ENERGY YOU WANT?

VATTENFALL´S DARK SIDE

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The story Vattenfall tells about itself is the story of a "dedicated partner to society at large", of a company that "takes responsibility for the local communities in which it operates" and "strives to ensure that any negative impact on its surroundings will be minimal".[1]

The pictures with which it illustrates its annual report show happy and healthy Swedes relaxing at home or bicycling through sunny landscapes dotted with wind turbines. But there is a deeper and darker tale to tell about Vattenfall.

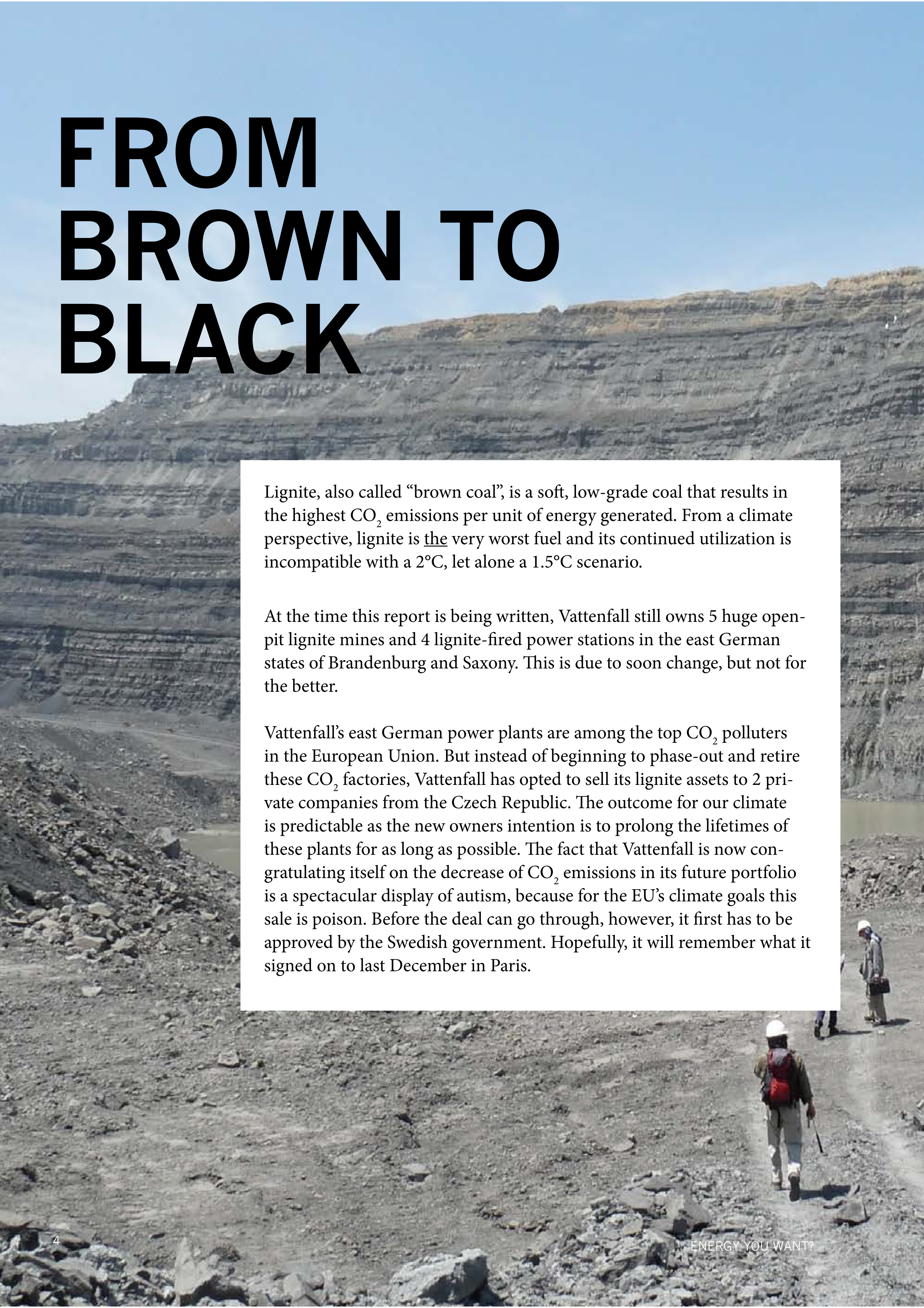
Open pit mine Jänschwalde, Lusatia

It is set in the ravaged landscapes of Lusatia and in violence-torn communities in the north of Colombia. And it ends in the belching smoke stacks of German and Dutch power plants.

It is the story of Vattenfall's coal business.

