

To Norges Bank

15 March 2018

UNOFFICIAL ENGLISH TRANSLATION

**Recommendation to exclude RWE AG from the Government Pension Fund
Global**

Summary

The Council on Ethics recommends excluding RWE AG due to an unacceptable risk of the company contributing to or being responsible for acts or omissions that on an aggregate company level lead to unacceptable greenhouse gas emissions.

RWE falls outside Norges Bank's definition of a power company and has therefore not been assessed against the coal criterion. This is because the company has considerable incomes from other activities, so that the incomes from power production are below 30 per cent, which is the threshold for being assessed against this criterion. In that the company has very large greenhouse gas emissions from its power production, the Council on Ethics believes it must be assessed against the emissions criterion.

In its assessment, the Council has placed emphasis on the total production emissions, the company's greenhouse gas emissions at an aggregate level compared to other companies' production of corresponding products and the company's plans to reduce the emissions to an acceptable level.

RWE produces and trades in electricity. The company has nuclear power plants and power plants based on lignite, black coal, biomass and gas, and is Europe's fourth-largest power producer. RWE states that it is also the world's largest producer of lignite.

The company states on its website that it has Europe's highest greenhouse gas emissions and that these emissions are well above the average of its competitors. This is particularly due to two factors: the company has many old power plants - large facilities that are 40-50 years old – and it uses a bigger percentage of coal, and especially lignite, than most large European power producers.

The company has commented on a draft of this recommendation and places emphasis on its plans to reduce emissions and on measures that have already been implemented. It has renewed 25 per cent of its power production over the past decade and doubled its gas-based capacity. RWE also underlines that it has closed several old production units. It also states that it has not decided whether it will build a disputed new lignite-fired power plant, and also that if it does do so, this will replace other power plants so that the CO₂ emissions will still be reduced. The company states that it reduced its CO₂ emissions by 18 per cent between 2012 and 2016 and that the emissions will decline by an additional 30 per cent by 2030.

The Council notes that RWE itself states it has Europe's highest greenhouse gas emissions irrespective of sector, and thus has a very high absolute emissions level. Although the company has doubled its gas capacity and reduced its CO₂ emissions through renewals over the past few years, a significant part of its power production is still based on coal. It is undisputed that generating electricity from coal in general produces much higher greenhouse gas emissions than if other power sources are used. It is also clear that lignite produces larger emissions than black coal. Around 35 per cent of RWE's power production is based on lignite.

Another important factor when deciding whether the emissions are unacceptable is the emission intensity. The Council finds that older power plants are in general assumed to have larger emissions per produced unit of power than newer power plants. RWE's considerable volume of old lignite plants contributes to a higher emission intensity. The company alleges it has implemented a number of measures to reduce emissions since 2012 and refers to the fact that its emissions have declined considerably during this period. The Council notes that the percentage of black coal has been reduced. However, the percentage of lignite has not changed significantly during the same period. The situation following the cuts is that RWE still has a significantly higher emission intensity than most of its competitors.

Since 2012, RWE has reduced its emissions by around 20 per cent. However, the company still appears to be operating old and less efficient power plants for longer than its competitors. It is also more actively building new lignite-fired power plants when other power suppliers are no longer focusing on this type of high-emission power plant.

A company's plans and outlook will be important elements in the Council's assessment of the *risk* of unacceptable greenhouse gas emissions. The company plans to reduce its greenhouse gas emissions by around 30 per cent by 2030. Some of this reduction is based on the company planning to have its lignite-fired power plants in operation for shorter periods. At the same time, RWE is continuing to base a lot of its power production on coal, and a significant percentage of this is lignite. The company has continued to build and plan lignite-fired power plants right up to the present date and is planning to operate some lignite mines until around 2050. Following an overall assessment, the Council finds it is very uncertain whether the outlined measures and plans will reduce the company's greenhouse gas emissions to the level of its competitors.

The Council therefore concludes that there is an unacceptable risk that RWE will have very high greenhouse gas emissions for a long time to come.

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1 Introduction

The Council on Ethics (Council) of the Government Pension Fund Global (GPFG) has assessed the fund's investments in RWE AG¹ (RWE) based on the climate criterion in the Guidelines for Observation and Exclusion of Companies from the Government Pension Fund Global (the Ethical Guidelines).² RWE is an integrated power company and has Europe's highest greenhouse gas emissions.

At the end of 2017, the GPFG owned shares in the company worth NOK 1.39 billion, corresponding to an ownership interest of 1.36 per cent.

