

Ørsted A/S (Ørsted)

	GHG EMISSIONS
ACKNOWLEDGE	● ● ● ●
PRIORITISE	● ● ● ●
SET STRATEGY & GOALS	● ● ● ●
TRACK	● ● ● ●

Background on Ørsted

Ørsted (formerly DONG Energy) is an integrated energy company headquartered in Fredericia, Denmark. The company was founded in 2006 following the merger of five electrical producers and a utility company. The company's primary activities involve oil and gas exploration, and power generation and production. The company's core markets are Denmark, Sweden, Germany, and the United Kingdom. The company employed 6,700 people and reported revenues of 61 billion DKK in 2016. It is a state-owned company but it is listed on the NASDAQ. The company formally changed its name to Ørsted in 2017.

How did Ørsted come to start thinking about context?

When Ørsted was established in 2006, it was one of the most coal-intensive utility companies in Europe^{1,2}. In 2006, only 17% of its power generation was fueled by renewable (green) energy with the remainder being fueled by what the company calls dirty (black) energy³. In 2009 the Ørsted Board of Directors were in the process of discussing a potential new investment in coal-fired generation capacity in Germany⁴. These conversations were being held against the backdrop of [COP15](#), and the discussions from this event helped encourage the Ørsted board to make the decision not to pursue that investment in coal-fired generation capacity but rather to divert more CAPEX towards renewable energy projects⁴. Since then, Ørsted has been working to rebalance its generation ratio by closing coal-fired plants and replacing coal and gas at other plants with biomass that has been sustainably sourced². Filip Engel, Director of

¹ DONG Energy (n.d.). History. Accessed at: <http://www.dongenergy.com/en/about-us/dong-energy-in-brief/history>

² Sustainable Brands (2017). How DONG Energy Turned Black Into Green. Accessed at: http://www.sustainablebrands.com/news_and_views/business_models/libby_maccarthy/how_dong_energy_turned_black_green

³ DONG Energy (2016). Sustainability Report 2016. Accessed at: http://assets.dongenergy.com/DONGEnergyDocuments/com/Sustainability/2016/sustainability_report_en.pdf

⁴ DONG Energy (2017, September 11). Interview with DONG Energy.

Group Sustainability, Public Affairs & Corporate Branding, explained that this would ensure that Ørsted contributed “to creating a world which runs on sustainable, green energy – a world where people have a good and healthy life and opportunities to develop, without having to worry about their energy consumption damaging the planet².”

By 2015, Ørsted was responsible for supplying more than 50% of Denmark’s heat and power requirements, and 55% of the energy it supplied was derived from renewable sources². In addition to rebalancing its sources of power generation, the company also announced in 2016 that it had reduced its GHG emissions by 52% since 2006⁵. At the time, Ørsted had committed to reducing its GHG emissions by 60% by 2020, using a 2006 baseline⁴. The results it had achieved spurred the company to “raise the bar” by adjusting its 2020 GHG emissions reduction goal from 60% to 78%⁴. Also in 2016, Ørsted’s Board of Directors approved an update to the company’s sustainability policy that included an additional commitment from the company to run its business in a way that supported the UN Sustainable Development Goals (SDGs)³.

Then in early 2017, Ørsted was ranked 11th on the Carbon Clean 200, a list that ranks 200 companies around the world who profit from sustainable energy². In the backdrop of this ranking, and with a decade of work “greening” its generated energy, Ørsted announced that it would be revising its GHG emissions reduction goal even further². Ørsted also announced that it would now aim to reduce its GHG emissions by 96% by 2023 and that this goal had been developed considering global climate data^{6,7}.

Ørsted has always considered itself a leader in the provision of green energy and when it heard about the [Science-Based Targets \(SBT\) Initiative](#), it was curious as to how its GHG emissions goal aligned to the SBT Initiative⁴. Ørsted’s goal has now been assessed and recognised by the SBT Initiative as being consistent with its assessment criteria⁵. Alberto Carillo Pineda of the Science Based Targets Initiative commented at the time that it was “encouraging to see [Ørsted] set an emissions reduction target that aligns its business strategies with the rate of decarbonization needed from the energy sector in order to avert the worst impacts of climate change. With its science-based target, Ørsted is taking a leading role in the transition to the low-carbon future⁵.” Ørsted also announced in 2017 that that it would be divesting itself from its oil and gas assets⁸.

