Energy

Transition planning for companies operating in the energy sector

2026



About this Guideline

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The recommendations and examples are for guidance only. They should be applied proportionately, considering each organisation's circumstances, sector, business model, and ambitions. They do not prescribe specific targets, timelines, technologies, business decisions, or financing outcomes. Each organisation remains responsible for complying with applicable requirements and deciding which measures are appropriate.

Banks aim to support companies as partners in the transition to a more sustainable economy. The Guideline is intended to encourage constructive dialogue and informed decision-making, not to establish supervisory or controlling functions.

The Baltic Banking Associations accept no responsibility for decisions made based on the Guideline. It reflects publicly available information and market practices at the time of publication.

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1. Background

This annex covers specific transition planning aspects for businesses which generate, trade in, transmit and/or distribute diverse energy resources (electricity, heating, and various fuels for combustion processes).

1.1 Climate impact of the sector

Table 1. Energy sector's GHG emissions in the Baltic states

Estonia[1]	Latvia[2]	Lithuania[3]
~8,140 kt CO_2e **~80% of overall Estonia's GHG emissions** Includes electricity and heat production, transport, manufacturing and construction, other fuel combustion sectors, as well as fugitive emissions from fuels. In 2024, the largest share of emissions in Estonia's energy sector came from energy production (58%), transport (33%) and other energy consumption sectors (5%).	**~6,225 kt CO_2e** **~65% of Latvia's total GHG emissions** Includes transport, other energy consumption sectors, energy production, manufacturing and construction, as well as fugitive emissions from fuels. In 2024, the largest share of emissions in Latvia's energy sector came from transport (46%), other energy consumption sectors (24%) and energy production (18%).	**~11,554 kt CO_2e** **~63% of Lithuania's total GHG emissions** Includes energy production, transmission and distribution, transport, manufacturing and construction, other energy consumption sectors, as well as fugitive emissions from fuels. In 2024, the largest share of emissions in Lithuania's energy sector came from transport (51%), energy production (20%) and other energy consumption sectors (17%).

Considering the indirect effects, while the energy sector needs to minimise its own emissions, it also possesses a crucial role in decarbonisation of all other sectors. For example, the ability of a manufacturer to decrease its GHG emissions highly depends on the energy resources it can purchase in the market. Therefore, the energy sector companies always need to consider the effect they have on other businesses.

[1] Greenhouse gas emissions and removals inventories datasets, EEA
[2] Greenhouse gas emissions and removals inventories datasets, EEA
[3] Greenhouse gas emissions and removals inventories datasets, EEA

1.2 Sector-specific considerations

For transition planning purposes, the approach to GHG accounting, target setting, and definition of key actions **differs depending on the energy company's role** in the market – i.e., if it is an energy generator, trader, or transmission or distribution grid operator. These differences are highlighted further in this annex. Please **consider your role** and focus on the most appropriate information and recommendations.

Slight differences may also apply depending on energy sub-sector you are operating in – for example, electricity production and distribution, district heating, or decentralised heating. However, the key principles outlined below are similar.

2. Baseline considerations

2.1 Emission scopes

Depending on the type of the entity as highlighted above, the key GHG scopes to focus on are as follows[4]:

- **ENERGY GENERATORS.** The primary focus is **Scope 1** emissions directly associated with the energy resources used to produce electricity or heat. For fossil resources (natural gas, oil and oil products, and coal) the associated GHG emissions are relatively high; for renewable resources (solar, wind, hydro energy, biomass, etc.) they are lower or sometimes the direct emissions are close to or equal to zero – but they should be calculated, nevertheless.

  If the company produces energy from renewable sources, it already contributes to net zero economy, however, it has other climate-related challenges to solve. Those are associated with **Scope 3** emission categories related to production and disposal of the renewable energy technologies (e.g., purchase and installation of solar panels or windmills would be covered by Scope 3, Category 2 – Capital goods). These technologies may also have indirect environmental and social effects which are shortly described in the next section.