1.1 Matters considered by the Council

The Council has considered the fund's investment in RWE based on section 3(d) of the Ethical Guidelines: "Companies may be put under observation or be excluded if there is an unacceptable risk that the company contributes to or is responsible for acts or omissions that on an aggregate company level lead to unacceptable greenhouse gas emissions". There are no restrictions on the industries or types of operations to which this climate criterion can be applied.

Section 2(2) of the same Ethical Guidelines contains a product-based criterion that states, i.a. "Observation or exclusion may be decided for mining companies and power producers which themselves or through entities they control derive 30 per cent or more of their income from thermal coal or base 30 per cent or more of their operations on thermal coal".

Responsibility for implementing the coal criterion is divided between Norges Bank and the Council in such a way that the main responsibility rests with Norges Bank. In order to apply this criterion, it is necessary to define the concepts of a "mining company" and "power producer". Especially a "power producer" must be defined in further detail. Norges Bank has specified that a power producer is "A company that has the production of power as a certain percentage of its total operations (depending on the threshold for the percentage)".³ It also states that "Companies with, for example, 30 per cent or more of their revenues from their own power production can be identified." These selection criteria mean that the way in which a company organises its operations may affect whether or not the company is covered by the criteria. For example, integrated electricity companies with large distribution or grid operations will not necessarily be covered even if a considerable percentage of their actual power production is based on coal.

According to Norges Bank's definition, RWE is not covered by the coal criterion because it is not counted as a power producer based on this definition. In that the company has very large greenhouse gas emissions from its power production, the Council believes it must be possible to assess it against the climate criterion.

The report entitled "*Fossil-fuel Investments in the Norwegian Government Pension Fund Global*" (the Skancke Report)⁴ and Report No. 21 (2014-2015) to the Storting (Norwegian parliament) emphasise the need for the climate criterion to be applicable to different sectors.

¹ Issuer ID: 115675.

² <https://lovdata.no/dokument/INS/forskrift/2014-12-18-1793?q=retningslinjer+++pensjonsfond+++utland>

³ <https://www.nbim.no/contentassets/08b0787eae8a4016bd06bfeba0067e32/tredje-runde-kullekskluderinger---beslutningsgrunnlag.pdf>.

⁴ https://www.regjeringen.no/contentassets/d1d5b995b88e4b3281b4cc027b80f64b/expertgroup_report.pdf.

The assessment is designed to be forward-looking, so that specific and reliable emission-reduction goals, and the company's degree of success in achieving them, will form part of the assessment.

The report to the Storting presumes that the Council will, initially, concentrate on sectors with substantial emissions in absolute terms and on companies with high levels of emission intensity. The intention is for greenhouse gas *emissions* to form the grounds for exclusion, and that any decision must rest on a holistic evaluation of each company. The report to the Storting also points out that "...although it is difficult to define absolute targets for emission intensity, it may still be possible to assess comparable companies against each other".

The Council takes the view that the criterion's use of the word "unacceptable" means that companies may be excluded if their greenhouse gas emissions are materially higher than those generated by competing enterprises when producing similar goods. For companies which, for example, produce electricity as well as other things, the Council will assess the emission intensity for the total electricity production but omit other parts of the operations from its assessment. This is in line with the report to the Storting, which points out that "... as one of several factors, it seems reasonable to focus on emission intensity and not necessarily on absolute emission levels. Here, emission intensity means the ratio of emissions to, for example, output volume or sales revenues". A company that produces some electricity from energy sources with a high emission intensity but at the same time uses hydropower, wind power or solar energy to produce most of its electricity will thus not normally be excluded.

It must nonetheless be such that the total emissions can also be characterised as high. This means that companies with insignificant operations that, on their own, may have high specific emissions compared to similar operations, will not be excluded.

The term "unacceptable risk" encompasses both an assessment of the probable emissions based on the existing production process and technology and an assessment of the future prospects. The Council is of the opinion that it must be probable that the company currently has operations which reach the threshold for exclusion. In addition, it must be probable that the situation will persist for a reasonable period. In its assessment of the future risk, the Council takes the view that weight must be given to specific emission-reduction plans that are substantiated by documented investment proposals. Overarching, non-binding goals are of less importance.

It is common for electricity producers to list a reduction in greenhouse gas emissions among their goals. Companies with high emission levels that wish to approach the industry average must therefore adopt targets which take into account that this average will change over time. Aiming for a moderate reduction by 2030, for example, could therefore result in the distance to the average being even bigger by the time 2030 comes around.

