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Proposal to General Electric (NYSE: GE) seeks disclosure around asset resilience to a net zero pathway

General Electric (GE) has failed to respond to investor demands to align corporate strategy with the Paris Agreement and net zero emissions by 2050, undermining the company's commitments to these climate goals. Instead, GE continues to pursue plans for new gas and liquefied natural gas (LNG) to power assets, contrary to the gas demand modelling in reputable net zero by 2050 scenarios.

Given the upcoming spinoff of its power business, GE's proposed LNG buildout could damage the financial position and reputation of "GE Vernova" and other GE businesses, as well as the net zero emissions commitments of investors in these businesses. This misalignment and ensuing risk make it imperative that GE provide additional disclosure, already provided by peer companies, to inform investors of the resilience of GE's energy-related assets in a credible net zero by 2050 pathway. **Pre-spin-off 10-K disclosures are unlikely to contain the level of information needed for investors to assess the viability of GE's plans**, despite the company's [claims](#) to the contrary.

Key Points

- This proposal seeks information investors **require to assess GE's plans prior to the GE Vernova spinoff** as GE's gas strategy is misaligned with its own net zero by 2050 commitment, doubling down on gas power contrary to the gas demand modelling provided by the widely-referenced International Energy Agency (IEA) Net Zero Emissions by 2050 scenario ([NZE](#)).
- This misalignment presents financial risk for the company and its investors, and sees GE placing too much faith on unproven technologies and missing out on wind power opportunities, with gas acting as a barrier to renewable penetration in emerging markets.
- GE's current disclosure is contrary to stated investor expectations and lags behind its peers' disclosure.
- Shareholders voting for this proposal **would provide a clear signal to GE** that they require information related to asset resilience to a net zero emissions by 2050 pathway, and would ensure that GE will provide this information through disclosure related to GE Vernova.

At the [upcoming](#) GE AGM on 3 May 2023, investors are urged to vote **FOR** Shareholder Proposal No. 4 – Assess Energy-Related Asset Resilience (No. 8 on Definitive Proxy Solicitation Materials).

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NOTE: All dollar figures in USD unless otherwise stated.

GE's new gas plans misaligned with net zero scenarios

GE's significant planned build out of new gas power projects is based on an unrealistically optimistic demand projection, which is incompatible with global climate goals.

On top of GE's existing portfolio of 7,000 gas turbines, the company is [planning](#) at least 25 gigawatts (GW) of new LNG to power projects in Bangladesh and Vietnam. **These projects are intended to operate beyond 2050, well after GE and the rest of the world have committed to achieve net zero emissions.** GE "[continue\[s\] to plan for a gas turbine market of 25 to 30 gigawatts annually](#)" and anticipates gas power equipment sales and services as a key driver for its power business.

If built, GE's proposed LNG to power projects in Bangladesh's Chattogram region alone would add approximately [430 million tonnes of carbon dioxide equivalent](#) (CO₂-e) to the atmosphere throughout the plants' operational lives. **That's more than the [annual fossil emissions](#) of France, Italy or the United Kingdom.**

GE's plans and business outlook for gas power fly in the face of the company's own commitments, as well as the IEA's NZE, where gas demand is expected to decline significantly.

The NZE is conservative, as it aims for just a 50% chance of limiting global warming to 1.5°C and relies heavily on unproven low emissions fuels and negative emissions technology. Despite these bullish assumptions, the IEA concludes:

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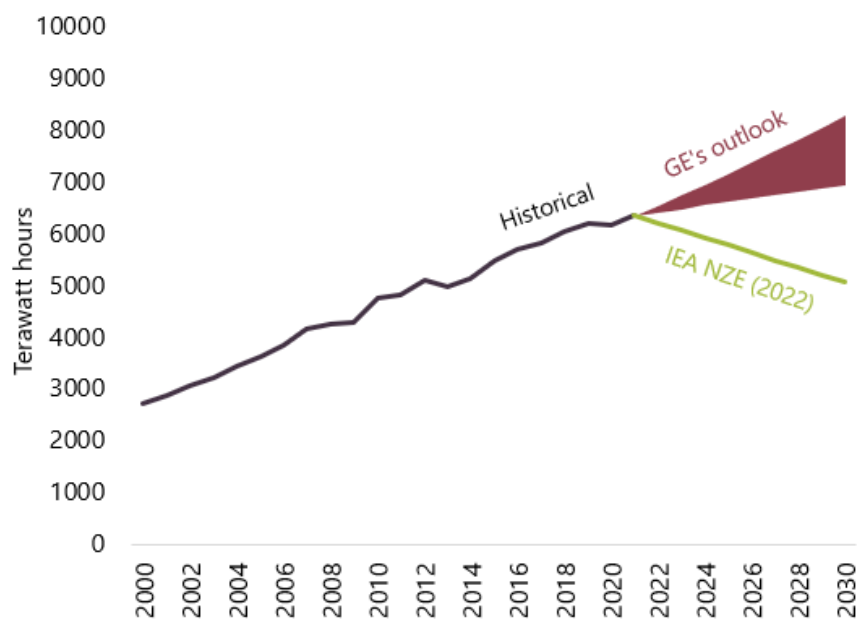
In this updated NZE Scenario, natural gas-fired generation peaks by 2025 before starting a long-term decline.” [IEA. World Energy Outlook 2022](#)

The latest NZE scenario in the [2022 World Energy Outlook](#) also notes:

- In 2040, the unabated use of natural gas is 97% lower than it was in 2021, while renewables ramp up 500%.
- Gas power in electricity production must decline at 12% on average every year from 2021 to 2040, even including capacity fitted with carbon capture and storage.
- Battery capacity surpasses natural gas-fired capacity as the principal source of power system flexibility in many markets by 2035.

In contrast to NZE, GE [expects](#) “the gas market to remain stable over the next decade with gas generation continuing to grow low-single-digits.” In reality, the global gas generation only [increased 1%](#) between 2020 and 2021, and [declined](#) 1% in the first half of 2022 as increased electricity demand was met from renewables.

Global gas power generation - Historical, IEA NZE and GE outlook



“GE’s outlook” is an estimate based on the company’s stated expectation of “low-single-digits” growth in gas generation over the next decade, which we have interpreted as 1-3% per annum. Source: [Ember](#), [IEA](#), [GE](#)

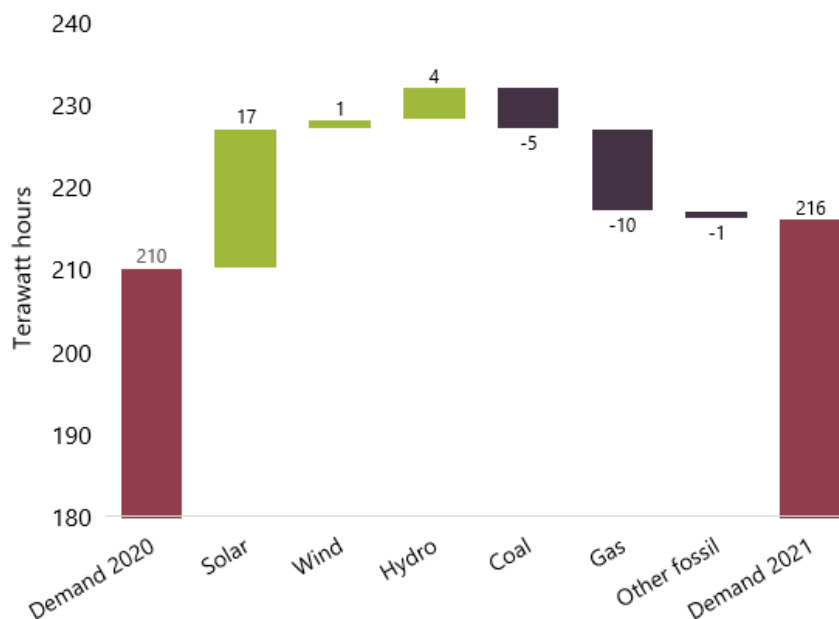
GE’s new gas plans pose unacceptable financial risk

GE is betting shareholder capital on its significant new [gas plans](#), apparently disregarding the financial risks posed by a Paris-aligned energy transition and ongoing demand destruction due to volatile LNG prices.

