

Fortum/Uniper: Lost in Transition

10 Reasons Why the Company is not Paris-aligned

The Companies' coal exit plan is not aligned with the Paris Agreement



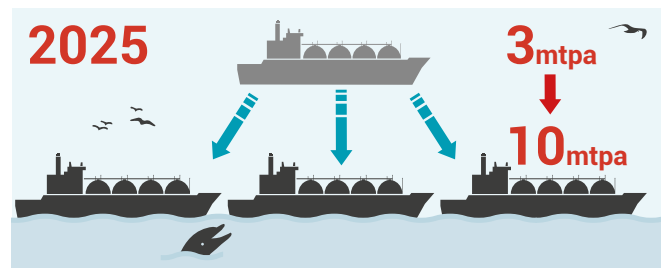
Their ECT lawsuit against the Netherlands derails climate action



The Companies sell or convert coal power plants to gas instead of closing them



The Companies do not reduce their fossil gas capacity and plan to triple their LNG portfolio by 2025



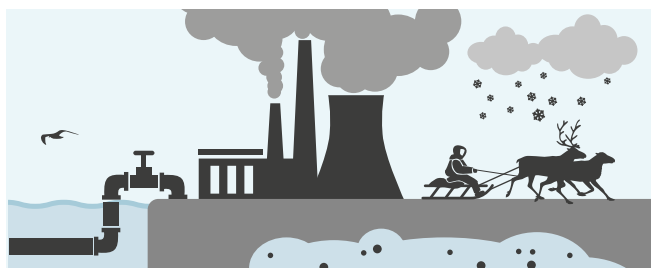
Their business model poses a considerable financial risk to investors



Their wind and solar portfolio is marginal and they lag behind their peer group with investments



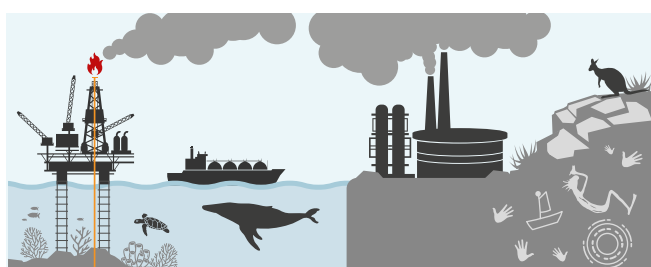
The Companies import Russian coal and gas that destroy the environment and local livelihoods



The Companies continue to buy blood coal from Colombia



Their LNG purchase agreement endangers Aboriginal rock art and marine life in Australia



The Companies prop up the Azerbaijan regime known for human rights abuses



On the Wrong Transition Path

The Finnish state-owned company Fortum and its German subsidiary Uniper (hereafter called “the Companies”) like to present themselves as companies that pursue a “greener world.” They have aligned their strategies and climate targets, and they have set a net-zero target for 2050. But a closer look shows that their transition pace is too slow and lags behind that of other European utilities. Their coal exit is not Paris-aligned, and they strongly rely on fossil gas. Their investments in wind and solar are completely

insufficient and put the credibility of their plans into question. Their mid-term targets also exclude their emissions in Russia which are significant.¹ A recent report² revealed that the Companies’ business plan does not contain the intermediate targets necessary to deliver on their net zero pledges.³ Similarly, the benchmarks published by Climate Action 100+ reveal that Fortum’s capital expenditure is not Paris-aligned,⁴ while, worryingly, Uniper received the poorest score of all power utilities.⁵

1. The Companies’ coal exit plan is not aligned with the Paris Agreement

Many of the CA100+’s target companies, such as Fortum and Uniper, do not have significantly better coal phase-out plans than non-target companies.⁶ The Companies’ coal phase-out is not aligned with the 2030/2040 benchmark from the IEA’s Net Zero report⁷ which would be in line with 1.5 degrees. The Companies plan to operate coal plants until 2038, eight years later than required. They own Russian coal assets with no indication of any shutdown dates and plan to have 3.6 GW of coal capacity after 2030. They do not provide asset-by-asset exit dates.

2. Their ECT lawsuit against the Netherlands derails climate action

In 2021, Uniper sued the Dutch government under the Energy Charter Treaty (ECT)⁸ to challenge the ban on the use of coal in the Maasvlakte power plant under the country’s 2030 coal exit law. Lawsuits like this have a chilling effect on governments’ efforts to introduce climate legislation in line with the Paris Agreement. E.ON/Uniper commissioned its coal power plant in 2016, at a time when it was clear that the age of coal was over. It is obvious that Uniper wants to pass on the cost of its poor and short-sighted investment decision to the Dutch taxpayers.⁹

3. The Companies sell and convert coal power plants to gas instead of closing them

Both Fortum and Uniper have been selling coal assets¹⁰ or converting them to gas.¹¹ For example, Fortum sold its Russian Argayash coal-fired CHP plant in 2021. Uniper’s Russian subsidiary, Unipro, operates 11.2 GW of lignite, hard coal and gas-fired power plants in Russia and currently explores the sale of these assets.¹² But selling the plants to new owners, who will presumably seek to keep them open for as long as possible, will not decrease emissions.