The wording of the climate criterion is different to that of the other conduct-based criteria, in that it places emphasis on greenhouse gas emissions at an aggregate company level. This means that emphasis cannot basically be placed on the emissions from subsidiaries.⁵

Based on this, the Council deduces the following factors to which importance will be attached in its assessment of companies against the climate criterion:

- The total production emissions.

⁵ Refer to the Council on Ethics' annual report for 2017 for a more detailed review of this and other relevant issues: <http://etikkradet.no/arsmeldinger/>

- The company's greenhouse gas emissions at the aggregate level compared with those of other companies producing similar goods.
- The company's plans to reduce emissions to a level that is not materially different from those of similar industrial activities and which – at the same time - takes account of the need to reduce emissions as stated in the assessments of the United Nations Framework Convention on Climate Change (UNFCCC).

1.2 Sources

There is a lot of publicly available information on greenhouse gas emissions from various energy sources and on technological developments that will create more energy-efficient coal-fired power plants. This is stated in footnotes. Otherwise, the Council has to a large extent based its decision on documentation from RWE – published in annual reports and sustainability reports as well as more specific information it has received directly from the company. RWE has also commented on a draft of this recommendation.

2 Background

The basis for the climate criterion is the scientific consensus that human activity can influence the climate. The international work to counteract these changes springs out of the UNFCCC. This convention aims to stabilise the concentration of greenhouse gases at a level that will prevent dangerous, man-made effects on the climate system.

The Paris Agreement was signed in December 2015. It aims to keep the rise in global temperature well below 2°C. According to the fifth assessment report issued by the UN's Intergovernmental Panel on Climate Change (IPCC), global greenhouse gas emissions in 2050 must be 40-70 per cent lower than in 2010 if this objective is to be achieved. The IPCC states that power production is one of the sectors with the highest greenhouse gas emissions.

The IPCC's assessments and Paris Agreement's goals are global in scope and aimed in principle at countries, not individual companies. Nevertheless, the Council considers that companies with high absolute emissions and a high emission intensity have a particular responsibility to help society reach these goals.

Power production based on various energy carriers creates different greenhouse gas emissions. Of the most common energy sources, lignite (brown coal) produces the highest emissions, while in comparison hydropower, wind power and solar power create very much lower emissions. Most types of black coal have lower greenhouse gas emissions than lignite but these emissions are nevertheless almost twice as high as those from natural gas.⁶ Lignite is a cheaper energy source than other types of coal and is found in several locations in Europe, but the largest reserves are in Germany.

The technology on which coal-fired power plants are based is constantly improving, so that the emissions from a power plant built 40-50 years ago may be tens of percentage points higher than those from the newest types. A lignite-fired power plant built before 1970 typically had an energy efficiency of 30-35 per cent, while the newest facilities have close to

⁶ Refer, for example, to the WNO's overview of emissions from the use of various raw materials and technologies: http://www.world-nuclear.org/uploadedFiles/org/WNA/Publications/Working_Group_Reports/comparison_of_lifecycle.pdf.

45 per cent. Many old power plants have over time been modified and their efficiency has increased slightly, but not to the level of new facilities.

Electricity markets are not global. They often cover a region where there is sufficient transmission capacity between the various areas. Different producers in the region will generally also be able to access the same energy carriers and at more or less comparable prices. When assessing whether greenhouse gas emissions are unacceptable, the Council places emphasis on a comparison with competitors' production of the same products. As regards electricity production, it is thus natural to compare the company with competitors in the same regional market.

3 Nature and scope of the Council on Ethics' investigations

3.1 About the company

RWE is a German company that produces and trades in electricity. Its power plants are mainly located in Germany, the Netherlands and Great Britain. The company has nuclear power plants and power plants based on lignite, black coal, biomass and gas. Depending on the measurement method, it is approximately Europe's fourth-largest power producer. In 2016, RWE spun off its renewable energy production in a separate company, Innogy. This is a listed company in which RWE is the majority owner and, among other things, it also operates the power grid developed by RWE.

3.2 The power production and greenhouse gas emissions

The Council has, among other things, based its decision on data from the CDP⁷ (previously the *Carbon Disclosure Project*) and Trucost.⁸ The Council's investigations have not revealed any other large European power producer in the GPFG with higher greenhouse gas emissions per produced kilowatt hour (kWh). The CDP has analysed the largest power companies in Europe, and RWE was ranked as the worst in a comparison that included several factors important to greenhouse gas emissions.