GE’s plans are financially risky for the following reasons:

- The [global energy crisis](#) triggered by the Russian invasion of Ukraine has seen **fossil fuel prices skyrocket**. While GE [believes](#) “gas will play a critical role in the energy transition,” the recent price volatility has [highlighted](#) the major risks associated with a reliance on fossil fuels for power generation, leading to [analyst predictions](#) of long term gas demand destruction.
- GE’s push into key markets such as Bangladesh and Vietnam is misguided. **Bangladesh is [struggling to afford expensive LNG imports](#) and fossil gas is fast being replaced with [competitive renewable power](#) in Vietnam**. Even before the global energy crisis, Bangladesh was struggling to import LNG due to [high prices](#) and [supply disruptions](#). Bangladesh’s [LNG imports fell 14% in 2022](#) from the previous year, and spot market LNG purchases [stopped completely](#) through the second half of 2022 due to record price hikes. In Vietnam, renewable power saw unprecedented growth, with solar power generation shooting up by [337% in 2021](#), driving down both coal and gas in energy generation.

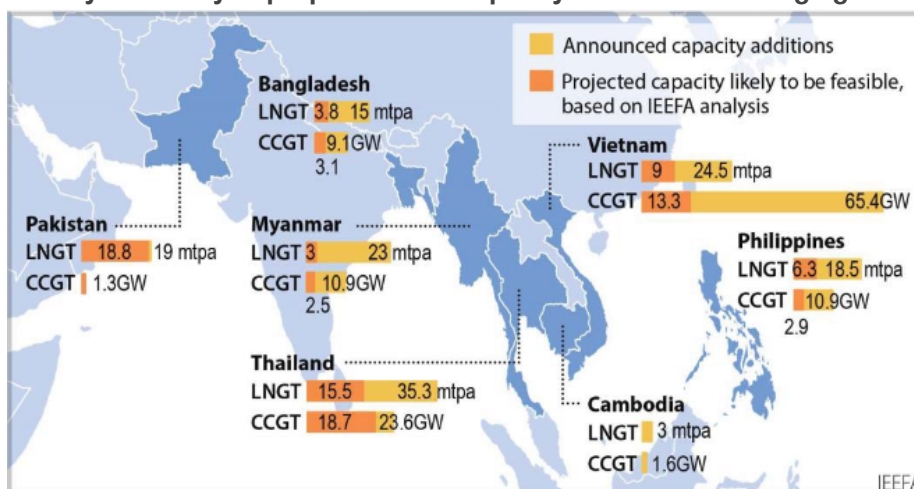
Change in Vietnam's power generation by source, 2020-2021



Source: [Ember](#)

- Lower utilisation rates, phase outs and cancellations of fossil gas and LNG assets may result in losses to GE's long term equipment and services revenues, and also risk **GE-owned gas power assets becoming stranded. This risk is exacerbated by today's high gas prices, elevating sovereign risk in emerging markets, with cancellations in the construction phase and potentially large write-downs on GE's balance sheet becoming more likely.**
- According to the Institute for Energy Economics and Financial Analysis (IEEFA), 66% of Bangladesh's and 80% of Vietnam's proposed gas power capacity is [unlikely to be built](#). This is already being brought to bear with a 3.6GW LNG to power project [cancelled](#) in 2022 on the grounds of high LNG prices.