4. The Companies do not reduce their fossil gas capacity and plan to triple their LNG portfolio by 2025

The production and combustion of fossil gas leads to high methane and CO₂ emissions. Over a period of 20 years, methane is up to 108 times more harmful as a greenhouse gas than CO₂.¹³ Uniper aims to increase its current Liquefied Natural Gas (LNG) portfolio from 3 mtpa to 10 mtpa by year-end 2025, a threefold expansion.¹⁴ The Companies’ current fossil gas capacity of 22.3 GW will even grow to 23.6 GW post-2035.¹⁵ Uniper also considers building new gas power plants

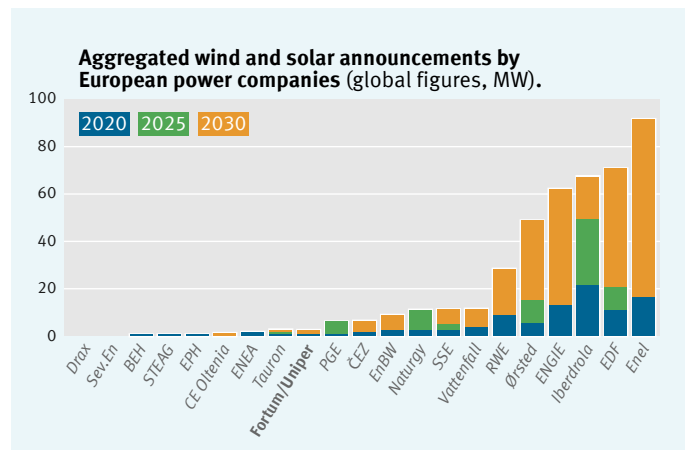
in Germany.¹⁶ The Companies’ focus on gas will completely miss the IEA’s benchmark of phasing out unabated fossil fuels in electricity generation by 2035 in advanced economies.¹⁷

5. Their business model poses a considerable financial risk to investors

Climate scenarios by the IEA, IPCC, and other scientific bodies underline the need to phase out oil and gas and not to expand their extraction.¹⁸ The Companies’ gas investments will likely become stranded assets in the next decades, posing a financial risk. Uniper is highly dependent on Russian gas. According to Uniper’s CEO Maubach, of the roughly 400 TWh that Germany imports from Russia every year, almost 250 TWh stem from long-term contracts that Uniper holds with Russia.¹⁹ Uniper is also a financier of the contested gas pipeline Nord Stream 2.²⁰ This means that geopolitical sanctions or restrictions create a high financial risk for their gas business.

6. The Companies’ wind and solar portfolio is marginal, and they lag behind their peer group with investments

The Companies’ current wind and solar portfolio is marginal (0.44 GW and 0,9% of total capacity). Their wind and solar target of 1.5–2 GW by 2025 is not ambitious compared to their peers. The top tier has even 40-fold higher targets, such as Enel with its 75 GW by 2030.²¹ The Companies recently announced an additional 1.4 GW of wind power to be commissioned during 2025–2027.²² But only a major turnaround would change the fact that the Companies lag behind many other European utilities in renewable energy investments.



Source: Report: [Limited Utility](#), p. 34.



Nenets and their reindeer are crossing a road in a gas field on Yamal. The concrete roads are hindering the smooth movement of the sleighs. Credit: Gerner Thomsen_Alamy

Dirty Supply Chains for Gas and Coal

Even though Fortum and Uniper are aware of the allegations against many of their coal and gas suppliers, the Companies continue doing business with all of them. Most of their coal is imported from Russia, Colombia, and Kazakhstan, while vast amounts of fossil gas are imported from Russia and Azerbaijan. The result is that every year billions of Euros flow to con-

troversial companies like Drummond, Glencore, KRU, and Kaproben or help prop up authoritarian regimes that own companies like Gazprom and SOCAR. Local communities, human rights defenders, and the environment have to carry the burden of this irresponsible business conduct.