The company states on its website that it has Europe's highest greenhouse gas emissions. It also describes these emissions as follows: "*These emissions are well above average compared with our main competitors*".⁹ This is particularly due to two factors: the company has many old power plants - large facilities that are 40-50 years old – and it uses a bigger percentage of coal, especially lignite, than most large European power producers.

RWE is now the only company to have a 40-50-year-old lignite-fired power plant in Germany, and it has 64 per cent of all the 30-40-year-old installed lignite capacity of power producers in Germany. Among the newest age group, those in the 0-10-year-old interval (all

⁷ <https://www.cdp.net/en> (Flicking the Switch. CDP, May 2015) <https://b8f65cb373b1b7b15feb-c70d8ead6ced550b4d987d7c03fcd1d.ssl.cf3.rackcdn.com/cms/reports/documents/000/000/617/original/electr-ic-utilities-report-exec-summary-2015.pdf?1470222702>.

⁸ <https://www.trucost.com/>.

⁹ <http://www.rwe.com/web/cms/en/1904186/rwe/responsibility/climate-protection/>.

the ages mentioned have 2015 as their reference year), RWE has 72 per cent of all the installed lignite capacity in Germany.¹⁰

As recently as in 2012, RWE built two new large (2 x 1060 MW) power plant units at the facility in Neurath, both based on lignite. With these, the Neurath facility has the second-largest greenhouse gas emissions of all the facilities in Europe.¹¹ RWE has also applied to the German authorities for permission to build total new capacity of 1100 MW based on lignite at the Niederaussem power plant. At the end of May 2016, no other company in Germany had applied for permission to build or was in the process of building a power plant based on lignite.¹²

In 2016, the total greenhouse gas emissions from RWE's power plants were 148 million tonnes of CO₂ equivalents. This is almost three times as much as all the emissions from Norwegian areas, including oil and gas production.¹³

RWE's total power production was around 216 TWh in 2016. RWE's subsidiary, Innogy, also produced 10.8 TWh based on renewable energy and has a capacity of 3.3 GW.

RWE is part of the EU's emissions trading system EU-ETS and uses allowances in this system. So far, the emissions allowances in this system are free of charge or cheaply priced. The power industry now has no free allowances. The prices of allowances are expected to rise in time and will probably better reflect the costs of reducing emissions.

4 Information provided by the company

In a letter to the Council dated 11 September 2017, RWE describes its greenhouse gas emissions from various energy carriers. During the 2012-2016 period, there were minimal changes in the percentage of power produced from lignite, which was around 35 per cent. The percentage of power produced from black coal fell during the same period from around 26.7 per cent of the company's power production in 2012 to around 20.5 per cent in 2016. RWE states it is also the world's biggest producer of lignite.

In the letter, the company writes that it intends to reduce its European emissions by 55-65 million tonnes by 2030. After 2030, it will continue to reduce its emissions as required by the authorities. It also states "*... we expect a significant decrease in emissions from hard coal plants. We intend to achieve this by the closure of power plants (e.g. Voerde A/B in April 2017 or Gersteinwerk K2 in Qi 2019) as well as technical upgrades. In the Netherlands, RWE is going to retrofit the hard coal-fired power plants Eemshaven and Amer 9 for biomass co-firing: Our plan is to produce environmentally friendly electricity using a total of 2.5 million metric tons of biomass annually, allowing us to lower our CO₂ emissions by roughly 4 million metric tons*".

In its "*Sustainability report 2016*", RWE describes its plans to continue producing power based on lignite: "*Securing the future of lignite in mutual agreement with the state*

¹⁰ Refer to Future of Lignite Power by A. D. Little:

http://www.adlittle.com/downloads/tx_adlreports/ADL_FutureOfLignitePower.pdf.

¹¹ EU Coal Stress Test Report 2017: http://climateanalytics.org/files/eu_coal_stress_test_report_2017.pdf.

¹² Refer to the overview provided by Bundesverbandt der Energie- und Wasserwirtschaft:

[https://www.bdew.de/internet.nsf/id/01F2A3585F6F3C43C1257FC40036A115/\\$file/13_2%20BDEW-Kraftwerksliste.pdf](https://www.bdew.de/internet.nsf/id/01F2A3585F6F3C43C1257FC40036A115/$file/13_2%20BDEW-Kraftwerksliste.pdf).

