Introduction:

Ørsted is ranked the most sustainable company in the world in the Corporate Knights 2020 Global 100 index of most sustainable corporations. Over the past decade, Ørsted has undertaken one of the most ambitious green transformations in the global energy industry, guided by the company’s vision of creating a world that runs entirely on green energy. Ørsted is on track to become carbon neutral in energy generation and operations by 2025, when it will generate energy almost exclusively from renewable sources. The company has an approved science-based target of reducing carbon-intensity of energy generation by 98% in 2025, from a 2006 baseline. To further strengthen the decarbonization, Ørsted announced in 2019 to phase out fossil fuel vehicles and make the company car fleet 100% electric by 2025. The company aims to reach net-zero emissions across its carbon footprint (scope 3) by 2040.

Ørsted’s commitment to transition to a fleet of 100% electric vehicles by 2025 was decided by Executive Committee in June 2019 and announced in connection with the company’s half-year results on 8 August 2019.

The initiative is part of Ørsted’s Sustainability Programme for ‘Decarbonisation of energy generation and operations.

Description of the initiative

Ørsted is ramping up efforts to decarbonise its value chain, including carbon emissions arising from employees’ work-related travel emissions. This includes air travel and road transportation. As such, the commitment to electrify Ørsted’s vehicle fleet by 2025 is a natural fit with the company’s core business of developing and operating renewable energy assets.

Ørsted has around 340 company cars, pool cars and specialist vehicles of which 21% are EVs (as of 31 July 2019).

Regarding charging infrastructure, Ørsted has 31 locations relevant for charging stations. Back in 2012, the company installed EV charging stations at its headquarters in Denmark and has increased the number of charging units continuously to match demand. Today, 8 locations have installed EV charging stations, starting with the largest office locations, which means that 75% of employees currently have access to charging. Additionally, new built facilities will include appropriate chargers for electric cars, scooters and bikes as standard.

“We’ve made great strides in switching power generation to green energy, and the next big challenge will be the transport sector, which at the moment is predominantly based on fossil fuels. Fortunately, big technological advances are being made, making electric vehicles competitive. That is why we’ve decided that, from 2021, we’ll only buy and lease electric vehicles, and that our entire fleet will be electric by 2025,” says Jakob Askou Bøss, Senior Vice President for Strategy and Communication at Ørsted.
Challenges/ barriers:

At some locations, especially where Ørsted employees live in apartments, they don’t have access to public charging facilities. That makes them reluctant to replace their private car or company car with an EV, even though their employer has installed charging stations at parking lots at work. Furthermore, several Ørsted offices do not own their parking lot but share with other companies, with the parking lot owned by a third party.

9 of the 31 locations relevant for charging stations are power-plant facilities in Denmark. Here, Ørsted faces a challenge posed by the Danish tax regime, which does not allow a power-plant facility to charge staff cars directly even though plenty of power is available and specialist vehicles are already charged on site. The company is investigating how to establish a setup so charging can be made possible and plans a pilot project at one power plant during 2020.

The EV market is expanding and new EV models from popular car manufacturers enter the market continuously, making the transition of passenger cars feasible in economic terms. Ørsted’s EV target includes specialist vehicles such as dozers, wheel loaders, tractors and other heavy-duty vehicles but the development and supply of electric alternatives are still quite immature and short-term challenges to making the transition to EVs are expected. Furthermore, many of these vehicles are owned and fully depreciated, so the business case for transitioning these vehicles to EVs is not as straightforward as for vehicles with a short-term leasing contract expiry date.

Approach:

Responsibilities within organization and sharing of responsibilities with external stakeholders

Analysing options in each market and implementation is taken care of in each business unit for operational fleet of vehicles, and for company cars in the central organisation, by a central fleet advisor. The budgets for new EVs are also managed in each business unit. A central project manager coordinates the work and ensures sharing of knowledge.

Implementation timeline

The target announced in 2019 will be achieved during the years 2020-2025.

Business models

For specialist vehicles Ørsted has developed a simple tool to calculate how much CO2 is saved per vehicle when switching from fossil fuel to electricity. This enables Ørsted to rank where it gets the most value for money in terms of CO2 savings. As some specialist vehicles are driven only inside a plant and not every day, the CO2 savings are potentially minor compared to a company car driving 40,000km a year. The company will use the tool to set a roadmap and determine which types of specialist vehicles to start transitioning to EVs.

For company cars, Ørsted has strengthened its global company car policy in 2019. The policy implies a removal of high-emission vehicles from the catalogue and introduction of a cap on the amount of carbon emissions that may be emitted by fossil-fuel vehicles. Furthermore, the new policy has high incentives for purchase of electric and hybrid vehicles that emit zero or low carbon emissions. Ørsted currently provides an incentive of 24% reduction on total cost of ownership of EVs, which stands out as the highest among
members in the Danish Electric Vehicle Alliance, the industry organisation for Danish companies with commercial interest in the introduction of electric cars in Denmark.

Ownership structures

All Ørsted company cars are leased for periods of 3 to 4 years. Specialist vehicles are a mix of owned and leased assets, and as electric technology is still immature for these types of vehicles, the company will lease these vehicles going forward as far as possible.

Outcomes:

GHG emissions reduced / projected etc.

For company cars and pool cars, transitioning to EVs will enable Ørsted to avoid approx. 1,000 tonnes of CO2 per year. The avoided CO2 for specialist vehicles is not calculated yet.

Branding and company positioning – including reporting

Ørsted’s membership of EV100 with the commitment to electrify its vehicle fleet by 2025 is a natural fit with the company’s aim to become carbon neutral in energy generation and operations by 2025.

The company’s vision is a world that runs entirely on green energy, and it wants to help speed up green action globally and transform the world’s energy systems. From 2019 and onwards, Ørsted reports the share of electric vehicles as one of its sustainability targets in Ørsted’s ESG Performance report, and it has been reviewed by our auditor.

Key Learnings:

Within the organization

Employees embrace Ørsted’s EV commitment and are beginning to consider switching to EVs for private use, as charging stations are available at their work place.

With prospective companies looking to adopt a similar use case

Two months after announcement of its EV100 commitment, Ørsted hosted an event at its headquarters north of Copenhagen where it invited several car manufactures to display and explain benefits of their EV models, providing employees the opportunity to test drive these cars.

With the value chain

In recent tenders to taxi and rental car companies, Ørsted has demanded green alternatives to further accelerate the transition to green mobility in the company value chain.

Next steps:

Ørsted is producing a roadmap for the EV transition for each category of vehicles and business units.

The company will continue working with car sharing companies like Green Mobility and DriveNow to increase the number of shared EVs for employees at locations where relevant, helping substitute trips that would otherwise have been made by fossil-fuel vehicles.