



Engagement Case Study | 2022

Algonquin Power & Utilities Corp. (AQN)



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Engagement at **Algonquin Power & Utilities Corp. (AQN)**



Company Description

Algonquin Power & Utilities Corp., through its subsidiaries, owns and operates a portfolio of regulated and non-regulated generation, distribution, and transmission utility assets in Canada, the United States, Chile, and Bermuda. It generates and sells electrical energy through non-regulated renewable and clean energy power generation facilities. The company also owns and operates hydroelectric, wind, solar, and thermal facilities with generating capacity of approximately 2.1 gigawatts; and regulated electric, natural gas, water distribution, and wastewater collection utility systems. It serves approximately 306,000 electric connections; 371,000 natural gas connections; and 409,000 regulated water distribution and wastewater collection utility systems in the states of California, New Hampshire, Missouri, Kansas, Oklahoma, Arkansas, Georgia, Illinois, Iowa, Massachusetts, New York, Arizona, Texas, and the Province of New Brunswick. The company was incorporated in 1988 and is headquartered in Oakville, Canada.

Engagement Issue

Ecofin maintains a proprietary CO₂ emission database that allows us to compare global power producers based on their emission profiles relative to each other and relative to their respective grids. We engage regularly with companies to show where they rank in our database and also discuss areas where they can and should improve with respect to their emission profile. For several years, Algonquin was very close to becoming uninvestible in our screen criteria due to its lagging pace to decarbonisation.

Engagement Objective

Ecofin desired continued improvement in Algonquin's emissions and sustainability profile, including the publication of a sustainability report.

Scope and Process

Ecofin met regularly with the company from 2015 through 2021 to express our interest in continuing to improve their emission profile and sustainability credentials. Although one of the company's key strategic objectives has been "Greening the Fleet", Algonquin has been reluctant to advance its Net Zero target from 2050. Moreover, Algonquin would not commit to limit any further coal or gas additions, which is a major issue for our clients and our philosophy. We also discussed ways in which we would like the company to strengthen its sustainability credentials, including the publication of a detailed sustainability report.

Outcome

In October 2021 Algonquin purchased Kentucky Power Corporation which generates a significant percentage of its electricity from coal. The addition of the legacy coal generation fleet from Kentucky Power combined with an inferior commitment to emissions reduction (Algonquin would not consider divestment from the coal generation business until 2028) pushed the combined company outside of Ecofin's emission criteria for inclusion in our portfolios. The deterioration of the emission profile came hand-in-hand with our assessment that such deployment of the company's resources didn't provide attractive returns relative to investments into renewables. We will continue to engage with management to encourage an increased rate of decarbonisation amongst their power generation assets.

Important disclosures



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