For energy generators using fossil fuels, Category 3 (Fuel- and energy-related emissions not included in Scope 1 and 2) will also be significant as it shows the emissions created in extracting and processing of the respective type of fuel (e.g. extracting and refining oil) before it is used to produce electricity or heat. Categories 4 and 9 (Upstream/Downstream transportation and distribution) may also apply as the energy resources need to be transported to the generation plant and, in turn, the generated energy needs to be transmitted over the grid to deliver it to consumers.

A specific type of energy generation is waste-to-energy (thermal treatment of waste to generate electricity and heat). Companies that are operating waste-to-energy plants have primary emissions generated under Scope 1 due to onsite combustion processes. Although in Europe incineration has grown over past decades[5], it has recently stabilised as stricter environmental standards[6] and Best Available Techniques (BAT) requirements take effect. Looking ahead, EU policy increasingly prioritises waste prevention and recycling, signalling a gradual shift away from expanding incineration capacity and towards more circular, low-emission waste solutions (e.g. Circular Economy Act).

[4] According to the GHG Protocol methodology described in more detail in the general guidelines – Step 1 and the annex on Scope 3 categories
[5] Pollutant emissions from waste incineration
[6] Revision of the EU emissions trading system

- **ENERGY TRADERS.** If the company is only selling energy and is not involved in its generation, its key focus will be on Scope 3 emissions (Category 3: Fuel- and energy-related emissions not included in Scope 1 and 2). I.e., it will have to account for the total amount of emissions created to provide certain amount of energy to its users – based on energy mix provided. To decrease these emissions, you might be interested to conclude direct purchase agreements with renewable energy sources' (RES) plants and/or provide favourable terms to your clients to motivate them switching to green energy and thus reducing both their Scope 2 emissions and your Scope 3 emissions.

- **ENERGY TRANSMISSION / DISTRIBUTION OPERATORS.** The company is acting as an intermediary between the energy producers and consumers. Being an infrastructure company mainly, key emissions of the operator are associated with Scope 1 emissions created to ensure successful operation of the system, and Scope 2 emissions from energy losses in the grid. Scope 3 categories No. 1 (Purchased goods and services) and No. 2 (Capital goods) will also be quite significant as the company needs significant equipment to ensure infrastructure functionality.

  Although the energy produced by other companies which is transported across the grid does not create significant emissions for the operator, it is a significant lever in facilitating and ensuring successful connection of RES plants to the grid thus enhancing RES role in the overall energy market.

2.2 Other environmental and social challenges

Although transition planning primarily concerns climate change mitigation, it should also consider relevant environmental aspects a specific technology may have. Some of those would be revealed through mandatory environmental impact assessments, however, the EU Taxonomy Regulation[7] defines additional Do No Significant Harm criteria for renewable energy technologies. You can find the criteria for the renewable technologies here and for natural gas or nuclear sources here, however, the key aspects Taxonomy focuses on are:

- Assessment of the **associated climate risks** and implementation of respective adaptation measures (i.e., you should be able to explain which climate risks apply to the specific project or site and how you mitigate them – for example, insurance against potential damage a windstorm or hailstorm may cause to solar panels, battery storage installed for RES plants to ensure steady flow of energy when the weather conditions are not favourable, etc.);
- **Circularity of the equipment** (panels, windmill components, etc.) – i.e., as lengthy life-cycles as possible, recyclability, and other circularity principles embedded in the product design by its manufacturer;
- **Safeguarding water resources** and their condition (detailed criteria available for hydropower plants but also consider windmill parks and other facilities as described by the Taxonomy);
- **Reduction of harmful substances** (for example, energy grid operators must reduce SF6 use in their transformer stations);
- **Respect for biodiversity** – i.e., on behalf of RES production the local biodiversity is not harmed or damaged.