Photo: Christian Mang/Greenpeace

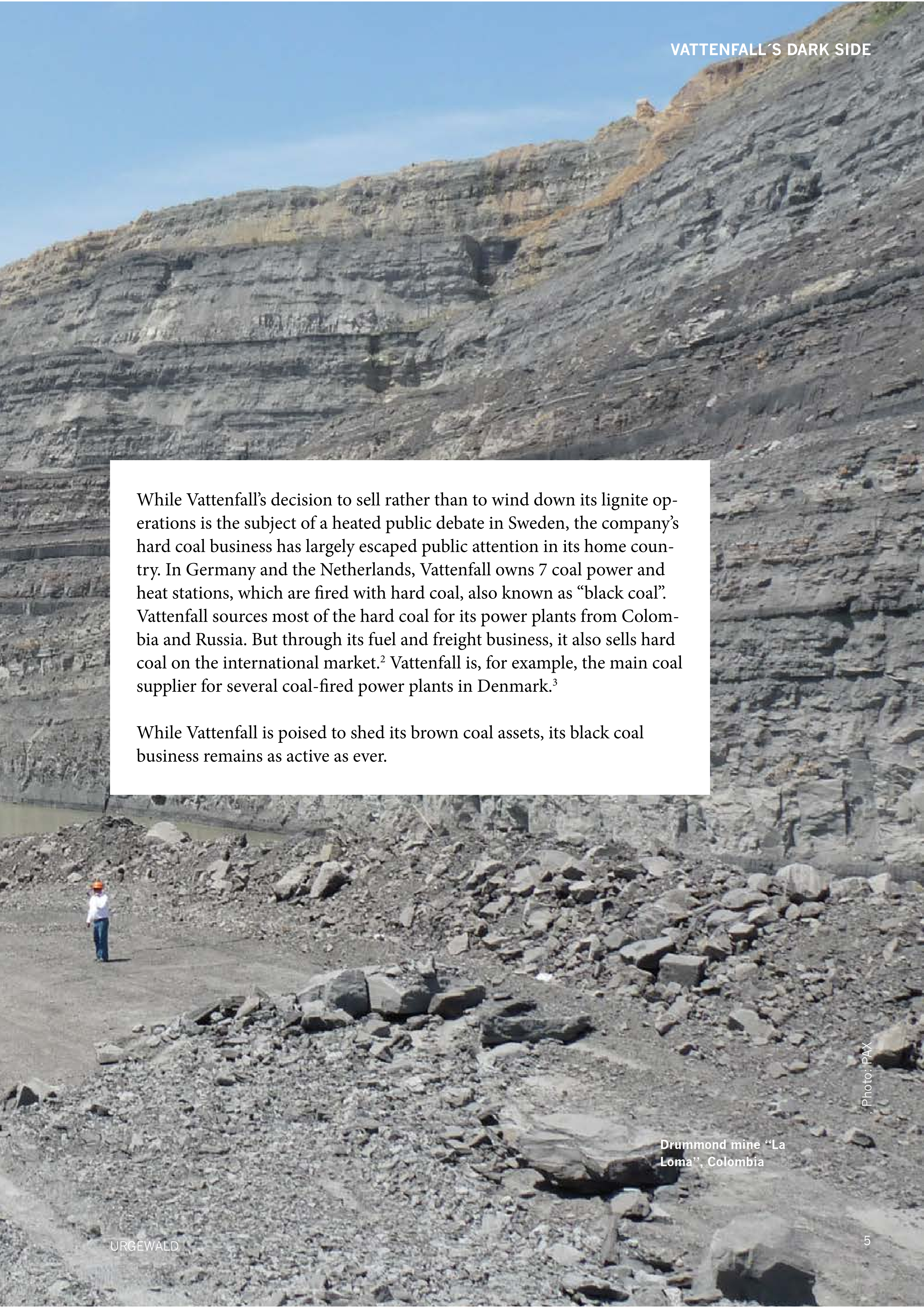
FROM BROWN TO BLACK



Lignite, also called "brown coal", is a soft, low-grade coal that results in the highest CO_2 emissions per unit of energy generated. From a climate perspective, lignite is <u>the</u> very worst fuel and its continued utilization is incompatible with a 2°C, let alone a 1.5°C scenario.

At the time this report is being written, Vattenfall still owns 5 huge open-pit lignite mines and 4 lignite-fired power stations in the east German states of Brandenburg and Saxony. This is due to soon change, but not for the better.

