



Assessment of Naturgy's transition plan

About Naturgy

Naturgy Energy Group S.A. is a multinational energy company headquartered in Spain and specializing in the generation, distribution, and marketing of fossil gas and electricity. The company operates in 24 countries, with a total installed generation capacity of 17.9 gigawatts (GW), of which 10 GW is thermal (mostly fossil gas). Naturgy is a publicly listed company. In 2023, it reported revenues of approximately €22.6 billion.

Its activities are organized into four main business areas: fossil gas, electricity production and distribution, LNG, and infrastructure management.

Naturgy's transition plan in a nutshell

Our assessment of Naturgy's transition plan has been hampered by the company's refusal to participate in our assessment. This combined with a lack of targets for sustainable¹ power past 2027, as well as a lack of phase-out plans for fossil gas by 2035, indicates that the power utility's transition plan is not up to scratch. The company aims to achieve net-zero greenhouse gas (GHG) emissions by 2050, covering scopes 1, 2, and 3 emissions. This target date is much later than other European utilities, and not aligned with the Net Zero Emissions by 2050 (NZE) scenario from the International Energy Agency (IEA), which sets decarbonization of the power sector in 2035 for the EU and OECD countries and in 2040 for other countries to limit global warming to 1.5°C.² To reach its goal, Naturgy has established interim targets, including a 48% reduction in scope 1 and 2 emissions by 2025 compared to 2017 levels. Additionally, the company plans to increase the share of renewable energy in its installed power capacity to 56% by 2025, a level which needs to be substantially increased by 2030 to reach the NZE targets. To support its objectives, Naturgy has committed to investing €14 billion between 2021 and 2025. Approximately two-thirds of this investment is allocated to boosting renewable energy generation, with the aim of expanding the company's renewable capacity from the current 5 GW to over 14 GW by the end of 2025.

¹ Sustainable power technologies are defined as: wind, solar, storage, power grids, geothermal, hydropower (retrofit and upgraded), and ocean power.

Reclaim Finance, [The limits of \(not so\) clean energy](#), October 2023

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

Quality of Naturgy's transition plan

1. Emission reduction plan

Targets are listed below according to Naturgy sources, however the plan on how to achieve these (e.g. renewable capacity growth path, fossil fuel binding exit date) lacks strong and clear intermediate steps.

Targets and timeline:

- Short-term (by 2025):
 - Reduce absolute Scope 1 and 2 GHG emissions to 11.4 million tons of CO₂ equivalent (tCO₂e).
 - Reduce Scope 3 GHG emissions to 116.3 million tCO₂e.
 - Decrease CO₂ intensity in power generation to 171 tons of CO₂ per GWh.
 - Achieve 56% of total installed capacity from renewable sources.
- Long-term (by 2050):
 - Achieve climate neutrality by reducing total Scope 1, 2, and 3 emissions.

Naturgy aims to achieve net-zero GHG emissions by 2050 at the latest, while the power sector should reach this target by 2035/2040 to align with the IEA's 1.5°C scenario.

Naturgy has committed to reducing specific emissions by 33% by 2025 compared to the 2012 base year. Information on compensation mechanisms, such as carbon offsetting, are not explicitly mentioned in the available sources.

2. Energy planning

A fossil fuel exit strategy in progress?

Naturgy has been coal-free since 2021. While the Spanish utility anticipates a 19% decline in fossil gas volumes from long-term contracts by 2027 – decreasing from 210 terawatt-hours (TWh) in 2024 to 170 TWh in 2027 – it has not committed yet to any fossil gas phase-out date for its power generation assets.

In fact, it recently concluded an LNG supply contract with Puerto Rico Electric Power Authority until 2032, extended its LNG purchase contract with Sonatrach until 2031, and still has an ongoing contract of 3.4 billion cubic meters (bcm) with Yamal LNG until 2038 despite current sanctions on Russia.

Despite no LNG infrastructure development being announced, these long-term contracts indicate that Naturgy has no ambition to exit gas in the next decade.

Sustainable development targets: a lack of long-term vision

Naturgy's current strategic plan extends to 2025: the company committed to investing €14 billion over the 2021-2025 period, with approximately two-thirds allocated to enhancing renewable energy generation. This initiative aims to increase the company's renewable generation capacity

from around 5 GW to over 14 GW by December 2025. For the 2025-2027 period, it has set a target to expand renewable operating capacity by more than 30%, aiming to reach 9.5 GW globally by the end of 2027. The company currently has over 1.6 GW of renewable energy projects under construction.

Naturgy has expressed a commitment to achieving net-zero emissions by 2050 but any information on its capacity and energy mix beyond 2027 are not explicitly outlined in publicly available sources. The lack of renewables capacity goals, combined with a lack of gas phase-out targets, makes it impossible to understand how Naturgy aims to achieve its net zero ambition.

3. Capex allocation

Naturgy's capital expenditure (CAPEX) strategy encompasses both maintenance of existing assets and investments in new assets, with a focus on renewable energy and distribution networks.

In 2024, Naturgy's total CAPEX amounted to €2.3 billion. This included:

- Maintenance CAPEX: €0.9 billion (39% of total CAPEX).
- Growth CAPEX: €1.4 billion (61% of total CAPEX), allocated as follows:
 - Networks Development (both gas and electricity): €0.35 billion, with €0.2 billion invested in Spain.
 - Renewable Energy Projects: €1.1 billion directed towards renewable energy initiatives.

Naturgy's Strategic Plan for 2025-2027 outlines a total investment of €6.4 billion, with the following breakdown:

- Distribution networks (both gas and electricity): €3.3 billion
- Renewables generation: €1.2 billion
- Renewable gases: €0.8 billion

The CAPEX allocation for 2025-2027 is thus largely based on networks (50%). Naturgy does not disclose to which activities will be dedicated the remaining €1.1 billion. It can be assumed that a share would go to thermal generation, but this information is not available.

Besides, no breakdown per technology is provided for renewable investments (neither the forms of generation which are considered renewable).

Approximately 75% of the total investment is earmarked for projects within Spain.

4. Climate planning: strategy and governance

In terms of climate change action, Naturgy aims to: increase its renewable power generation capacity to approximately 50% of its total installed capacity by 2025; foster electric and gas mobility to improve air quality in urban areas; provide energy services that help customers save on bills as well as reducing their carbon footprint; and engage in reducing leaks in gas networks by replacing materials and implementing technological and operational enhancements.

From a governance point of view, Naturgy has established a Sustainability Committee responsible for monitoring and supervising the company's role in the energy transition. Nevertheless, without any real accountability measures with transparent KPI for its board and managers, this committee does not ensure that the claimed targets will be met, underlining the weak governance implication for its climate neutrality goals.

5. Transparency

Naturgy did not answer the questionnaire sent regarding its transition plan. We were invited to read annual and sustainability reports but the information these refer to is insufficient to complete the KPIs table. Besides, Naturgy's climate strategy does not provide mid- and long-term (beyond 2027) renewables targets (neither in percentage or absolute terms). It also does not mention objectives on fossil fuel assets nor have any clear disclosure strategy on how to reach net zero by 2050. Additionally, its CAPEX is not broken down by technology.

All these elements lead us to consider that both Naturgy's transition plan and its transparency are clearly insufficient.