For biomass, additional technical screening criteria[8] are also defined for the origins of the biomass used in the power plant – to ensure it is not obtained from protected areas and does not use quality material which could be used for higher added value processes (e.g., depending on the biomass type – for furniture manufacturing, food production, etc.).

Moreover, for climate-friendly energy technologies, social challenges in supply chain (such as human rights observation and decent working conditions)[9], local community relations and social acceptance of renewable technologies[10] are highlighted.

[7] EU Taxonomy Regulation
[8] Climate Delegated Act (see relevant criteria in section 4)
[9] Sustainable Solar. Environmental, social, and governance actions along the value chain
[10] Socio-economic and environmental impacts of renewable energy deployments: A review

2.3 Climate risks

The energy sector is highly exposed to **transition risks**:

- The **ability to successfully phase out fossil resources** or ensure certain proportion of RES in the total energy mix in line with the EU and/or national targets[11] (see the reference to national targets in Section 3);
- **Increasing carbon prices** which, if the abovementioned goal is not achieved or is delayed, may create significant financial burden for the energy companies[12];
- **Ability to satisfy consumer needs** – which, according to some reports, shift towards renewable resources[13] but, at the same time, the market shows resistance to increased energy price fluctuations usually coming together with higher renewables' inflow[14];
- **Introduction of new energy technologies** which may be an opportunity and the risk at the same time – risk connected to high cost and/or insufficiently tested and thus potentially less reliable solutions[15];
- **High investment** required to finance the new technologies and long return cycles for the respective investment[16].

[11] Climate Risks in the Power Generation Sector
[12] Climate Risks in the Power Generation Sector
[13] Climate Risks in the Power Generation Sector
[14] Renewable Energy and Price Stability: An Analysis of Volatility and Market Shifts in the European Electricity Sector (2015–2025)
[15] Climate Risks in the Power Generation Sector
[16] Low-carbon transition risks in the energy sector: A systematic review

At the same time, energy sector also faces certain **physical risks** or disruptions caused by the changing climate. In the Baltic states, rapidly changing weather conditions with occasional extreme events such as storms, floods, or increased precipitation[17] are more pronounced than in some other regions, and these need to be considered for physical risks:

- Strong windstorms, hailstorms, icing in wintertime and/or heatwaves in summer may **damage the energy infrastructure and thus limit its capacity** or energy distribution to customers. These risks are more prominent for the transmission or distribution operators, however, they also affect energy producers and sellers which, in case of extreme weather conditions, have limited opportunities to sell their energy[18], [19];
- With increased use of RES, the risks are also associated with **system instability** – the more resources we have in the energy system which depend on favourable weather conditions (sun, wind, etc.), the less stable the system is in times when these conditions are not met. Therefore, both grid operators and energy producers should also consider use of storage equipment and provision of an efficient balancing approach[20], [21];
- The **RES generators' business is also highly affected by weather conditions** – generation of solar or wind energy depends on favourable conditions[22].

Besides own operations and the local energy eco-system, **supply chain may also be affected by climate risks** (both transition and physical risks) and impact the energy companies' business[23]. The suppliers may be affected by local events in their geographical conditions which may impair their productivity, damage equipment or delay logistics, but they may also have their own transition obligations affecting future supplies of equipment, materials, and other goods your company currently uses[24].

[17] Climate Change Portal Lithuania
[18] ENERGY. Climate and Disaster Risk Screening Reference Guide
[19] Climate Risks in the Power Generation Sector
[20] Short-term electricity trading for system balancing: An empirical analysis of the role of intraday trading in balancing Germany's electricity system
[21] What Should We Learn From April's Iberian Blackouts?
[22] Climate risks to the renewable energy sector: Assessment and adaptation within energy companies
[23] The climate-related risk profile of the energy-intensive and natural resource-based industries: Evidence from 2020–2023
[24] Climate Risks to Global Supply Chains

2.4 Summary

The following matrix covers key considerations on significance of Scope 1, 2, and 3 emissions for the sector. Respectively:

- “High” significance scopes and emission categories are those that contribute most to total emissions. These should be calculated as accurately as possible and are usually the priority emission categories to focus on in your transition plan;
- “Moderate” significance means that emissions in the respective scope or category are relatively important but are not the most important part and, potentially, not the first priority for emission reduction;
- “Low” significance means that the emissions in the respective scope or category are rather insignificant in general or compared to other scopes and can be either left out of the transition plan priorities or dealt with at a later stage.

