

Assessment of Iberdrola's transition plan

About Iberdrola

Headquartered in Spain, Iberdrola is one of the largest electricity companies at a global level, with activities in over 30 countries, and generating €49.3 billion in revenues in 2023. Its key markets are Spain, the UK, the United States, Brazil and Mexico. The company's current strategy is focused on the expansion, reinforcement and digitalization of transmission and distribution grids, selective growth in higher value-added renewable technologies, and a commitment to storage as the backbone of a system with a high penetration of clean energy. Iberdrola had nearly 25 GW of installed renewables capacity in Spain and the UK. However, around 28% of its capacity is still gas-based and Iberdrola has failed to disclose what plans it has for the future of these plants.

Iberdrola's transition plan in a nutshell

Overall, our assessment shows that Iberdrola has an ambitious transition plan that is overshadowed by a lack of information on the future of its gas power plant fleet. For the company to continue being a leader in the energy transition, it must commit to closing all its gas plants in Europe by no later than 2035.

Quality of Iberdrola's transition plan

1. Emission reduction plan

Iberdrola's greenhouse gas emission reduction trajectory is in line with a 1.5°C aligned SBTi decarbonization pathway and covers scopes 1, 2 and 3. It aims for a 65% decrease of absolute emissions on all scopes between 2020 and 2030, and to be net-zero by 2040, reducing its emissions by 90% in 2039, with offsets to neutralize the residual emissions.¹ Its sustainability scorecard and SBTi commitment provide more information on the levers envisioned to reach their 2030 and 2040 targets.

By 2030, Iberdrola also aims to achieve carbon neutrality in its electricity generation, targeting the threshold of 10g CO₂e/kWh which, according to the company, equates to a 83% decrease in the carbon intensity of its electricity generation compared to 2020. Additional granularity on its carbon intensity would be welcome, especially as Iberdrola's commitment means that 17% of its electricity generation emissions are to be captured or offset, which is a significant bet on these mechanisms. These comprehensive targets cover all company emissions, including CO₂,

¹ Iberdrola, [Sustainability Report 2023](#), p.25 and 53.

methane, and other GHGs, and aim for an absolute decrease by 2030. However, its transition plan lacks a specific target dedicated to methane, the second most powerful GHG. Its near-term effects require dedicated, targeted action (a 75% reduction in methane emissions is required in the “Net Zero by 2050” (NZE) pathway from the International Energy Agency (IEA), limiting global warming to 1.5°C).²

2. Energy planning

A fossil fuel exit strategy in progress

In November 2017, during COP23, Iberdrola announced it would shut down its two remaining coal plants in Spain, Lada and Velilla (a combined capacity of 874 MW). Both closed in 2020, aligning with Spanish civil society’s demand for coal to be phased out in Spain by 2025.

By the end of 2023, its existing gas plants represented around 28% of the company’s installed capacity (17.5 GW), with 15% owned and operated directly by Iberdrola – almost two third of which is in Europe, and 11% managed by third parties, such as those in Mexico operating under the Independent Power Producer regime contracted with the Comisión Federal de la Electricidad (CFE). However, the latter were acquired by Mexico Infrastructure Partners (MIP) in February 2024, together with 1.4 GW of Iberdrola’s own capacity in Mexico.^{3,4}

The company has committed to not develop new gas plants or LNG infrastructure, which is critical to achieve a 1.5°C aligned pathway. It now needs to announce a 2035 gas power phase-out to give credibility to its transition plan. The company has committed to be carbon neutral in scope 1 and 2 emissions by 2030 with offsets. However, this commitment does not indicate when the last of its gas plants will shut down, which must happen no later than 2035 for its European plants. The late closure of its remaining gas assets would put its 2030 carbon neutrality target for electricity generation at risk.

Renewable deployment at speed and scale

When the NZE scenario was published by the IEA in 2021, Iberdrola was already a first mover with 65% of its installed capacity consisting of renewables. The company intends to increase its renewable energy capacity by 12 GW (from 40 GW to 52 GW) between 2022 and 2025. As of 2023, 68% of Iberdrola’s total capacity was based on renewable energy, reaching almost 74% in Europe (Spain and the UK). In terms of generation, in Europe, 56% of its total generation came from renewables, with 100% in the UK and 48% in Spain. By 2030, Iberdrola intends its total installed capacity to be above 100 GW, with around 80 GW of that capacity being renewable, and some hydropower capacity in Europe.

While Iberdrola has specified targets for installed renewable capacity by 2025 and 2030, it has so far failed to disclose its planned generation mix for other sources which according to published

² International Energy Agency (IEA), [Net Zero by 2050 Scenario](#), May 2021

³ Iberdrola, [Noticias](#), 2023

⁴ Iberdrola has therefore reduced its gas capacity by more than a half since the end of 2023 and now owns 9.2 GW of gas plants.

data would amount to 25% of its power in 2025 and 20% in 2030 compared to 31% now. These calculations are based on the information Iberdrola disclosed for its renewable generation capacity. The company does not disclose information per technology on its future nuclear and fossil gas capacity.

3. Capex allocation

In 2023, 9.8% of Iberdrola's CAPEX was allocated to activities non-aligned with taxonomy. The company has not disclosed the specific details of these investments. 90.2% of its CAPEX was taxonomy-eligible with 1.4% invested in electricity generation from fossil gaseous fuels. In the latest disclosure of its CAPEX plan, for the period 2023-2025, the company outlined that more than €27 billion are earmarked for grids (circa €16 billion as the acquisition of PNM has not gone through)⁵ and €17 billion for renewable energy and battery development. This equates to more than 90% of Iberdrola's CAPEX allocated to activities supporting the energy transition and leaves €2.3 billion earmarked for "Other Energy Production and Customers", with no further details specified. Given Iberdrola's commitment not to develop new gas plants or LNG terminals, it is likely that this investment will not go to fossil gas infrastructure. However, further details regarding this portion of the company's CAPEX would be welcomed, so that stakeholders can fully assess its investment plan.

4. Climate planning: strategy and governance

Our assessment shows that Iberdrola has implemented governance measures aimed at achieving global climate neutrality by 2050. These measures include assigning the Board of Directors the responsibility for approving and producing regular reports on a climate action plan, requiring the Board to report annually on climate management,⁶ and establishing a 2023-2025 Strategic Bonus as a long-term incentive for management and other Iberdrola professionals, linked to the company's performance in relation to specific parameters such as increasing ESG financing⁷ and reducing CO2 emission intensity.⁸

5. Transparency

Iberdrola provided quality answers for most questions although they failed to do so for all of them.

⁵ Reuters, [Iberdrola's Avangrid terminates \\$8.3 bln deal to buy PNM Resources](#), January 2024

⁶ Iberdrola, [By-Laws](#), January 2025

⁷ Expected to represent at least 80% of the financing issued by the Iberdrola group from 2023-2025.

⁸ 27% reduction compared to the Group's 2021 CO2 emission intensity.