



ENGIE has [unveiled new decarbonization targets for its activities](#)¹. The announcement is incomplete and will not meet the demands from the increasing number of ENGIE's investors who want to evaluate the group's ability to align with a 1.5°C pathway, and the risks associated with their investments. Today's announcement is notably lacking in clarity regarding the quantification of its absolute emissions reduction targets. It is also obvious that ENGIE is planning to phase-out coal only to commit itself to new false solutions.

1. ENGIE has announced a commitment to reach carbon neutrality by 2045 on all its scopes, against a former target of 2050. However, ENGIE does not intend to align on a 1.5°C pathway, nor does it specify timebound benchmarks for absolute emission reduction targets.
 - ENGIE does not specify when it aims to reach this target for electricity production, which should be net-zero by 2040 at the latest according to the scenario published today by IEA.
 - Far from setting short-, medium- and long-term absolute emissions reduction targets for scope 1, 2 and 3, ENGIE has limited its commitment to a single new target for emissions intensity, and one for absolute emissions from its electricity production. "The Group is planning to reduce the carbon intensity of its power generation to 158g/kWh in 2030 from 348g/kWh in 2017", raising its former carbon intensity reduction target from 48% by 2030 to 54.6%, compared to 2017. Even though it disclosed an absolute target of 43 MtCO₂ by 2030, ENGIE does not communicate its 2017 absolute emissions level, which makes it impossible to know the magnitude of the actual intended reduction.
 - Thanks to this new target, ENGIE increases its ambition from a SBTi 2°C target, to a "well below" 2°C target. In doing so, ENGIE misses an opportunity to meet the compelling need to limit global warming below 1.5°C. According to the SBTi, [carbon emissions reductions should be most rapid in the power sector](#), and companies should aim at least for a 77% decrease in their carbon intensity for a 1.5°C approved target. Because ENGIE is a lower emitter than assumed in SBTi decarbonization targets calculations, they should at least aim for a 71% emissions reduction to align on a 1.5°C target.
 - Although ENGIE disclosed its energy production and associated absolute GHG emissions forecasts to SBTi, it did not make this key information public.
 - A [third of ENGIE's emissions are produced by the transportation, distribution and final use of sold gas](#). It is not clear if its SBTi target for the "use of sold fossil fuels" covers LNG. But in any case one thing is certain: ENGIE has not raised its ambition on this still low target of a 34% emissions reduction by 2030 compared to 2017.

¹ Read the [press release](#) and find out more in their [investors presentation](#).

2. While ENGIE is highlighting renewable gas in its public communications, the actual numbers show the reality of a sustained and costly reliance on LNG, thus [creating a double climatic and financial risk](#).

- ENGIE has announced an integrated approach to energy systems relying on a synergy between renewable gas and electricity. However what ENGIE does not make explicit is the mismatch between its renewable gas production capacity and its own gas needs: 4 TWh of annual biogas production are planned in 2030, while [ENGIE sold 330 TWh of gas in 2020 and consumed 401 TWh to power its own gas plants](#). It seems clear that biogas will be a mere drop in the ocean of ENGIE's total gas consumption.
- ENGIE is planning to develop a business line in green hydrogen, which is hydrogen produced from renewable energy. The main barrier to a very high level of renewable penetration in the power sector is its variability. Green hydrogen could facilitate high renewable penetration if it were used to send energy back to the grid when renewable production is low. Yet Engie plans for its hydrogen to be used in the mobility sector, and to be distributed to a network of vehicle charging stations: as a consequence, it will not be used to support grid integration of renewable energy. ENGIE needs to clarify its green hydrogen strategy, as well as the magnitude of its contribution to the energy transition.
- Simultaneously, ENGIE is developing its LNG business: with 7 terminals already in its portfolio, and [€239 million invested in the sector in 2020](#). In 2021, ENGIE is planning to invest a further €1.76 billion in its Network Business Line which manages ENGIE's gas infrastructure, part of which is likely to be used for the [expansion of the Montoir-de-Bretagne LNG terminal](#). With import capacity already [exceeding 255 TWh per year](#), ENGIE is deepening its future reliance on LNG, which is a highly polluting way of transporting gas. Measured over its lifecycle, [gas transported this way can be as polluting as coal in electricity production](#). Moreover, this transportation method is used extensively to ship US shale gas, [the extraction of which is a major source of emissions of methane](#), a very potent greenhouse gas.
- We therefore call for ENGIE to clarify its quantified targets of fossil and renewable gas sourcing, and to stop increasing its reliance on LNG.

3. Although ENGIE has increased its targets for renewable energy development, these are still well below those of its competitors like Enel. Moreover, it seems that ENGIE has forgotten about the importance of developing storage technologies such as batteries, which could reduce dependence upon gas plants.

- We therefore call for ENGIE to clarify its quantified targets of fossil and renewable gas sourcing, and to stop increasing its reliance on LNG.
- The joint development of its Renewable and Energy Solutions business lines is welcome: while the former will contribute to energy system decarbonization, the latter will support a better use of resources and has the potential to promote end use electrification, [which is essential in order to reduce our reliance on fossil fuels](#).
- However, ENGIE describes all its thermal capacities, mainly gas, as “essential” to compensate for the variability of renewable energy sources. It is worth recalling that this is wrong: [studies](#) and [experts](#) have shown that variable renewables coupled with energy storage, including

batteries, and sophisticated grid management can cost-effectively provide the same services as thermal plants. could fill this target with a total investment of €40 billion by 2030. This is a first step, but ENGIE should keep ramping up its renewable investment to meet the imperative of decarbonizing the power sector, as [Enel is doing with a planned investment of €160 billion in renewables by 2030](#).