Table 2. Summary on key considerations for each role

Scope / Risks	Energy generator		Energy trader	Transmission / distribution operator
	Renewable resources	Fossil resources		
Scope 1	**Low:** Direct emissions from renewable sources are close or equal to zero	**High:** Fossil resources create significant direct emissions	**Low:** Unless the trader is the energy generator too (then the considerations on the left side of this table apply depending on the energy resources used)	**Low:** Unless the operator generates its own energy (then the considerations on the left side of this table apply depending on the energy resources used)
Scope 2	**Low:** Applies only if the entity purchases energy from other producers	**Low:** Applies only if the entity purchases energy from other producers	**Low:** Applies to energy purchased for own use	**Moderate/High:** Applies to energy purchased for own use and energy losses in the grid (depending on the technical condition of the grid)

Scope 3	**High:** Category 1 (Purchased goods and services – e.g. RES technology parts and maintenance); Category 2 (Capital Goods – RES technologies), depending on the business model – Category 5 or 12 (utilisation of the technologies at the end of their life-cycle) **Additional focus** – indirect environmental and social impact not covered by GHG accounting but also being important	**High:** Category 1 (Purchased goods and services – e.g. parts and maintenance); Category 2 (Capital Goods – e.g. purchased equipment); Category 3 (Fuel- and energy-related emissions not included in Scope 1 and 2 or so-called Well-to-Tank emissions)	**Variable:** Mainly Category 3 (Fuel-and energy-related emissions not included in Scope 1 and 2 or so-called Well-to-Tank emissions) – the resulting emissions depend on the energy mix sold to clients	**High:** Category 1 (Purchased goods and services – e.g. parts and maintenance); Category 2 (Capital Goods – e.g. purchased equipment); Category 3 (Fuel- and energy-related emissions not included in Scope 1 and 2 or so-called Well-to-Tank emissions)
Climate risks	**Physical risks:** weather conditions and patterns which affect stability of RES supply. **Transition risks:** necessity to implement energy storage solutions that increase the value of business but at the same time depends on available technology and its costs.	**Primarily - transition risks:** policies and regulations phasing out fossil fuels and driving risks which may decrease the value of the business in medium- to long-term (unless the company adapts and changes its energy sources).	**Physical and transition risks combined:** weather conditions and patterns which affect stability of RES supply. If the company purchases RES energy, it may be subject to this risk. Client readiness to pay “greenium” for renewable energy may also be a risk.	**Physical risks:** extreme weather events which may affect the transmission or distribution infrastructure and create energy outages. **Transition risks:** necessity for sufficient balancing capacity to compensate for less RES-favourable energy production periods.

Depending on the type of entity and emission sources as highlighted above, there are several decarbonisation measures that companies can implement. Those are considered in Section 4.

3. National Energy targets and strategic directions – Baltic States

This table contains only headline national targets that are explicitly framed as policy targets or commitments in source documents. Economy-wide targets (climate neutrality) are included where they directly frame the energy sector.

Disclaimer: The targets, policy measures and legal references in this overview are up to date to the best of our knowledge as of March 2026. Climate, energy and sectoral policy frameworks are evolving, and national targets, implementation pathways, and supporting measures may be revised, supplemented or replaced over time. In particular, **Estonia is still advancing parts of its climate-policy architecture**, including newer framework legislation and sector planning documents. In addition, **the transposition status of EU legislation, including RED III, may continue to change** as further national measures are adopted and notified to the European Commission.

