

Government-Owned Power Generation Portfolios Hinder Progress Towards EU Climate Goals, New Analysis Finds

Analysis from GRESB shows that gov-owned power sector portfolios in the EU are not moving away from fossil fuels fast enough to meet own 2030 climate goals

AMSTERDAM, THE NETHERLANDS, June 3, 2024 /EINPresswire.com/ -- New analysis from GRESB's



The slow pace of change we observe from our data will have significant implications for banks with exposure to high-emission assets."

Noémie Klein, Chief Impact Officer at GRESB

Asset Impact team on the EU power sector reveals that governments, as the ultimate owners of a significant share of the largest power-generating assets in the bloc, are not accelerating away from fossil fuels fast enough to meet their own 2030 climate goals.

The report, [Power Players: Ultimate Ownership, Emissions, and Slow Progress in the EU Power Sector from 2024 to 2030](#), complements the European Central Banks' landmark study early this year into the misalignment of bank

portfolios with climate transition, which relied on Asset Impact's data in its analysis. This new report by GRESB highlights that:

The EU power sector is heavily concentrated: just 20 companies are ultimately responsible for almost 40% of the sector's total emissions.

Among the 20 largest generators, a striking 88% of power generation is ultimately attributable to national and local governments.

Based on currently planned activities, the EU will still use coal and gas to supply 5% and 20% of its electricity, respectively, in 2030, which is misaligned with the International Energy Agency's (IEA) Net Zero by 2050 Emissions (NZE) Scenario and the bloc's own climate goals.

One of the most striking insights from the new analysis is that many of the ultimate parent companies of EU power assets are not companies at all, but governments. In fact, among the 20 largest generators, 85% of power generation is attributable to national governments, with local governments owning a further 3%.

At first glance, these leading national government generators appear to be green giants – with most of the electricity produced in 2024 being from low-carbon sources and less emissions intensive than the sectoral average. (The top 20 generators account for 43% of total generation but only 31% of total emissions.)

However, looking at individual ultimate owners in more detail, a nuanced picture emerges. Non-hydro renewable power – primarily solar and wind – is only a significant contributor to the portfolios of four governments: that of Sweden (17%), Denmark (77%), China (29%) and Ireland (21%). At the other extreme, coal and gas dominate the government-owned portfolios of

Poland (89%), Germany (90%) and Ireland (70%). Reliance on coal means that Poland's government is the single largest emitter in the EU, releasing 48.6 MtCO₂e in 2024, nearly double that of the next highest emitter, the French government – which has a much larger generation portfolio and a much lower average emissions intensity, owing primarily to its massive nuclear fleet.

While this is not surprising given historical dependencies and current capabilities, the laggards will increasingly become isolated and under pressure as others accelerate.

Looking into the data we see many positive signals showing a sector in transition: Total emissions are projected to decline by one-third (about 5% per year, annualized) between 2024 and 2030, with almost all top emitters decreasing their emission intensity by 2030. Coal will decline by 60% over the next six years and renewable energy generation will double.

“These projections are promising; however, the continued reliance on fossil fuels undermines much of the progress that is being made,” says Alex Clark, Research Director for Asset Impact at GRESB. “With coal and gas still supplying 5% and 20% of electricity, respectively, across the EU in 2030, the sector will not be on track to meet the IEA's NZE Scenario, which requires net zero electricity emissions by 2035. To reach zero by this date and to stay on track with the IEA's scenario, total emissions in the EU need to decline more than twice as fast as they currently are over the next six years and coal needs to be completely phased out.”



Report image

The current trajectory – based on our forward-looking projections using evidence of companies’ actual capex plans, rather than stated assumptions – suggests that governments could and should exert additional direct pressure on the companies they control in the power sector to accelerate decarbonization efforts in line with the bloc’s stated objectives and the IEA’s NZE Scenario.

“The slow pace of change we observe from our data will have, as the ECB shows, significant implications for banks with exposure to high-emission assets. To avoid a growing degree of financial, reputational and legal risk, banks must ensure their lending portfolios in the power sector are consistent with climate goals. This requires granular data and rigorous, analytical methodologies,” says Noémie Klein, Chief Impact Officer at GRESB.

It is clear from the data that, ultimately, the EU will only achieve its ambitious climate goals if the whole sector gets on track.

ENDS

Notes to editors:

The scope of our analysis includes power plants located within the EU (i.e. the Euro area plus Bulgaria, Czechia, Hungary, Poland, Romania, Sweden, and Denmark). Most, but not all, of the power plants in these countries are owned by EU-domiciled companies. We still include non-EU companies with shares in EU assets because foreign companies are not exempt from the EU’s local legislative requirements.

We predominately use generation figures because capacity is not a reliable indicator of actual electricity produced given large differences across different power sources.

Our forward-looking projections are based on evidence of companies’ actual capex plans, rather than simply assuming they will meet their stated targets.

[About GRESB & Asset Impact](#)

Asset Impact is a suite of GRESB products that support the financial sector to assess and quantify the climate impact of investments using an asset-based approach. With a focus on the most energy-intensive sectors, Asset Impact links carbon emissions of physical assets to corporate ownership trees, from direct owners to parent companies and the securities they issue.

The database encompasses 366,000 physical assets tied to over 66,000 public and private companies, representing more than 75% of global greenhouse gas emissions. In addition to historical and current emissions data, Asset Impact’s solutions integrate capital expenditure plans and commissioning and decommissioning schedules, providing a comprehensive outlook until 2030.

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