 75% up to 2030 and to become carbon-neutral by 2040. This target is a further affirmation of our ambition for a sustainable life. We are on a good track: In 2019, our power plants emitted 88.1 million tons of carbon dioxide. That's 29.9 million tons or 25% less than 2018. Consequently our specific emissions, i.e. the CO₂ emissions per unit of energy produced, has fallen from 0.67 to 0.58 tons per MWh. For years we have transparently published targets to reduce carbon from our power plants.
- **Investing in innovations and technologies:** Besides investing in renewable power generation with planned investments of 5 billion euros net for 2020 till 2022, we are systematically examining and taking the available options for optimizing our conventional power plant portfolio. In the past, we have both significantly increased the efficiency of our power plants and expanded the share of gas-fired generation. In the case of electricity generation from hard coal, we have taken around 70% of the capacity installed at the beginning of 2013 off the grid or are converting it to biomass combustion. Measures in this respect were also continued in 2019. Biomass, waste and sewage sludge are also being investigated with the aim of establishing closed carbon cycles.
- **Investigating new opportunities:** In several research and development projects, we are dedicating ourselves to Power-to-Gas technologies, which convert green electricity to hydrogen and then use this gas as a carbon-neutral commodity. For example, we joined forces with gas network operators and industrial enterprises in the Get H2 initiative to put the production, storage, transport and use of hydrogen to the test on an industrial scale at our power plant site in Lingen. In addition to Power-to-Gas and thermal or mechanical storage concepts, batteries can also help to mitigate fluctuations in renewable energy. RWE is already involved in the development and construction of battery storage facilities, which is a business we are expanding.
- **Public support for sustainability goals:** In 2009, together with most of the other companies in the European energy industry, we committed ourselves to a CO₂-neutral electricity supply by 2050 in the eurelectric CEO Declaration, followed by a 2017 Vision paper that sets the date for achieving this target well before 2050. As signatory of the United Nations Global Compact and as supporter of the UN Sustainable Development Goals we have expressed our commitment to a sustainable pathway at numerous occasions.

3. Role of Industry Associations for RWE

RWE is member of a large number of associations. This includes both Group level membership of RWE AG and membership of operating companies such as RWE Power, RWE Generation, RWE Supply & Trading and RWE Renewables. Industry associations contribute to the development of well-informed and transparent discussions amongst a broad range of stakeholders, including the members of the respective association, political stakeholders such as government officials and members of parliaments, non-governmental organizations (NGOs), the financial community, academic bodies and the wider public. Industry associations thus offer the opportunity to jointly engage with stakeholders in order to, among others, make sure our views on specific topics are heard, to foster a common understanding of issues, to share our expertise and best practices with others, to contribute to the development of standards and to align positions for important topics.

Our RWE Code of Conduct sets out our expectations for working with our business partners.

RWE's main contribution to the industry associations it is a member of relates both to the engagement in the associations' working structures (Boards, Committees, Working Groups, Project Groups) as well as to paying membership fees, which provides for the financial basis that allows the associations to perform their activities.

We consider several factors when joining and reviewing our memberships, including:

- Alignment with business purpose, focus areas and activity,
- Value to RWE's business or the implications of not being involved,
- Presence of appropriate guidelines with respect to anti-trust and competition law,
- Financial and time commitments.

Our RWE Code of Conduct sets out our expectations for working with our business partners. It requires our employees to clearly communicate expectations to our partners, take the appropriate measures if expectations are not met, and report any indications that a business partner is not complying with their obligations. For years we have been reporting our most important memberships and our stance on politics in our annual Corporate Responsibility Report. In addition we apply all requirements concerning transparency: Since 2010, we have been entered in the European Union's transparency register and publish relevant information there. We would welcome the establishment of a transparency register in Berlin based on the Brussels model.

4. Scope and Methodology

a. Associations in scope of the review

This review focused on 18 industry associations RWE is a member of. The associations in scope were selected based on the following characteristics:

- **Issue relevance:** the nation-wide or international association is an energy policy association or has an explicit body with a committee on energy or/and climate.
- **Responsibility:** the association is not a renewables-only association as they are perceived to generally support Paris goals by their self-conception.

Based on these criteria we have screened RWE memberships and have selected the associations listed below. In some associations, RWE is member at different levels, such as regional and national level. In this case we have only assessed the association on the highest level, as we assume that regional subsidiaries' positions do not differ from overarching ones. In others, RWE has no direct membership but only via a national association. This holds true e.g. for eurelectric, which is an association of (national) associations. However, we also assess them since RWE employees are actively engaged in committees or other bodies of these associations.



Exhibit: Associations in Scope of the Review

Name	Geography
Bettercoal	International
Bundesverband der Deutschen Industrie (BDI)	Germany
Bundesverband der Energie- und Wasserwirtschaft (BDEW)	Germany
Business Europe	Europe
Deutscher Braunkohlen-Industrie-Verein (DEBRIV)	Germany
Energie Nederland	The Netherlands
Energy UK	United Kingdom
EURACOAL	Europe
eurelectric	Europe
Eurogas	Europe
European Federation of Energy Traders (EFET)	Europe
International Emissions Trading Association (IETA)	International
International Energy Agency Coal Industry Advisory Board (IEA CIAB)	International
Internationaler Verband der Energieanlagenbetreiber (VGB PowerTech)	Europe
Verband der Industriellen Energie- & Kraftwirtschaft (VIK)	Germany
Verein der Kohleimporteure (VDKi)	Germany
VNO NCW	The Netherlands
World Energy Council	International

b. Methodology

For the review we have established a methodology that was applied to the aforementioned selected associations. As part of this approach we have collected and analyzed information on the positions of the associations. This included primary data gathered for example from the associations' websites and position papers. The review covers positions and statements by the associations until 31 January 2020. In cases where this information was not available or insufficient to prove an alignment with the Paris Agreement we have conducted a detailed analysis that partly included direct engagement with the association at place. In many of these cases the association could provide data that made it possible to evaluate the level of alignment.