Table 3. Relevant National Targets/Commitments

Theme	Estonia[25]	Latvia[26]	Lithuania[27]
RES in total energy (2030)	At least 65% renewable energy in gross final energy consumption (up from earlier 50% target).	At least 61% renewable energy in gross final energy consumption.	At least 55% renewable energy in gross final energy consumption; rising to 95% by 2050.
RES in electricity	100% renewable electricity by 2030.	>80% of final consumption by 2030. 100% of domestic production by 2030 Offshore wind (ELWIND, joint Latvia-Estonia project in the Baltic Sea) is the flagship project.	100% by 2030
RES in heat	At least 63% renewable heat by 2030.	66.4% by 2030. District/centralised heat: 73.9% by 2030	90% renewable energy in district heating by 2030; 85% renewable energy in individual housing heat by 2030.

RES in transport	26% by 2030 OR –14.5% GHG intensity vs 2010	29% by 2030 Advanced biofuels: 5.5%; RFNBO: 1%; SAF (aviation): 5% by 2030	15.8% by 2030 (equiv. 29% with RED multipliers)
Energy efficiency	Final energy consumption does not exceed 29.4 TWh per year by 2030. Primary energy consumption does not exceed 36.5 TWh by 2030. Cumulative savings for 2021–2030 amount to 21.28 TWh.	Final energy consumption does not exceed 40.24 TWh by 2030. Primary energy consumption does not exceed 44.72 TWh by 2030. Cumulative savings amount to 29.52 TWh. Actual final energy consumption in 2022 was 46.08 TWh.	Final energy consumption does not exceed 51.2 TWh by 2030. Primary energy consumption does not exceed 62.8 TWh by 2030. Cumulative savings for 2021–2030 amount to 39.3 TWh. Actual final energy consumption in 2021 was 66.3 TWh.
Fossil fuel transition	Reducing the use of fossil fuels in ESR sectors: transport, agriculture, waste management, and industrial processes.; energy sector 56% of total GHG Annual savings obligation: 0.8% → 1.9% (by 2028)	Replacement of natural gas and heavy fuel oil in energy and district heating; excise duty reform for transport fuels	Full phase-out of fossil fuels from electricity generation; fossil fuel subsidy review completed 2021
Biomethane / hydrogen	Biomethane from manure (3 new plants from 2027); measures to encourage hydrogen technology deployment supported by a green fund.	Biofuel blending in transport; hydrogen envisaged for non-electrified rail lines (2050 strategy). No standalone biomethane/hydrogen production target.	Combined ~2 TWh biomethane production target by 2030; 91 MW green hydrogen production capacity;
2050 direction	Climate neutrality by 2050	Climate neutrality by 2050	Climate neutrality by 2050;

[25] Updated National Energy and Climate Plan to 2030 (Estonia)
[26] Updated National Energy and Climate Plan 2021–2030 (Latvia)
[27] Final Updated National Energy and Climate Action Plan 2021–2030 (Lithuania)

4. Target setting

4.1 Science-based approach

The approach is based on SBTi target setting tool v.2.4.1.

1) First decide what activity you represent – that will define the pathway and the target boundary (scopes to focus on in your targets).

A. You generate electricity (power plant owner/operator).

You must set a target for power generation in your primary organisational boundary (Scope 1).

B. You purchase electricity and sell it to end users (supply/trading/retail).

You must set target for Scope 3 Category 3 (electricity purchased and sold).

C. You only transmit/distribute (TSO/DSO) and do not generate electricity.

You mostly follow the general core guidelines to set targets and focus specifically on Scope 1 emissions (SF6 if you are an electricity system operator) and/or Scope 2 (energy losses in the system).