- ENGIE has not disclosed any explicit targets for its Energy Solutions business line, and has failed to clarify whether its “low carbon energy infrastructure” will be electrical and renewable-based, or gas-based.
- We there call on ENGIE to not only invest in renewable energy capacity, but also in energy storage capacity in order to increase renewable energy flexibility and open the way to a full gas phase-out. We also demand that ENGIE clarify the targets of its Energy Solution business line and its contribution to the sustainable transformation of energy systems.

4. While an increasing number of investors expect ENGIE to close its last coal plants, ENGIE has announced that it aims to convert four out its 10 last plants to gas or biomass, and to sell two others.

- After announcing its intention to phase out coal use by 2025 in Europe and Chile, and by 2027 in the rest of the world, ENGIE has given the number of coal plants that will be sold, closed or converted to other fuels. No extra information is provided, even though a growing number of investors is expecting ENGIE to publish by the end of the year a detailed and asset-wise coal phase-out plan, which provides the intended exit scenario for each plant and the accompanying just transition measures for employees. [25 major financial institutions](#) have expressed their desire to see companies adopt coal phase-out plans, and 11 of them explicitly highlight the importance of closing the assets instead of selling or converting them.
- ENGIE states that “disposal [of assets] is envisaged only in cases where other options are not possible”, a formulation that could hardly be less precise. It is however possible to deduce that the assets to be sold are likely to be Safi, in Morocco, and one of the two Brazilian assets ENGIE has been trying to sell for years.
- It is important to remember that up to now, ENGIE has been selling most of its coal assets as part of a “decarbonization strategy”. ENGIE has reduced its coal electricity capacity by more than 75% - from 20,872 MW in 2015 to 4,700.8 MW in 2019. This rapid decarbonization of its portfolio has however not resulted in coal-related emissions reduction in the real world: 14 coal plants have been sold to other electricity producers.
- Selling is a losing bet for climate, but also for the company. [A 2018 simplified study of actualized cashflows](#) of ENGIE's former German coal plants demonstrates the company should have opted for the closure instead of the sale of its coal assets.
- The conversion to gas and biomass is finally confirmed for four of its coal plants: one in Portugal and three in Chile.
- The choice of biomass as a substitute fuel source was already mentioned in [a previous ENGIE communication in December](#), and is being confirmed here. ENGIE indicates that 80% of its investments will align with the EU Green Taxonomy, which wrongfully considers biomass to be a sustainable energy source. Besides its health impacts and human rights issues, biomass

used at an industrial scale to produce electricity is not a climate-friendly solution and relies on the felling of forests. Using biomass leads to a [carbon debt](#) which is impossible to pay off in the time available to limit global warming below 1.5°C. Thus, converting a plant to biomass risks increasing the atmospheric amount of carbon by [two to three times](#) per unit of energy produced by 2050.

- The conversion to biomass is a potential risk for the [Pego plant in Portugal](#), but is confirmed for [two of ENGIE's coal plants](#) in Chile. This announcement raises several questions since Chile faces a [local shortage of wood pellets supply](#). Sourcing pellets locally would exacerbate the pressure on natural forest and could lead to expansion of large-scale tree plantations. Around [36% of large-scale plantations](#) in Chile grow eucalyptus, and 58% pines. The proliferation of these quick-growing and highly water-consuming monocultures are highly problematic in a country that has faced [12 years of chronic drought](#) and recent devastating [megafires](#). Finally, the transition from coal to biomass would further impair the air quality of a country which already has ten of its cities in the top 15 of the most polluted cities in Latin America.
- One or two of ENGIE's plants could be converted to gas. While this option is definitely on the table for ENGIE's most recent plant in Chile, built in 2018, it could also be carried out at its Portuguese plant. This choice demonstrates the company's total absence of a long-term strategic vision. ENGIE already made a similar mistake by sticking to its plan to build two new coal plants right after COP21 in 2018, in Morocco and Chile. Coal-to-gas conversion only risks turning stranded assets into new stranded assets. Put simply, it is merely delaying the inevitable.
- This new stranded asset risk is exacerbated as renewable energy and energy storage systems costs are falling. [They are now capable of providing the same grid services as gas](#) in terms of energy supply, flexibility, and peak capacity. Their uptake is expected to push even the best performing gas plant out of the energy landscape [within 10 years](#), with clear implications for the economic justification of any new gas plants.
- In Chile, a coal-to-gas conversion would be even more damaging as gas would be most likely sourced from shale sites, either from Texas and shipped as LNG or from Vaca Muerta in Argentina, and transported through pipelines. The climate impact could therefore be even higher than currently operating coal plants.
- One piece of good news was announced yesterday: [ENGIE is abandoning its coal-to-gas conversion project at a former coal plant in Vado Ligure](#), Italy.