

Oslo, March 3, 2025

Scatec ASA project summary - Climate-related risks and opportunity assessment

In 2024 Deloitte supported Scatec in updating its climate-related risk and opportunity assessment to be in line with EU's Corporate Sustainability Reporting Directive (CSRD) and associated reporting requirements. Deloitte has provided advisory services in this project and please see the auditor's report in Scatec's 2024 annual report for CSRD-related assurance.

The process involved several steps, various people from the Scatec organization and consultants from Deloitte.

Regulatory Mapping and Gap Assessment

The project started with a regulatory mapping and gap analysis to assess gaps between the previously conducted climate-related risk and opportunity assessment, and the CSRD reporting requirements (European Sustainability Reporting Standards (ESRS)). This included updating the scenarios used in previous assessments, going through previously identified risks and opportunities and aggregated them to a suitable level. For the updated risk assessment, a "hot house" and a "net zero" scenario was used to align with the ESRS E1 requirements and industry standards.

Impact estimation of risks and opportunities

The next step comprised an evaluation of physical risks, transition risks and opportunities. The identified risks and opportunities evaluated were based on previous risk and opportunity assessments, and risks and opportunities identified in the Double Materiality Assessment (DMA). The risks and opportunities were discussed in a workshop with attendees from Executive Management Team (EMT), Risk Management, Sustainability, Supply Chain, Operation & Maintenance (O&M), Asset Management and Finance, Compliance, Business Development, and Engineering and Technology. Here, scenario trajectories, potential impact and local experience were examined for each of the risks and opportunities. The physical risks were assessed in a hot house scenario where high temperatures and an increase of extreme weather events are expected. The transition risks and opportunities were assessed in a net zero scenario which aligns with the ambitions of the Paris agreement and is associated with increasingly stringent regulations and policies. Each attendee in the workshop rated the financial impact of all risks and opportunities over three time horizons: short (2025), - medium (2030), - and long-term (2050). The financial impact estimations were based on a scale from 1-5 using proxy values. The financial impact was estimated excluding already implemented or planned mitigating actions, such as insurance or similar measures.

Validation of results

After the workshop the results were summarized, analyzed, and sent out to the participants for validation. Another workshop was held to discuss and adjust the results. The financial impacts were adjusted, and further implications and mitigating measures were discussed. Attendees present represented the same departments as the previous workshop.

Resilience Analysis

As a part of meeting the ESRS reporting requirements, we supported Scatec in assessing the resilience of Scatec's strategy and business model in relation to climate change. This involved a discussion of which mitigating measures are in place and how Scatec is ready to adapt in the two scenarios used.

Results of the project

Scatec faces physical risks from extreme weather, including flooding, storms, heat waves, and droughts, which can damage infrastructure and disrupt operations. Mitigation includes improved infrastructure, early warning systems, and monitoring weather conditions. Financial risks are expected to rise steadily over the period until 2050. Transition opportunities stem from growing demand for renewable energy and technological advancements, while risks include resource competition, supply chain issues, and higher costs from carbon pricing and regulations. In total Scatec presents a strong strategic and operational resilience due to the position in the renewable energy industry. While the transition to a low-carbon economy presents challenges, it will require fewer adjustments for Scatec compared to companies operating in other industries. In this scenario it is expected that financial opportunities would outweigh the financial risks. Scatec is aware of the risks and opportunities ahead and is committed to actively mitigating and continuously capitalize on them. The results are implemented into risk management and strategy processes. A more detailed overview of the risk and opportunity assessment and resilience analysis can be found in the Annual Integrated Report 2024.

Going forward

Climate-related risks and opportunities will become increasingly important, so it's crucial for Scatec to continue prioritizing and developing them. Financial estimations of these risks are required under current CSRD/ESRS regulations and enhancing certainty and granularity over time would be beneficial. However, these requirements may change with the Omnibus 1 proposal. Given Scatec's global presence across four continents, risks and opportunities will vary by site. We recommend conducting more country- and site-specific assessments and integrating climate risks into regular risk reviews to keep the EMT informed.

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