Likely feasibility of proposed LNG capacity additions in emerging Asia



IEEFA, [Examining Cracks in Emerging Asia's LNG-to-Power Value Chain](#)

- Such value destruction would not be a first for GE. Its ill-fated acquisition of French company Alstom's gas power and grid assets in 2015 eventually resulted in a **US\$22 billion goodwill impairment** three years later and coincided with a precipitous decline in the company's share price.
- **GE is paving a risky pathway for GE Vernova by relying on unproven technologies like hydrogen and carbon capture and sequestration (CCS).** GE [claims](#) emission reductions and transition risk of its fossil gas assets can be managed through retrofitting turbines with hydrogen and deploying CCS, however:
 - **Hydrogen-fuelled power is unlikely to be economically competitive.** [Analysis](#) of the Japanese power sector by TransitionZero has shown the levelised cost of energy from just 20% ammonia (hydrogen) co-firing in coal plants would be significantly more expensive than renewables with battery storage, which serves the same dispatchable power role as hydrogen. This lack of competitiveness is reflected in the share of power assumed to be generated by hydrogen and ammonia in [NZE](#) - a mere 2% in 2050, compared to 21% for gas power today.
 - With CCS, there are currently no gas power projects where this technology has been proven [economical and efficient](#). [Analysis](#) of existing carbon capture projects for power generation suggests "investors should know that these [proposed] projects will likely face financial and technical difficulties that will put them in trouble."

With [renewable energy tariffs getting cheaper and outcompeting gas](#), GE and GE Vernova spin off faces financial risk from its plans for expensive and volatile fossil gas projects - not just through its equity ownership, but also through gas turbine supply and servicing earnings. Yet GE fails to disclose adequate information for investors to properly assess the company's transition risk exposure and management practices.

GE does not currently disclose any assessment of the financial risks associated with GE Vernova's fossil gas assets and plans.

GE's practices and disclosure falling foul of investor expectations

Numerous investor initiatives and specific investor demands have called on GE to disclose Paris-aligned business strategy, capital expenditure (capex) and emissions plans and targets.

In 2021, 98% of GE's shareholders voted in [favour of](#) a proposal requesting disclosure regarding GE's plans to achieve net zero greenhouse gas (GHG) emissions across its businesses and products by 2050 in




alignment with the Paris Climate Agreement’s 1.5°C goal. **Despite the overwhelming support from shareholders, GE has not meaningfully responded.**

The [“Assess Energy-Related Asset Resilience” resolution \(Shareholder Proposal No. 4\)](#) at this year’s AGM is consistent with the demands and expectations set by many investor initiatives, including:

- [Climate Action 100+’s demand](#) that target companies will commit to “comprehensive business strategies that fully align with the goals of the Paris Agreement and reaching net-zero emissions by 2050 or sooner.”
- [IGCC sector strategy for power companies](#), which is aligned with the IEA Net Zero by 2050 Scenario calls on companies to not only set emissions targets (including Scope 3), but also “align their capital investment plans to a 1.5°C pathway.”
- The [Net Zero Asset Managers initiative](#), which has seen investors with US\$59 trillion in assets under management commit to “supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to supporting investing aligned with net zero emissions by 2050 or sooner.”

[Climate Action 100+](#) finds GE’s decarbonisation strategy and capital alignment do not meet its criteria. Carbon Tracker and the Climate Accounting and Audit Project’s [analysis](#) of highly carbon-exposed companies finds GE to be completely lacking in reporting material climate-related matters in its financial statements.

Selected assessments of GE by Climate Action 100+

| | |
|--|---|
| <p>Capital Alignment</p> <ul style="list-style-type: none"> • <i>The company is working to decarbonise its capital expenditures</i> • <i>Discloses the methodology used to determine the Paris alignment of its future capital expenditures</i> |  |
| <p>Climate Accounting and Audit</p> <ul style="list-style-type: none"> • <i>The audited financial statements and notes thereto incorporate material climate-related matters.</i> • <i>The audit report demonstrates that the auditor considered the effects of material climate-related matters in its audit.</i> • <i>The audited financial statements and notes thereto incorporate the material impacts of the global drive to net zero greenhouse gas (GHG) emissions by 2050 (or sooner), (...) equivalent to achieving the Paris Agreement goal of limiting global warming to no more than 1.5°C.</i> |  |
| <p>TCFD Disclosure</p> <ul style="list-style-type: none"> • <i>The company employs climate-scenario planning to test its strategic and operational resilience.</i> |  |

Pressure to [decarbonise](#) is also mounting from the US government, where the Biden administration has committed to a carbon-free electricity grid by 2035. According to the [U.S. Energy Information](#)

[Administration \(EIA\)](#), more than half of new electricity generation in 2023 will come from solar, while their [latest forecasts](#) show US natural gas power capacity has already peaked.