⁵ DONG Energy (2016). Interview with DONG Energy CEO Henrik Poulsen. Accessed at: <http://www.dongenergy.com/en/sustainability/ceo-henrik-poulsen-on-sustainable-energy>

⁶ Sustainable Brands (2017). DONG Energy, Stanford Scientists Carving Out Carbon-Neutral Future. Accessed at: http://www.sustainablebrands.com/news_and_views/cleantech/sustainable_brands/trending_dong_energy_stanford_scientists_carving_out_car

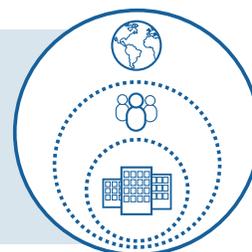
⁷ CSR Wire (2017). Danish Energy Company Reduces Emissions Faster Than Science Demands. Accessed at: http://www.csrwire.com/press_releases/40116-Danish-Energy-Company-Reduces-Emissions-Faster-Than-Science-Demands

⁸ CleanTechnica (2017). DONG Energy sets Science-based Targets. Accessed at: <https://cleantechnica.com/2017/06/16/dong-energy-sets-science-based-target/>

What does context look like at Ørsted?

1 ACKNOWLEDGE the need to operate within global, regional, and/or local socio-ecological thresholds.

GHG EMISSIONS



GHG emissions: Ørsted acknowledges that global temperatures have broken record highs over the last three decades³. The company also acknowledges that concentrations of CO₂ within the atmosphere are also hitting record highs⁹. Since [COP21](#), the world has been working to develop ways to limit global temperatures to under 2°C above pre-industrial levels by 2050. Ørsted's new GHG emissions reduction goal is the company's way of doing its part, according to Filip Engel^{5, 7, 8}. Ørsted's sustainability policy additionally commits it to reduce the impacts of its own operations and those of its value chain¹⁰. Ørsted acknowledges that it believes that its biggest opportunity to leverage impacts is through supporting its customers in reducing their energy usage⁴. The company aims to do this through two programmes: energy savings and modernising the grid³.

Other thresholds: Ørsted acknowledges the importance of other socio-ecological issues including water, biodiversity, health and well-being, human rights, and diversity but does not yet discuss them with reference to thresholds.

2 Transparently understand and PRIORITISE a set of focus areas in relation to key socio-ecological trends at the global, regional, and/or local level.

GHG EMISSIONS



Ørsted appears to use what we describe as a 'classic' approach to determining its materiality whereby stakeholder dialogues and industry benchmarks are used to gain insight into various impacts and their implications for the company³.

GHG emissions: Ørsted understands and explains the relevance of a global GHG threshold for its business by formally recognising that more than a third of global GHG emissions result from the generation of power. It also recognises that shifting away from fossil-based fuel sources can greatly reduce global GHG emissions^{8, 11}. To support these statements, Ørsted has worked with

⁹ Ørsted (n.d.). Sustainability Strategy: Green Energy. Accessed at: <https://orsted.com/en/Sustainability/Our-priorities/A-world-that-runs-entirely-on-green-energy>

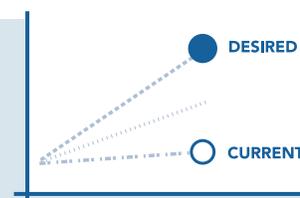
¹⁰ DONG Energy (n.d.). Sustainability Commitment. Accessed at: http://assets.dongenergy.com/DONGEnergyDocuments/com/Responsibility/sustainability-commitment_EN.pdf

¹¹ Ørsted (n.d.). Sustainability Programmes: Climate and Environment. Accessed at: <https://orsted.com/en/About-us/About-orsted/Our-vision-and-values>

external experts to use a Life-Cycle Assessment approach to map its Scope 1, 2, and 3 GHG emissions; however, this information is used internally and is not currently shared externally⁴. Ørsted uses this information to support its decisions to prioritise investments in power generation capacity from offshore wind and sustainable biomass fuel sources. Ørsted also has yet to explain how it will expand its sphere of influence with respect to its value chain and their adherence to the GHG threshold.

3 SET STRATEGY AND GOALS by transparently articulating the current performance gap and what portion of this gap the business will address.

GHG EMISSIONS



GHG emissions: Ørsted has committed to reduce its GHG emissions, per kWh, from its energy production by 95% by 2023 using a 2006 base year¹². While developing its contextual GHG emissions goal, Ørsted did a review of the contextual GHG emissions goal setting methodologies to establish which would best align with the company's internal processes⁴. To ensure it was using a robust figure for the future energy production forecasts that it used in its calculations, Ørsted conducted a detailed sensitivity analysis of its figures with the help of other internal business functions⁴. However, Ørsted has not yet publicly outlined the assumptions it used or publicly explained the process it used to develop its goal. Providing this information would be helpful to other similar companies that are starting to explore if they could begin setting contextual GHG emission reduction goals.