2) Understand your baseline

A suggested way to think about your organisation's emissions is through intensity, as the focus for the energy sector is to decrease relative emissions – i.e., CO2e per kWh produced or transmitted. This indicator should gradually approach zero by 2050 and remain on that level for energy generation and, as a consequence, its trading, transmission and distribution.

Use the following formula to calculate your base year emission intensity:

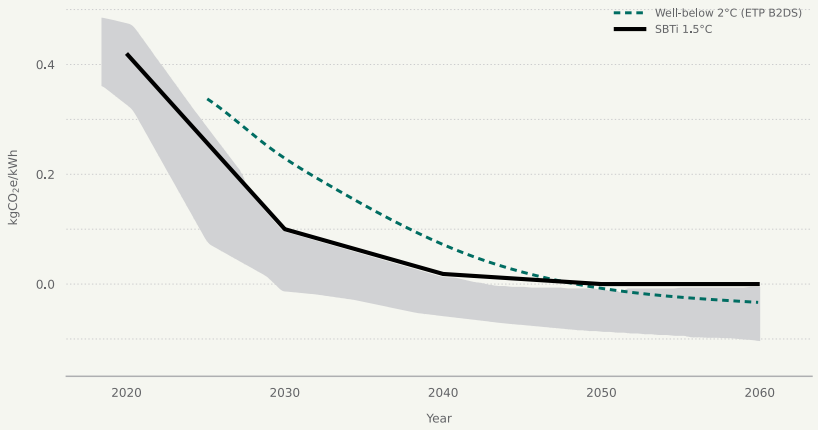
$$Intensity = Emissions_b \div Activity_b$$

Where **$Emissions_b$** are base year emissions (depending on the roles mentioned above, can be Scope 1 emissions from electricity generation or purchased electricity from Scope 3 Category 3).

$Activity_b$ is base year activity level and can be either kWh of electricity generated or kWh of electricity generated and sold + kWh purchased and sold.

Note: Do not put "own-use" purchased electricity (Scope 2) into Scope 3 Category 3 "purchased and sold". These are different activities and are differently accounted for. Emissions from Scope 2 should follow the reduction method outlined in the general guidelines.

Image 1. SDA pathways for the power sector
Source: SBTi



3) Calculate Your Target

3.1) Compute base-year emission intensity (outlined in step 2)

3.2) Select pathway intensity for the target year (outlined in Table 4) and project amount of energy generated in the target year.

Pick the relevant scenario pathway intensity for each target year and energy type (electricity, heat). Project electricity sold (kWh) and heat sold (kWh heat) for the same target year. Use examples in sub-section 3.3. to ensure the intensity definition matches your emissions boundary.

Table 4. Intensity targets by pathway (gCO2/kWh)*

Scenario	2030	2040	2050
Well-below 2°C (ETP B2DS)	228.8	71.9	~0
SBTi 1.5°C	100.0	18.4	~0
Net Zero (IEA NZE)	138.0	-1.0	-5.0

** Pathways B2DS and 1.5°C are based on SBTi pathways and aligned with the Paris Agreement targets, Net Zero pathway is defined by the International Energy Agency and aims at achieving net zero status by 2050.*

3.3) Convert to absolute emissions target

Convert intensity targets into absolute emissions caps by multiplying pathway intensity by projected energy volumes of your business for each target year.

$$Emissions_t = I_t \times Activity_t$$

Where $Emissions_t$ are target year emissions and $\mathbf{Activity_t}$ is target year activity level (i.e. your expected power generation and/or sales amount). This represents your "Carbon Budget" for the target year. If your business grows (higher Activity), your intensity must drop even faster to keep absolute emissions in check.

Example 1: Power generation in the organizational boundary (Scope 1)

Emissions: Scope 1 emissions from electricity generation (combustion, process emissions, bioenergy if applicable).

Activity: k Wh of energy generated.

