

Madison Gas & Electric Company: Scope 3 Targets

Whereas:

Energy utility companies play a critical role in achieving the Paris Climate Agreement goals. Electricity production accounts for 25 percent of total U.S. GHG emissions, while the burning of gas in residential and commercial buildings for heat and appliances accounts for 13 percent of emissions.¹ Many utilities' current climate targets are grossly insufficient as they leave a major portion of their emissions unaccounted for, namely scope 3 emissions associated with the upstream production of gas and the downstream burning of gas by customers.

Reducing the GHG footprint of buildings is critical to achieving the Paris Agreement goals.² Currently, over 60 percent of homes use gas or other fossil fuels for heating. The IEA net zero scenario calls for 95 percent reduction of CO2 emissions from the buildings sector.³ Cities and states are starting to mandate transition to all-electric buildings, posing both a risk to gas distribution businesses and an opportunity for electricity demand growth.⁴ Proposed federal legislation includes investment tax credits for geothermal and heat pumps⁵ and rebates for high-efficiency electric homes.⁶

Additionally, addressing upstream emissions from the production and transport of natural gas is imperative to reduce climate risk. Production-stage methane emissions is projected to add an additional 16-65 percent global warming potential to the combustion carbon dioxide emissions.⁷ Furthermore, publicly available data might be substantially underestimating the supply chain emissions from natural gas. Research found that these emissions were 60 percent higher than EPA inventory estimates.⁸

Investors such as the Climate Action 100 coalition are asking companies for robust net zero targets that encompass the most relevant upstream and downstream scope 3 emissions.⁹ Madison Gas & Electric Company (MGE) has committed to be net-zero carbon electricity by 2050 but has not publicly disclosed greenhouse gas emissions or set reduction targets for their natural gas distribution business.¹⁰ Scope 3 emissions from upstream methane leakage and downstream customer burning of gas could comprise more than 50% of their total carbon footprint.

Peer utilities are starting to address scope 3 emissions. PSEG and NRG have committed to setting a net zero target through the Science-Based Targets Initiative, which mandates inclusion of all value chain

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

² <https://rmi.org/insight/the-impact-of-fossil-fuels-in-buildings/>

³ https://iea.blob.core.windows.net/assets/deebef5d-0c34-4539-9d0c-10b13d840027/NetZeroBy2050-ARoadmapfortheGlobalEnergySector_CORR.pdf, p.145

⁴ <https://www.wsj.com/articles/battle-brems-over-banning-natural-gas-to-homes-11622334674>

⁵ https://www.wsj.com/articles/gas-furnace-heat-pump-11620846653?mod=article_inline

⁶ <https://www.ase.org/blog/theres-hope-our-homes-congress-build-back-better-legislation>

⁷ <https://iopscience.iop.org/article/10.1088/1748-9326/abef33>

⁸ <https://www.science.org/doi/full/10.1126/science.aar7204>

⁹ <https://www.climateaction100.org/wp-content/uploads/2021/03/Climate-Action-100-Benchmark-Indicators-FINAL-3.12.pdf>

¹⁰ <https://www.mge.com/our-environment/environmental-stewardship/environmental-and-sustainability-report>

emissions.¹¹ Sempra and Xcel have also set net zero targets that cover Scope 3 value chain emissions.^{12,13}

Resolved: Shareholders request that MGE produce a report, at reasonable expense and excluding confidential information, prior to the 2023 annual shareholder meeting, with annual progress reports thereafter, that discloses how the company will reduce all material categories of scope 3 emissions, related to emissions upstream and downstream, aligned with the goals of the Paris Agreement of limiting global warming to well-below 2°C with the ambition to limit to 1.5°C. The report should include short-, medium- and long-term targets and strategies on how to achieve them.

¹¹ <https://nj.pseg.com/NewsRoom/NewsRelease254>

¹² https://www.sempra.com/sites/default/files/content/files/node-report/2020/SempraEnergy_2020_Corporate-Sustainability-Report.pdf

¹³ <https://mn.my.xcelenergy.com/s/about/newsroom/press-release/xcel-energy-commits-to-net-zero-carbon-goal-by-2050-MCZE7IKJSPUBEI5K3MZ5D3AZ74UQ>