Other thresholds: Ørsted has not yet set contextual goals in relation to any other thresholds.

4 Transparently TRACK performance against realistic trajectory targets.

GHG EMISSIONS



GHG emissions: Ørsted has a history of reporting its GHG performance and illustrates its GHG emission reductions path alongside the International Energy Agency's 2°C scenario (Figure 1). The company has not developed a realistic set of annual trajectory targets for its goal. However, Ørsted does work at a project level to monitor progress towards its contextual goal⁴. All projects that contribute towards GHG emission reductions are required to reference how they contribute towards the 2023 contextual goal, and progress and corrective action (when needed) is managed at project level⁴. Ørsted has not stated if it intends to develop metrics or targets to monitor the effectiveness of its influence in supporting its value chain's adherence to the limits of this threshold.

¹² Science-Based Targets Initiative (n.d.). Companies Taking Action. Accessed at: <http://sciencebasedtargets.org/companies-taking-action/>

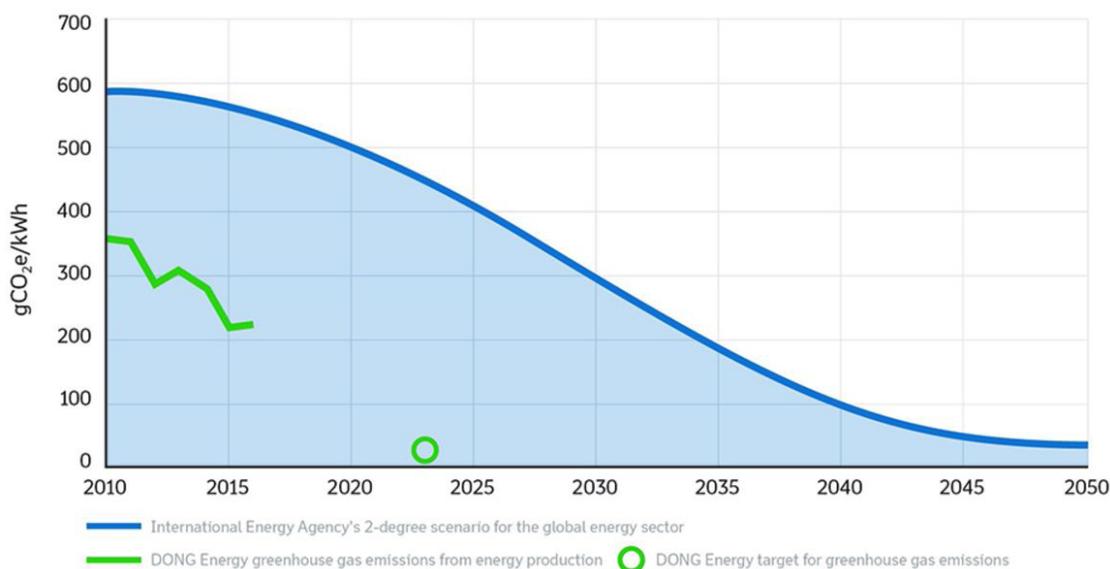


Figure 1: Representation of Ørsted's current GHG emissions and its 2023 GHG emissions goal in relation to the International Energy Agency's 2°C scenario⁶.

Other thresholds: Ørsted reports its performance against other socio-ecological issues including energy, biodiversity, health and well-being, human rights, and diversity but does not yet report its progress in relation to their associated thresholds.

What is the road ahead for context at Ørsted?

Ørsted recently announced that it would be divesting its oil and gas businesses⁷. It is not yet clear if the company's contextual GHG emissions goal accounted for this decision, and as such it is unclear how this decision would change the company's projected achievement of its contextual goal. However, the company has removed the data from the parts of the business that it intends to discontinue from its most recent sustainability report (but still included it in a supplementary appendix)³. Looking forward, Ørsted continues to work to transition towards greater reliance on renewable sources of energy and will continue to develop its focus on sustainable biomass and wind energy^{3,4}. Ørsted also recognises that as it works to reduce its Scope 1 and 2 emissions, there will come a point in the future where its greatest impact will come from its Scope 3 GHG emission⁴. As such, the company is actively working to map its Scope 3 GHG emissions and beginning to consider ways it could better influence its value chain to reduce their GHG emissions⁴.