Intensity = Scope 1 emissions from energy generation ÷ kWh energy generated

Example 2: "All sold energy" (Scope 1 generation if the seller generates energy and/or Scope 3 Category 3 of purchased energy sold)

Emissions: generation-related emissions in Scope 1, plus Scope 3 Category 3 emissions from purchased energy that is sold to customers.

Activity: Total energy sold to end users, conceptually: kWh of energy generated plus kWh of energy purchased and sold.

Intensity = (Scope 1 emissions from energy generation + Scope 3 emissions from purchased energy)
÷
(kWh energy generated+kWh energy purchased and sold)

Note: For purchased energy emissions (Scope 3 Category 3 for purchased-and-sold energy), you must choose either market-based or location-based emission factors and apply that choice consistently. Do not mix market-based and location-based factors within the same target boundary or time series, otherwise your intensity trend becomes non-comparable and the target calculation is distorted.

Example 3: "All sold energy" (Scope 1 generation + Scope 3 Category 3 purchased energy sold + heat (optional)).

- This target is included as an electricity supplier can drive generation emissions through both what it generates and what it buys and resells. If the company also sells heat (CHP or district heating), heat can be included as an optional add-on so the target reflects total energy sold.
- You may report heat as a separate target or combine it with the "sold" boundary by converting heat sold to kWh (1 GJ = 277.78 kWh) and adding it to both numerator and denominator.

Emissions: generation-related emissions in Scope 1, Scope 3 Category 3 emissions from purchased energy that is sold to customers plus heat.

Activity: Total electricity and heat sold to end users, conceptually: kWh electricity and heat generated plus purchased and sold.

Intensity = (Scope 1 emissions from electricity and heat generation + Scope 3 emissions from purchased electricity and heat)

÷

(kWh electricity and heat generated+kWh electricity and heat purchased sold)

For more information you may also visit SBTi Quick Start Guide for Electric Utilities, Electric Utilities & Power Generators Sector Guidance by the Transition Plan Taskforce, and the European Climate Law-aligned EU sectoral decarbonisation pathways.

Achieving this ambition requires phasing out fossil fuels and transitioning to renewables, however, SBTi does not prioritise one type of renewables against the others. Choice of the renewable resource is a business decision and should be based on cost, life-cycle considerations, local conditions, and other relevant factors.

However, if the company already produces 100% RES-powered energy or close to that, it should rather focus on other environmental and social aspects described in section 2.2 to improve the overall contribution to the European and global targets. It is also recommended to link the target to the EU Taxonomy – e.g., ensure 100% Taxonomy-aligned operations that respect Do No Significant Harm criteria among other requirements (if, for a specific reason, total alignment is not possible – define a less ambitious but still quantitative and Taxonomy-linked target).

4.2 Key emission reduction measures

Emission reduction measures are prioritised based on the emission scopes and categories described in Section 2 for each of the company types.

1) ENERGY GENERATORS:

A. Fossil fuel-based generators shall first assess the possibility of reducing Scope 1 emissions through transitioning to other, less emission-intensive energy sources. Preferably, renewable sources; potential interim solutions include less emission-intensive fossil fuels – e.g. natural gas creates less GHG emissions per unit than oil and oil products and significantly less than coal[28]. Choice of resource will affect Scope 3, Category 3 (Fuel- and energy-related activities) too[29];

B. RES generators should focus on reduction of Scope 3 indirect emissions related to manufacturing of RES technologies and their later utilisation – i.e., life-cycle impact of RES technologies[30]. Carefully assess your suppliers, require them to submit product EPDs (Environmental Product Declarations) or other relevant certificates (e.g. for responsible biomass supply) and require them to describe their efforts in reducing embodied emissions and improving product recyclability. Compare offers by different suppliers and incorporate GHG-related aspects in your supplier selection and relation processes.