For this report we have categorized the associations based on their alignment level with the Paris Agreement:

- **Aligned:**

- Explicit alignment: The association has a public and direct commitment outlining its support for the Paris Agreement and its goals, or has proven as part of a detailed analysis that the support is internally anchored in its positions.

- Implicit alignment: The association has a proven alignment with key aspects of the Paris Agreement and/or has a clear record in protection of the climate. We therefore concluded that the association is aligned despite the lack of an evident direct commitment to the Paris Agreement.

- **Misaligned:** The association is committed to positions that are in contrast to the goals of the Paris Agreement and has furthermore not proven to have a public or non-public statement that is explicitly or implicitly supportive to the Paris Agreement and has taken no steps to achieve such positioning.

In addition to the categories above we have concluded on the base of public and received information that some of the initially selected associations have no mandate for certain positions. In these cases we have carefully evaluated the organization's reasoning and concluded that they are not found to be in-scope of the assessment. This holds for Bettercoal, VGB PowerTech and IEA CIAB.



5. Results

Based on the methodology and the data and engagement process outlined above, the position of 18 associations has been reviewed. As stated before, an assessment of the positions of Bettercoal, VGB PowerTech and IEA CIAB was not possible, as their specific mandate does not include any positioning opportunities in its own respect. Therefore we decided to drop these three associations out of the scope of this assessment. In the following we present the results for the remaining 15 associations.

a. Aligned

It was possible to identify specific positions in the case of 11 associations. These associations communicate their positions to the Paris Agreement on their website or in press releases in an unambiguous manner and with direct link to the Paris Agreement and its goals and can therefore be classified as “explicitly aligned”. As a “best practice” the World Energy Council and their press release following the UN Climate Conference in Paris shall be quoted here: “We welcome the agreement in Paris and that we have a vision for the future.” Similarly Eurogas states publicly that “[t]he global climate agreement reached in Paris is a major step in the right direction. (...) Eurogas welcomes the global climate agreement reached by world leaders.” The German BDEW has provided a press release on the occasion of the Paris Agreement in 2015 as part of our detailed analysis. This document proved to offer a clear support for the Paris Agreement, saying that the association welcomes the historic resolutions of the World Climate Conference and sees them as “a mandate for action for German politics.” These exemplary cases show a clear and direct commitment to the Paris Agreement as whole.

Some of the associations are assessed as being implicitly aligned. We would like to stress out that, according to publicly available statements, these associations do not disagree with the objectives of Paris, but that in many cases an explicit commitment is not publicly available. Therefore, the difference between the assessments made is mainly due to the mode of communication of their positions. The associations in this category include BDI, Energy UK, EFET and VNO. In this section we will briefly describe the

context which has led to the decision to put these companies into the category “implicitly aligned”. The German industry association BDI is strongly engaged on climate policies. However, whereas not explicitly committing in public statements to the Paris Agreement, they are focusing on how to curtail climate change by implementing Paris, e.g. via a consistent and robust carbon pricing on G20 level. We perceive this as a strong implicit alignment. The Dutch association VNO and Energy UK in the United Kingdom made public statements on the subject of climate. For example in its statement VNO refers to the companies represented and their commitment to Paris. Besides these public documents we have received further clarification. For both associations we saw in the analysis of the documents that there is a basic position and that national climate targets are welcomed. We therefore decided to consider these two associations as implicitly aligned. For EFET, we could only identify a positioning with regard to Article 6 (cooperation mechanism) of the Paris Agreement without a direct commitment to the Paris objectives themselves. Therefore we assume an implicit commitment. For this reason, we also categorized EFET as implicitly aligned.

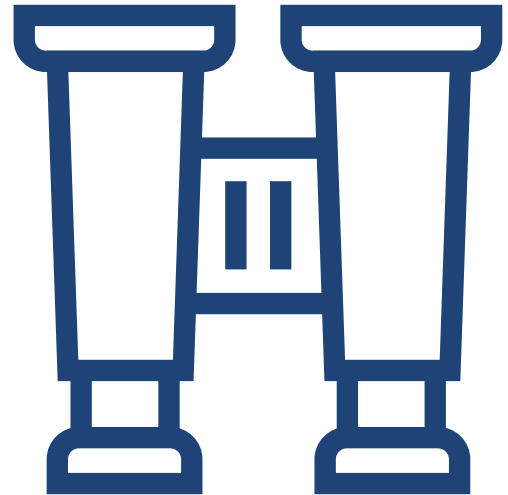
b. Misaligned

A non-conformance was not found at any of the associations’ positions examined which would justify a classification “misaligned”.

6. Way Forward

RWE is fully supporting the Paris Agreement that aims amongst others to limit global warming to well below 2°C above pre-industrial levels and to pursue efforts to limit the increase even further to 1.5°C. Going forward we will contribute to these goals to limit and to prevent the consequences of global warming. One way is our promise to be net carbon-neutral in 2040. It is our objective that economy and society as a whole will deliver on the goals of the seminal Paris Agreement too. We are transforming our company and are committed to do our part. We are equally committed in our industry associations to push for this transformation to achieve the targets of the Paris Agreement. Engaging through our participation in industry associations will remain important to us. This review is a first step in an ongoing process that will see us continuing to engage with industry associations and other bodies on climate issues while actively monitoring memberships.

With this report we have established an approach to review the associations' positions vis-à-vis the Paris Agreement. As part of our due diligence we aim to publish an updated report on our associations and memberships on a regular basis.



7. Contact

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