

Embargoed until 2 PM CET 17.3.2020

**March 17<sup>th</sup> 2020**

**Investor letter to the CEO and the board: Fortum facing regulatory, litigation and market risks from coal plans misaligned with the Paris Agreement.**

Dear Mr. Lundmark and Fortum Board members,

As European investors, we write to you in order to express our concerns regarding Fortum's direction of travel as it gains control of its future subsidiary Uniper.

In order to avoid dangerous temperature rise, electric utilities must urgently phase out coal-fired power generation. Antonio Guterres, Secretary-General of the United Nations, has called for the construction of new coal plants to be halted as of 2020, while the Finnish government has banned the use of coal for energy production beyond 2029. Several financial institutions have called on the industry to commit to ending coal generation by 2030, and to articulate plans to shift towards low-carbon fuels.<sup>1</sup>

Yet Fortum has supported the opening of Uniper's new coal plant Datteln 4 in Germany. We believe opening the plant is not compatible with an ambitious decarbonisation trajectory and endangers the 2030 deadline for phasing out coal in the OECD<sup>2</sup> – required to keep emissions within the critical 1.5°C carbon budget. Additionally, we believe it sends the wrong signal on the year of COP26 in Glasgow where governments are expected to increase the ambition of their emissions reduction commitments. Opening the plant would also be out of step with the recommendations of the German Coal Commission.

Lastly, we are concerned that Fortum has publicly supported Uniper's threat to bring an ISDS lawsuit against the Dutch government after its decision to ban coal-fired power generation by 2030<sup>3</sup>. We expect the companies in our portfolios to align their lobbying activities with the Paris Agreement, in order to protect the long-term economic interests of our end beneficiaries.

Coal-fired power generation faces an increasingly negative economic outlook in Europe as the cost of renewables fall and carbon prices rise, with 79% of EU coal generating capacity already running at a loss.<sup>4</sup> We expect that number to increase further, given growing availability of cheaper and cleaner alternatives and regulatory pressures – of particular importance in the case of Datteln 4 is the German government's plans to phase out coal. New coal plants broadly lack a social license in Europe, exposing the funding companies to reputational risks, while as evidenced by recent events in Poland<sup>5</sup>, new coal-fired projects may increasingly become subject to successful and wide-ranging legal action.

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<sup>1</sup> <https://www.ft.com/content/1c65952e-03a4-11e9-99df-6183d3002ee1>

<sup>2</sup> [https://climateanalytics.org/media/report\\_coal\\_phase\\_out\\_2019.pdf](https://climateanalytics.org/media/report_coal_phase_out_2019.pdf)

<sup>3</sup> <https://www.fortum.com/about-us/blog/forenergy-blog/7-things-to-know-about-fortums-uniper-acquisition>

<sup>4</sup> Carbon Tracker, 2019

<sup>5</sup> <https://www.clientearth.org/press/climate-victory-companies-put-polands-last-new-coal-plant-on-ice/>

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With this in mind, we encourage the company to commit to phasing out coal generation and reduce emissions in line with the requirements consistent with a trajectory to meet net-zero emissions by no later than 2050.

Matt Christensen  
**Global Head of Responsible Investment and Impact  
AXA Investment Managers**

Steve Waygood  
**Chief Responsible Investment Officer  
Aviva Investors**

Carina Lundberg Markow  
**Executive Officer  
Folksam**

Meryam Omi  
**Head of Sustainability & Responsible Investment  
Legal & General Investment Management**

Emmanuelle Mourey  
**President of management board  
La Banque Postale Asset Management**

Jean-Pierre Grimaud  
**Chief Executive Officer  
OFI Asset Management**

Philippe Setbon  
**Chief Executive Officer  
Ostrum Asset Management**

Stanislas Pottier  
**Chief Responsible Investment Officer  
Amundi**