

WHEREAS: Energy utilities will play a critical role in achieving the Paris Agreement’s goal of limiting global warming to 1.5 degrees Celsius (“1.5°C”). Electricity production accounts for 25% of national greenhouse gas emissions, and burning natural gas for heat in buildings accounts for approximately 10%.¹ In addition, significant upstream emissions are created from the production of the fossil fuels used in power production and heating buildings.^{2,3} Finally, utilities provide energy to some of the most energy-intensive industries; reducing greenhouse gas (“GHG”) emissions associated with energy production would significantly reduce such emissions.

The International Energy Agency’s Net Zero Scenario sets forth a trajectory for achieving 1.5°C, requiring net zero emissions from power generation by 2035 in advanced economies and globally by 2040, while requiring a 40% reduction of emissions from the building sector by 2030.⁴

Southern Company has set net zero GHG reduction targets for its Scope 1 but not for its Scope 3 value-chain emissions.⁵ Approximate 28% of the Company’s total reported GHG footprint occurs from its value chain categories of upstream production of gas, downstream burning of gas by customers, and purchased power from the grid.⁶ The percentage may be higher. Research has found that the Environmental Protection Agency’s emissions factors for natural gas, on which many utilities’ methane calculations rely, potentially underestimate supply chain methane emissions by 60%.⁷

Peer utilities are starting to address value-chain emissions in their GHG reduction goals. PSEG and NRG committed to set a net zero target through the Science Based Targets initiative, which requires utilities to address all material Scope 3 value-chain emissions.⁸ Sempra,⁹ Duke,¹⁰ and Dominion¹¹ set net zero targets covering full Scope 3 value-chain

¹ <https://www.epa.gov/ghgemissions/sources-greenhouse-gas-emissions>

² https://globalenergymonitor.org/wp-content/uploads/2022/03/GEM_CCM2022_final.pdf

³ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6223263/>

⁴ https://iea.blob.core.windows.net/assets/deebef5d-0c34-4539-9d0c-10b13d840027/NetZeroby2050-ARoadmapfortheGlobalEnergySector_CORR.pdf, p.99

⁵ <https://www.southerncompany.com/sustainability/net-zero-and-environmental-priorities/net-zero-transition.html>

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<https://www.southerncompany.com/content/dam/southerncompany/sustainability/pdfs/CDPClimateChangeDisclosure.pdf>, calculated from Southern Company emissions reporting, p.88-99

⁷ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6223263/>

⁸ <https://sciencebasedtargets.org/companies-taking-action>

⁹ <https://www.sempra.com/newsroom/spotlight-articles/shaping-net-zero-future-earth-day>

¹⁰ <https://news.duke-energy.com/releases/duke-energy-expands-clean-energy-action-plan>

¹¹ <https://news.dominionenergy.com/2022-02-11-Dominion-Energy-Broadens-Net-Zero-Commitments>



emissions, while Xcel¹² and CMS¹³ have expanded their net zero targets to include customer use of natural gas.

BE IT RESOLVED: Shareholders request the Board issue short and long-term targets aligned with the Paris Agreement's 1.5°C goal requiring Net Zero emissions by 2050 for the full range of its Scope 3 value chain GHG emissions.

SUPPORTING STATEMENT: Proponents suggest, at management discretion:

- Taking into consideration approaches used by advisory groups like the Science Based Targets initiative;
- Providing a timeline for setting its short and long-term Scope 3 GHG reduction targets;
- Providing an enterprise-wide climate transition plan to achieve net zero Scope 3 emissions;
- Disclosing annual progress towards meeting its emissions reduction goals.

¹² <https://nd.my.xcelenergy.com/s/about/newsroom/press-release/xcel-energy-commits-to-net-zero-carbon-goal-by-2050-MCZE7IKJSPUBEI5K3MZ5D3AZ74UQ>

¹³ <https://www.cmsenergy.com/investor-relations/news-releases/news-release-details/2022/CMS-Energy-to-Combat-Climate-Change-by-Achieving-Net-Zero-Greenhouse-Gas-Emissions-from-Entire-Natural-Gas-System-by-2050/default.aspx>