2) ENERGY TRADERS should focus on energy mix purchased from generators and sold to clients (Scope 3 emissions)[31]. Focus on the potential to increase the proportion of RES in energy mix and encourage clients to choose green energy (e.g. propose more favourable conditions, direct agreements with RES producers, long-term contracts, etc.). At the same time, considering the related risks - if possible, choose suppliers which can ensure certain balance even during periods when the RES are scarce or unavailable (preferably, which have energy storage facilities able to provide additional energy when the sun does not shine or the wind does not blow), or suppliers with small fossil resource proportion used during such periods to ensure stable supplies.

[28] Carbon Dioxide Emissions Coefficients
[29] SETTING 1.5°C-ALIGNED SCIENCE-BASED TARGETS: QUICK START GUIDE FOR ELECTRIC UTILITIES
[30] Renewable Energy Sources and Climate Change Mitigation. Special Report of the Intergovernmental Panel on Climate Change
[31] SETTING 1.5°C-ALIGNED SCIENCE-BASED TARGETS: QUICK START GUIDE FOR ELECTRIC UTILITIES

3) TRANSMISSION OR DISTRIBUTION OPERATORS:

A. Decrease Scope 1 emissions created by sulfur hexafluoride (SF6) which exhibits high global warming potential and is often used in high-voltage systems for insulation. Leakage of this gas has higher relative impact on climate than CO2 and therefore the operators are required to gradually change SF6 to other suitable solutions[32], [33];

B. Focus on reducing energy losses in the grid through retrofitting outdated infrastructure and thus reducing your Scope 2 emissions[34];

C. Enable RES connection to the grid and thus reduce Scope 2 emissions from the still occurring losses and, at the same time, improve the overall emission balance of the energy users[35]. In some countries, the system operators combine measures that help reducing energy losses and buy guarantees of origin to "green" the remaining amount of energy losses in the grid[36];

D. Ensure grid balance to maintain stable energy supply to the consumers – enable market participants to install balancing solutions and, if necessary and permitted, build your own storage capacity to ensure the necessary balance of the system[37].

For certain types of transmission and distribution operators the opportunity to facilitate use of renewable resources in the grid may be an issue (e.g. gas system operators), however, they can still manage grid losses and minimise them as well as engage in projects aimed at transition to low-emission gases (biogas, hydrogen, etc.)[38].

[32] 8 leading European transmission system operators launch a common initiative to support the energy system to reach carbon neutrality
[33] Electrical equipment (SF6)
[34] Making the EU electricity grid fit for net-zero emissions
[35] 8 leading European transmission system operators launch a common initiative to support the energy system to reach carbon neutrality
[36] German grid operators eye "green" grid losses
[37] DEVELOPING BALANCING SYSTEMS TO FACILITATE THE ACHIEVEMENT OF RENEWABLE ENERGY GOALS
[38] Hydrogen and decarbonised gas market package

5. Important questions

Key questions you should be able to answer your financial partner (a bank, investor, etc.) or other cooperation partners:

- **Current status:** What is your role in the energy sector (as per classification above and specific aspects you might want to emphasise)? What energy resources do you use or mainly operate? What is the proportion of the resources and use by activity (e.g. generated electricity or heat in MWh)? Has this energy mix changed during the last five years? How? What has facilitated this transformation (if applicable)?
- **Largest improvement opportunities:** E.g., transitioning to other energy resources, efficiency improvement, etc. When do you plan to implement them? What are the facilitating and/or hindering factors for that? Are there decisions which depend on other stakeholders (e.g., other market participants) and how can that affect your transition journey? When do you plan to phase out fossil resources from your energy generation?
- **Considerations on the environmental impact of your RES technologies and how do you manage that?** (Although this question may seem relatively minor, this is important for banks which need to assess Taxonomy-alignment of their lending portfolios as mentioned in the general guidelines.)
- **Key climate risks your current and planned plants / infrastructure faces and adaptation measures.** (Make sure to consider both physical and transition risks.)
- **Investment needs to achieve the climate targets and your business plan for that.** What could be the drawbacks or uncertainties for its implementation? How do you plan to overcome them?

6. References

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