7. The Companies import Russian coal and gas that destroy the environment and local livelihoods

The coal imported from Russia comes almost entirely from the Kuzbass Region where coal mining has wreaked havoc on the environment. In the winter months, large parts of the coal mining regions are frequently covered in “black snow”.²³ Fortum’s Russian coal suppliers KRU and Kaproben have been linked to serious violations such as money laundering, corruption, and illegal selling of

coal from Eastern Ukraine.²⁴ Uniper also imports a huge share of its gas from Russia. More than 90% of Russian gas comes from the Yamal-Nenets autonomous region.²⁵ The Nenets are indigenous reindeer herders who live with their herds in the West Siberian Arctic. Large parts of their grazing land have been lost to gas and oil extraction, and the groundwater is heavily polluted in many areas. Their migration routes are often impacted by fossil infrastructure.



Yamal Peninsula, Nenets children playing in the reindeer pasture on a cold winter's day. Credit: Evgenii Mitroshin_Shutterstock



Coal pollution turns snow black in Russia. Credit: KissCat_Shutterstock



The Scarborough gas project would be located on the Burrup Peninsula in North-West Australia. Credit: CCWA



Paramilitaries threw the father of Jhon Esneider Parada Gomez into this river, after he was killed. Credit: Daniel Maissan, www.danielmaissan.nl



Dugongs and many other animals live where the huge Scarborough gas project will be developed. Credit: Vklilov, Dreamstime.com

8. The Companies continue to buy blood coal from Colombia

Uniper remains an important buyer of coal from the Cesar region in Colombia. There are strong indications that the mining companies Drummond and Prodeco/Glencore were involved in the financial and logistical support of paramilitary groups there. The paramilitary terror led to more than 3,300 killings and more than 55,000 forced displacements in the region.²⁶ Uniper contributed to these human rights violations, as the company has been aware of the paramilitary violence for a long time and failed to meaningfully contribute to the victims' remediation.²⁷

9. Their LNG purchase agreement endangers Aboriginal rock art and marine life in Australia

Uniper has a 13-year term sale and purchase agreement for LNG from Scarborough, Australia. Scarborough will produce levels of pollution which are equivalent to 15 coal-fired power stations. The project is planned in one of the most culturally and environmentally important areas of Western Australia.²⁸ The mining will endanger whale migration paths and harm dolphins, turtles, and other species. At the gas processing site, emissions will damage globally significant Aboriginal rock art. It consists of over one million rock carvings at least 40,000 years old, including the first recorded image of a human face.²⁹

10. The Companies' gas imports prop up the Azerbaijani regime known for human rights abuses

Uniper sources gas from SOCAR, the State Oil Company of the Azerbaijan Republic. Up to 1.5 billion m³ of natural gas is slated to flow to Europe each year until 2045.³⁰ SOCAR is a main source of income for the Aliyev regime, known for human rights abuses in the country. Even Fortum admitted that the human rights situation in the country is not satisfactory.³¹ Aliyev has direct control over the company. SOCAR was repeatedly involved in spreading war propaganda during the Azerbaijan-Armenia war in 2020. SOCAR was also allegedly involved in the killing of the Maltese journalist Daphne Caruana Galizia in 2017.³²



Ilham Aliyev rules an authoritarian regime in Azerbaijan. Credit: Shutterstock/Gints Ivuskans

- 1 *Direct emissions from Russia (30,5 Mt) make up 39,3% of Fortum/Uniper's total emissions (77,6 Mt).*
www.fortum.com/files/fortum-sustainability-2020/download
- 2 https://beyond-coal.eu/wp-content/uploads/2022/01/LimitedUtility_The-European-energy-companies-failing-on-net-zero-commitments.pdf
- 3 *Phase-out of unabated coal 2030/2040, zero-emissions electricity 2035/2040 and tripling renewables generation to 60% of total electricity generation by 2030 (baseline 2020) which requires sixfold growth of wind and solar between 2020 and 2030.*
www.iea.org/reports/net-zero-by-2050
- 4 www.climateaction100.org/company/fortum-oyj/; www.climateaction100.org/company/uniper/
- 5 *While the CA100+ benchmarks have their shortcomings that investors should acknowledge, the most relevant indicators should inform investors' voting policies.* <https://reclaimfinance.org/site/en/2022/01/07/ca100-benchmark/>
- 6 https://reclaimfinance.org/site/wp-content/uploads/2021/12/2112_RF_Coal-Companies-Watchlist_vFinal.pdf
- 7 www.iea.org/reports/net-zero-by-2050
- 8 *The ECT is an unobtrusive investment treaty from the 1990s, which enables foreign energy companies to delay and hamper efforts for more ambitious climate legislation.*
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- 14 <https://ir.uniper.energy/download/companies/uniperag/Sustainability/Uniper-Sustainability-Report-2020-EN.pdf>, p.38.
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