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Ørsted AS: Best Practice and Environmental Leader

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According to our evaluation, the Danish Ørsted AS is among the leading companies in the environmental sector, which results from a radical transformation of the business model that the company has gone through in the recent decade.

Whereas ten years ago the company produced 85% of its energy from fossil fuels and only 15% from renewable forms of energy, this ratio has inverted since then. At the same time, Ørsted's CEO, Henrik Poulsen, is committed to the goal of "becoming 'largely carbon-neutral' by 2025." CO₂ emissions have been cut by a total of 60% since 2006.

A new name for a new strategy

The transformation of the company is also reflected in the change of its name: the former DONG Energy (Danish Oil and Natural Gas) regarded itself as a pioneering company in the development of coal-fired power plants as recently as in 2009. Since then, the company has transformed itself comprehensively into a top player in renewable energy. Corporate Knights has included them in a global ranking of the most sustainable companies of the world.

Hans Christian Ørsted, who discovered electromagnetism in 1820, was chosen as eponym of the new company.

Our assessment of the company

Among the main businesses of Ørsted is the production and distribution of electricity and heat. After the sale the oil & gas business in 2017, the energy mix in 2019 was made up of 86% renewable energies (wind power and biomass) and 14% as-of-yet undivested interests in coal and gas. By 2025, the share of renewable energies is to be ramped up to 99%, as all coal-fired power plants are earmarked for conversion to sustainable biomass. Ørsted is the world's biggest owner of wind power projects and wants to double its share by 2025.

This supports the transition to a more sustainable energy system.

Ørsted's CO₂ intensity (tonnes of CO₂ per kWh) beats that of its peers, which is due to its radical transformation strategy in recent years. A proprietary technology developed by the company ("Renescience") also allows for the fractioning of domestic waste and for its use in the production or the recycling of green energy.

In addition to development and innovation in the environmental field, Ørsted also scores highly across other areas of sustainability: in 2018, it had fewer workplace accidents than its competitors, and the members of its supervisory board are independent. In line with an international trend, Ørsted has also integrated the implementation of sustainability goals in its management remuneration.

Radical change is possible

Despite the interests in the coal industry that the company still holds in its portfolio, we have chosen Ørsted AS as best-practice example because it has shown that by pursuing radical procedures sustainable goals can be integrated and achieved within a decade – even from a challenging starting point. In view of the urgency of environmental and climate issues and the fact that – in violation of the reduction target of 40% in emissions by 2030 relative to 1990 as specified by the European Union – annual emissions are still rising, it seems crucial to be able to resort to best-practice examples.

"Companies that have set themselves a reduction target for emissions by 2050 have to think about whether they can achieve it sooner and be even more ambitious. We have shown that one can be much more radical than one might think" (Henrik Poulsen, CEO, Ørsted AS).

You can find our dossier on rethinking energy production and consumption at: <https://blog.en.erste-am.com/dossier/strom-energie/>

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