



Engagement Case Study | 2023

Neoen (NEOEN)



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Engagement at Neoen (NEOEN)

The logo for Neoen (NEOEN) features the word "NEOEN" in a bold, sans-serif font. The letters "N", "E", and "O" are dark blue, while the letters "E" and "N" are yellow. A thin vertical green line is positioned to the left of the logo.

Company Description

Neoen is an independent producer of energy headquartered in France. The company is vertically integrated across the entire life cycle of Neoen's power plants. Neoen develops, finances, builds, and manages solar power plants, wind farms, and energy storage solutions. The company owns 92% of such power plants and operates them in the company's name to better maintain quality and performance over time.

Engagement Issue

Ecofin has held Neoen since 2021, as the company is a leading independent renewables developer in Europe with a best-in-class battery footprint. The company has a background within traditional energy, and therefore maintains a deep understanding of the power market landscape and a heightened awareness of the varying energy transition opportunities related to price differentials.

Nonetheless, in our view, the company has not historically disclosed sufficient sustainability-related information, committed to Net Zero emissions goals, or announced its commitment to the Science Based Targets initiative. Hence, we have been engaging with the company on these issues.

Scope and Process

Key engagement points and questions:

- **Disclosure of sustainability-related information:** The company has not reported emissions data since 2020; what are the main reasons for this, and what is the timeline for updated emissions data reporting? Will the company continue to work with the third-party consultancy, Carbone 4, on emissions data collection and elaboration?
- **Net Zero ambitions:** The company has not announced a Net Zero commitment and has no concrete emissions reduction targets including both absolute amounts and intensity. While Ecofin understands these issues may not be an immediate business priority as the company's focus is currently on scaling operations, we view the reduction of the company's own carbon footprint equally important to reach a 1.5-degree future. Does Neoen have any intentions of setting emissions reduction targets in line with the Paris Agreement? Is Neoen planning to submit potential targets to SBTi?
- **Climate strategy:** Tangent to the Net Zero engagement item, Neoen has no specific climate strategy set out within its sustainability report. Is Neoen planning to incorporate an adequate transition plan within its business decisions? Will Neoen contemplate engagement with its supply chain to address decarbonisation?
- **European Union Sustainable Finance Disclosure Regulation (SFDR):** When is Neoen planning to disclose EU Taxonomy eligibility and alignment? Is the company willing to disclose information relevant to Principal Adverse Impact (PAI) indicators?

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Outcome

Neoen has been improving the disclosure of sustainability-related data over the duration of the engagement period. Ecofin participated in the CDP Non-Disclosure Campaign in 2022, co-signed by a group of financial institutions representing U.S. \$8 trillion in AUM, to encourage Neoen and similar companies, to disclose through the CDP Climate Change request. Corporate disclosure plays a fundamental role in achieving the transition to a Net Zero economy, and Ecofin urges our portfolio companies to move ahead of the curve.

Ultimately, the campaign was a success, and Neoen made efforts to disclose relevant climate data to CDP for the first time since 2020. We have also engaged with the company to disclose emissions data on an annual basis instead of bi-annually, and the company is going to submit the most recent data to CDP by end of this year.

Further, we also have had discussions with Neoen regarding their carbon footprint, of which 99% comes from Scope 3. The company has been developing an engagement strategy with their supply chain to reduce the carbon content of its solar panels. Neoen is also working on shifting its upstream supply chain to Europe and other regions, where the company has identified multiple low-carbon solar panel suppliers and wind turbines utilising recycled steel.

Regarding Neoen's climate targets, the company has not been able to set Science-based targets as SBTi does not yet provide guidance for pure renewables players. The current methodological framework for electric utilities is based on a sectoral decarbonisation approach with a strong focus on generation-related emissions, namely Scope 1; therefore, it is not the most appropriate approach for companies like Neoen. Nonetheless, the company will welcome SBTi guidance for renewables whenever this is available and is prepared to set targets. Neoen is also working on setting targets for carbon intensity reductions.

Finally, the company is currently preparing information related to the PAI indicators required by SFDR.

In summary, we are pleased with Neoen's recent developments over the duration of our engagement period and will monitor the company's progress accordingly.

Important disclosures



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