GE [acknowledges](#) the impact of the shifting trends in global energy like “decarbonization, [...] prohibitions on financing for fossil fuel-based projects or technologies,” but does not give any indication of the potential financial impacts of these material risks.

GE's lack of disclosure in these areas means investors have no way of properly assessing the resilience of the company's gas business under an energy transition pathway that aligns with the company's own commitments to support the Paris Agreement and reach net zero emissions by 2050.

GE's disclosures are out of line with peers

GE's climate-related disclosure is also falling behind large global energy companies, as shown in the table below.

GE's disclosures fall short of large global energy companies

| Disclosure element | GE's disclosure | Peer disclosure |
|-----------------------|---|--|
| Capital expenditures | <p>GE does not disclose the breakdown of capex being allocated to gas and renewables in its power business.</p> <p>GE has also not provided information on how its capital allocation plans would be affected by the application of a 1.5°C scenario.</p> | <p>Major turbine producer Mitsubishi Heavy Industries (MHI) discloses capex and investment plans of up to 2 trillion yen by 2030 to meet its commitment to be net zero by 2040.</p> <p>Siemens Energy discloses last-period capex allocated to EU Taxonomy-eligible activities (largely renewables).</p> <p>Enel discloses historical capex dedicated to low-carbon products, services and technologies.</p> <p>Enel also provides capital allocation targets by technology type and phase-out targets for coal and gas assets.</p> <p>BP provides a target for capital allocation to transition-related industries to 2030.</p> |
| Potential impairments | <p>GE does not disclose how carrying values (and hence impairments) would be impacted by a 1.5°C-aligned scenario.</p> <p>GE's latest reporting includes 'energy transition' as a key strategic risk, but only describes financial risk in broad terms.</p> | <p>Shell discloses a sensitivity analysis for the carrying values of its gas assets using a range of price scenarios, including IEA NZE.</p> <p>Eni discloses the potential impact of climate-related risks and opportunities on the organization's financial position in terms of fair value of assets.</p> |

Investor action required

In the face of accelerating policy, market and investor commitments towards achieving net zero emissions by 2050, '[Shareholder Proposal No. 4 – Assess Energy-Related Asset Resilience](#)' seeks to avoid the financial shocks of stranded assets, wasted capital and unpredictable revenues ahead of the GE Vernova spin-off in 2024. **The proposal is also intended to ensure GE Vernova's investors can make informed decisions on the resilience of GE's energy-related assets in a credible net zero by 2050 pathway.**

Despite the company's [claims](#) that pre-spin-off materials will address the requests of the resolution, **GE's 10-K disclosures relating to the [GE Healthcare](#) spin-off contained little information about the company's long-term assumptions or capital allocation plans, nor any assessment of the business's resilience under different scenarios.** Given the immense transition risk facing the gas power industry, such disclosures constitute essential information for potential investors in GE Vernova.

Investors are urged to engage with GE, prior to the AGM, seeking them to make these disclosures.

At the upcoming GE AGM, investors are urged to vote FOR Shareholder Proposal No. 4 – Assess Energy-Related Asset Resilience (No. 8 on Definitive Proxy Solicitation Materials).

Resolution: Assess Energy-Related Asset Resilience

Shareholders ask the Board of General Electric Company ("GE") to provide an audited report to address how application of the International Energy Agency's Net Zero Emissions by 2050 pathway would affect the assumptions and estimates that underlie GE's valuation and expected cash flow assessments. The report should address GE's existing assets as well as planned investments in renewable energy, nuclear, and thermal power; and include asset lives, asset retirement obligations, and capital expenditures (including new material capital expenditures), as well as potential impairments. The report should be produced at reasonable cost and omit proprietary information.