¹³ <http://www.miljostatus.no/tema/klima/norske-klimagassutslipp/>.

government of North Rhine-Westphalia is a key issue for us because lignite will continue to remain an important pillar for the business model of RWE AG over the foreseeable future".¹⁴

The company further describes its plans in its 2016 annual report: "Coal also continues to be an important fuel for us, but its significance will wane, mostly due to the long-term national and European climate protection targets. Our strategy is oriented with regard to these. Our operations in the lignite business will make an important contribution to reducing emissions. For example, as part of Germany's 'Climate Action Programme 2020', five lignite-fired units of the 300 MW class will be taken off the market, reducing the CO₂ emissions of the Rhenish lignite mining region by around 15 % compared to current levels. Over the coming decade, we intend to increase this reduction to 40 % – 50 %, with measures such as decommissioning the Weisweiler power plant after completing coal extraction from the opencast mine in Inden. Thereafter, falling capacity utilisation levels and closures of additional lignite-fired units will lead to further declines in CO₂ emissions, before the most modern lignite-fired power plants are taken offline around the middle of the century, when opencast mining comes to an end in Hambach and Garzweiler".¹⁵

In its 2016 annual report, the company also states that it believes the plans for reducing greenhouse gas emissions in Germany, the Netherlands and Great Britain are very ambitious, and uses expressions such as "...it is also possible that coal-fired power plants will be shut down due to excessively rigid climate protection requirements".¹⁶ In addition, the company is very negative to the EU's plans to prevent power plants with high greenhouse gas emissions from having full access to the EU power market, and places emphasis on negotiations and lobbying to avoid this.¹⁷

The company has commented on the Council's draft recommendation. In its comments, RWE places emphasis on its plans to reduce emissions and on measures that have already been implemented. It has renewed 25 per cent of its power production over the past decade and doubled its gas-based capacity. The company also underlines that, in connection with the new building of the Neurath station, it has "...shut down 16 of the oldest and least efficient 150 MW lignite units by the time of commissioning of the two new units, thereby saving some 6 million tons of CO₂ emissions". The company also comments as follows on the application process for building a new power plant based on lignite: "It is correct that we are currently going through the authorisation process for a new lignite unit of 1,100 MW [...]. However, no final investment decision has been taken yet and we currently do not envisage the realisation of this project. It is also not included in our current financial plans. Also, in case of the construction of this new unit we have committed ourselves to shutting down 1,200 MW of old capacity in order to continue our reduction of CO₂ emissions".

The company states that it reduced its CO₂ emissions by 18 per cent between 2012 and 2016, and "By 2020, CO₂ emissions will come down by a further 15 % and by 2030 by an additional 30 %. This will represent a total reduction of more than half by 2030 compared to 2012".

¹⁴ <http://www.rwe.com/web/cms/mediablob/en/3692006/data/179662/4/rwe/responsibility/RWE-Our-Responsibility-Report-2016.pdf> p.6.

¹⁵ <http://www.rwe.com/web/cms/mediablob/en/3688522/data/2957158/7/rwe/investor-relations/reports/2016/RWE-annual-report-2016.pdf> p.19.

¹⁶ <http://www.rwe.com/web/cms/mediablob/en/3688522/data/2957158/7/rwe/investor-relations/reports/2016/RWE-annual-report-2016.pdf> p.84.

¹⁷ This concerns the EU's so-called "capacity market", see <http://www.rwe.com/web/cms/mediablob/en/3688522/data/2957158/7/rwe/investor-relations/reports/2016/RWE-annual-report-2016.pdf> p. 33.

The company has sent the Council its sustainability presentation dated December 2017. This states that various measures are planned for the period leading up to 2030. These include the closure of some production units, a change to a combination of coal and biomass at two plants in the Netherlands, a reduction in the coal-fired power plants' operating times, and that the company will have around 1.5 GW of lignite-fired power plant as a *stand-by* reserve until 2023.

Innogy, a company in which RWE is the majority owner, produces wind power and hydropower, and RWE underlines that Innogy's production capacity will continue to be increased.

5 Assessment of the Council on Ethics

Based on the above information, the Council has considered whether there is an unacceptable risk of RWE "contributing to, or itself being responsible for, acts or omissions that, on an aggregate company level, lead to unacceptable greenhouse gas emissions" in accordance with section 3 (d) of the GPFG's Ethical Guidelines.

The Council has first decided on the volume of RWE's emissions at an "aggregate company level". RWE has gathered its renewable-energy production in a separate company where it is the majority owner. Basically, no emphasis is to be placed on a subsidiary's greenhouse gas emissions, cf chapter 1.1. It is thus RWE's emissions that form the basis for the assessment. At the same time, the power produced by the Innogy subsidiary is so little that it would in any case not have affected the final result to any particular extent.

