

### RWE stretches to the limit by agreeing to coal phase-out proposal

- **Far disproportionate shutdown of power plant capacity in the Rhenish lignite area will lead to massive staff reduction / Federal Government committed to reduce staff in socially acceptable way**
- **Proposed compensation does not fully cover RWE's burdens**
- **Agreement should provide planning security for employees, the company and the region**
- **Compromise is subject to a written cornerstone agreement with the Federal Government**

Essen, 16 January 2020

#### **Dr. Rolf Martin Schmitz, CEO of RWE AG**

“RWE stretches to the limits of what is possible. We will have to take significantly more power plant capacity off the grid in much less time than we originally expected. And we will bear the majority of the burden the German government demands for the coal phase-out. We were well aware that a consensus solution was needed in order to contribute to solve a social and political conflict, to achieve the climate protection goals and, last but not least, to regain planning security for our company. The consequences for our employees and our company are tremendous. But this is the price we will have to pay to enable a solution where the recommendations of the Commission for Growth, Structural Change and Employment set up by the Federal Government can be implemented.”

The German government today presented the “Federal/State Agreement on Coal Exit”. Among other points, it contains a decommissioning path to end lignite-based power generation by 2038. The solution outlined, on which a written agreement is to be concluded with the companies in the short term, will place a burden on RWE that exceeds far beyond the original expectations. By 2030, in addition to the safety reserve (“Sicherheitsbereitschaft”) already implemented, some 5 gigawatts (GW) of power plant capacity is to be decommissioned. Including the safety reserve, this totals two thirds of the original power plant capacity.

#### **Consequences for power plants**

RWE will bear the capacity reduction required by the Commission until 2023 almost entirely on its own. The exit path envisages that the first 300 megawatt unit will be taken off the grid this year. Another three 300 MW units will follow in 2021, and RWE will then shut down another 300 MW unit and two 600 MW units in 2022. This will mainly affect the Neurath and Niederaussem sites; at the Weisweiler site, one 300 MW unit will be taken off the grid. Briquetting at the Frechen site will also be discontinued in 2022.

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The second step up to 2030 also envisages a further significant reduction in capacity for RWE. A 300-MW unit in Weisweiler will be decommissioned as early as 2025. The two 600-MW units at this site will follow in 2028 and 2029, which means that the Inden opencast mine, which supplies coal exclusively to the power plant, will end operations around five years earlier than originally planned. At the end of 2029, RWE will also shut down another power plant unit with a capacity of 600 MW. The company's last 600 MW unit will be transferred to a safety reserve for four years from 1 January 2030. This means that from this date, RWE will only have the three youngest and most modern lignite-fired units in the 1,000 megawatt class (BoA 1, 2&3) producing electricity in the market. They will run until the end of 2038.

## **Consequences for opencast mines**

The closures also have considerable consequences for open-cast mines. More than 1.1 billion tonnes of coal reserves approved for mining - more than half of the approved volume - remain in the ground. RWE thus complies with the wish of the Commission and politicians to preserve the Hambach forest. The North Rhine-Westphalian state government had also strongly advocated for this. A fundamentally new open-cast mine planning as well as a completely revised professional recultivation process is needed to meet these requirements. In agreement with the state government of North Rhine-Westphalia, RWE will initiate the necessary steps to this end. The Hambach opencast mine must thus end operations prematurely.

This means that from 2030 onwards, only the Garzweiler opencast mine will be available to supply the remaining RWE power plants and refining facilities with fuel until the end of coal-fired power generation. In the Federal/State Agreement, the energy-economic necessity of the Garzweiler opencast mine for the purpose of energy supply security was defined within the limits of the leading decision from 2016, including the 3rd resettlement section in the Coal Exit Act. The coal among the affected villages will be needed as early as 2024. As recommended by the Commission, the resettlements will pay special attention to the social needs of the affected citizens and at the same time take the best possible account of the needs of the opencast mining communities.

## **Consequences for employees**

The drastic reduction in capacity, which will begin at a very early stage, will lead to significant staff reductions at RWE. The company anticipates that more than 3,000 jobs will be cut in the short term; by 2030, the total will be about 6,000. This will reduce the total number of employees in the lignite system by over 60 percent in just 10 years. Rolf Martin Schmitz explains: "This shows the full extent to which RWE and its employees will be affected by this exit. We want this to happen in a socially acceptable manner so that no one falls into the abyss. RWE appreciates that the German government, in line with the Commission's recommendation, also wants to accompany a socially acceptable staff reduction by a law for adjustment allowance ("Anpassungsgeld") as well as compensation for pension disadvantages that may arise in statutory pension. It is good that the trade unions together with the German government have found a sound solution here. For RWE's employees it will nevertheless be small consolation."

## **Compensation**

RWE will be considerably burdened by the coal phase-out. In its report, the Commission had recommended appropriate compensation. The German government has assured a compensation of €2.6 billion for the company, to be paid over the next 15 years. However, this amount is significantly lower than the actual financial damage of about €3.5 billion that RWE will suffer. The mining provisions will have to be increased by about €2 billion in the short term. On the one hand, this is due to the lignite exit, which has been brought forward significantly

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compared with previous planning, leading to different payout profiles. On the other hand, the preservation of the Hambach forest and the associated, more complex new open-cast mine planning will have an impact here. RWE anticipates special write-downs on power plants and opencast mines in the order of €500 million. Some €350 million will have to be set aside for personnel measures, which will be borne by the company. In addition, conversion expenses of some €650 million will be incurred. These technical measures are necessary to enable the changed operation of power plants and opencast mines. Profits lost as a result of the premature shutdowns are not included in the total amount. Markus Krebber, CFO of RWE AG, emphasizes: "RWE is suffering considerable financial losses. In the end, however, we will have to weigh up the hard conditions imposed by the German government and the great uncertainty that will arise for us and our employees without an agreement". Rolf Martin Schmitz emphasizes: "The long discussion was an enormous emotional burden, especially for our staff. They rightly expect that reliability has now been achieved. After all, reliability is essential if they are to be able to do their responsible work for a secure electricity supply with all their might. It is an imperative of fairness and respect that all those involved - politics, society and the company - work together to ensure that the solution that has now been achieved will last in the long term."

For RWE, the solution presented today is subject to a corresponding written agreement with the German Federal Government, the necessary approval of the company's executive bodies and the approval of the EU Commission under state aid law. RWE is counting on the legislative procedures for the coal phase-out and the adjustment payment to reflect the compromise that has been reached with great difficulty. At the same time, it is imperative for RWE that the agreements will be laid down in a public-law contract with the German government.

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## RWE AG

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