The company's total production emissions are an important element in the assessment of whether acts or omissions lead to "unacceptable" greenhouse gas emissions. RWE produces power, a sector that, on a global level, generates high levels of greenhouse gas emissions. The Council notes that, over the past few years, RWE has doubled its gas capacity and reduced its CO₂ emissions through renewals. However, a considerable share of its power production is still based on coal. It is incontrovertible that, on the whole, electricity production based on coal generates materially higher greenhouse gas emissions than if based on other power sources. It is also clear that lignite produces higher emissions than black coal. Around 35 per cent of RWE's power production comes from lignite. RWE's position as Germany's (and the world's) largest producer of electricity from lignite contributes to RWE having an emission volume that the company itself calls "Europe's largest". The Council notes that RWE has Europe's highest greenhouse gas emissions irrespective of sector, and thus a very high absolute emission level.

Another important factor when deciding whether the emissions are unacceptable is the emission intensity. The question is whether the company's emissions are considerably higher than competing companies' emissions from producing corresponding products in the same regional market. The Council finds that old power plants are in general assumed to have larger emissions per produced unit of power than newer power plants. RWE's considerable volume of old lignite-fired power plants helps to create a higher emission intensity. The Council also notes that the age structure of RWE's lignite-fired power plants shows that the company is continuing to operate old, less efficient power plants for longer than its competitors, and is also more actively building new lignite-fired power plants when its competitors are no longer focusing to any great extent on this type of power plant. The company alleges it has implemented a number of measures to reduce emissions since 2012 and refers to the fact that the emissions have declined considerably during this period. The

Council notes that the percentage of black coal has been reduced. However, the percentage of lignite has not changed significantly during the same period. The situation following the reductions is thus that RWE still has a considerably higher emission intensity than most of its competitors.

The Council has therefore decided that, in the current situation, RWE has unacceptable greenhouse gas emissions at an aggregate company level. The company has Europe's highest greenhouse gas emissions, irrespective of sector. It still has many old power plants and uses high-emission lignite as an energy source to a greater extent than other power producers. The fact that the company has to some extent in the past few years started to use power carriers that produce lower emissions does not change the overall picture.

A company's plans and outlook will be important elements in the Council's assessment of the *risk* of unacceptable greenhouse gas emissions. The Council points out that public regulation of the climate area is changing, and stricter regulation will influence companies' plans and priorities. However, the uncertainty linked to future regulation means that, in its assessment of the risk in relation to the climate criterion, the Council places emphasis not only on future emission-reduction plans but also on how the company has so far made arrangements to reduce emissions.

The Council has noted that RWE has plans to make relatively comprehensive emission reductions where this is required by the authorities. The company has specific plans to reduce the greenhouse gas emissions from several of its facilities, including by closing some old black-coal-fired entities and by adding biofuel at two facilities. However, the Council notes that, so far, the company has to some extent replaced the production it has lost due to closing old and inefficient coal-fired power plants with production from new lignite-fired power plants.

Since 2012, RWE has reduced its emissions by around 20 per cent. However, the company still appears to be operating old and less efficient power plants for longer than its competitors. The company is also more actively building new lignite-fired power plants when other power suppliers are no longer focusing on this type of high-emission power plant. The company plans to reduce its greenhouse gas emissions by around 30 per cent by 2030. In the longer term, larger facilities will be closed down when the mines are empty. Some of this reduction is based on the company planning to have its lignite-fired power plants in operation for shorter periods. The Council finds the implementation of this measure is uncertain. At the same time, RWE is continuing to base a lot of its power production on coal, and a significant percentage of this is lignite. The company has continued to build and plan lignite-fired power plants right up to the present date and is planning to operate some lignite mines until around 2050. Following an overall assessment, the Council finds it is very uncertain whether the outlined measures and plans will reduce the company's greenhouse gas emissions to a level that equals that of its competitors.

The Council therefore concludes that there is an unacceptable risk that RWE will have very high greenhouse gas emissions for a long time to come.

6 Recommendation

Following an overall assessment, the Council recommends excluding RWE AG from the Government Pension Fund Global due to the unacceptable risk of the company contributing to or being responsible for acts or omissions that on an aggregate company level lead to unacceptable greenhouse gas emissions.

Johan H. Andresen Chair (Signature)	Hans Chr. Bugge (Signature)	Cecilie Hellestveit (Signature)	Brit Rugland (Signature)	Trude Myklebust (Signature)
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