Vattenfall's east German power plants are among the top CO_2 polluters in the European Union. But instead of beginning to phase-out and retire these CO_2 factories, Vattenfall has opted to sell its lignite assets to 2 private companies from the Czech Republic. The outcome for our climate is predictable as the new owners intention is to prolong the lifetimes of these plants for as long as possible. The fact that Vattenfall is now congratulating itself on the decrease of CO_2 emissions in its future portfolio is a spectacular display of autism, because for the EU's climate goals this sale is poison. Before the deal can go through, however, it first has to be approved by the Swedish government. Hopefully, it will remember what it signed on to last December in Paris.



While Vattenfall's decision to sell rather than to wind down its lignite operations is the subject of a heated public debate in Sweden, the company's hard coal business has largely escaped public attention in its home country. In Germany and the Netherlands, Vattenfall owns 7 coal power and heat stations, which are fired with hard coal, also known as "black coal". Vattenfall sources most of the hard coal for its power plants from Colombia and Russia. But through its fuel and freight business, it also sells hard coal on the international market.[2] Vattenfall is, for example, the main coal supplier for several coal-fired power plants in Denmark.[3]

While Vattenfall is poised to shed its brown coal assets, its black coal business remains as active as ever.

Drummond mine "La Loma", Colombia

Photo: PAX

I. CESAR PROVINCE

Our story begins in Colombia, the most important source of Vattenfall's coal imports. In Cesar province, in the north of Colombia, two international mining companies, Drummond and Prodeco (a subsidiary of Glencore) operate their coal mines, and Vattenfall is a customer of both.

Coal Mixed with Blood

In the mid-1990s, while a civil war was raging in the country, Drummond and Prodeco set up their mining operations in Cesar. Unsurprisingly, the mining companies were soon confronted with security issues. According to testimonies, they began co-operating with paramilitary forces in 1996, and in 1999, a specific paramilitary group, the "Juan Andres Alvarez Front" was set up to operate in the vicinity of the coal mines and the railroad which services them. Former paramilitary commanders have testified that Drummond and Prodeco were the key source of financing for the Juan Andres Alvarez (JAA) Front.[4] Due to their support, the JAA Front grew from 60 original fighters to an "army" of 600 men by 2006, when paramilitary forces were demobilized throughout Colombia.

Between 1996 and 2006, paramilitaries killed over 3,100 people in Cesar's coal mining region. Among the victims were, for example, Valmore Locarno Rodríguez and Victor Hugo Orcasita, president and vice-president of the miner's union Sintramienergetica.

Between 1996 and 2006, paramilitaries killed over 3,100 people in Cesar's coal mining region.[5] Among the victims were, for example, Valmore Locarno Rodríguez and Victor Hugo Orcasita, president and vice-president of the miner's union Sintramienergetica. On March 12th 2001, Locarno Rodríguez and Hugo Orcasita were on a bus after finishing their shift in Drummond's mine. The bus was stopped by members of the JAA Front, who forced the workers to disembark and executed Locarno Rodríquez with 4 shots to the head. Hugo Orcasita was abducted, and when his body turned up the next day, it showed clear signs that he was tortured before he was killed. Only 6 months later, the new president of the miner's union was shot.

In addition to the killings, paramilitaries forcibly displaced a total of at least 55,000 people in the Cesar mining region. The displacements were often followed by a fraudulent transfer of land titles, and at the end of the process, a significant portion of these lands either became part of the mining concessions or of the areas targeted for their expansion.

After the official demobilization in 2006, most of the paramilitary commanders of the JAA Front went through the "Justice and Peace" system and made declarations under oath about their crimes. Similar testimonies were made in a US court case. In total, 9 paramilitary commanders testified not only about the murders, assaults and rapes they committed, but also about the strategic, logistical and financial collaboration between the paramilitary forces and Drummond and Prodeco. Testimonies, for example, state that Drummond staff ordered the killings of union leaders Locarno Rodríguez and Hugo Orcasita and informed the JAA Front which bus they would be on.[6]

The companies vehemently deny such allegations, and the Colombian justice system is notorious for its unwillingness to respond to, or even investigate crimes attributed to powerful companies. The only judgment that

Demobilization of paramilitaries 2006

Photo: Jesus Abad Colorado

was achieved in Colombia so far was the court case against Jaime Blanco Maya, a former sub-contractor of Drummond, who was sentenced to 38 years of prison for his involvement in the murder of the two union leaders.[7] While the court in its ruling expressly ordered an investigation of the role of Drummond's management in these killings, public prosecutors are taking their time about doing so.[8]

Local communities have undergone intense trauma, pain and loss for the coal that is shipped from Cesar to Europe and burnt in the power plants of Vattenfall and other energy companies. "We call it 'blood coal,'" says Maira Mendez Barboza, whose father was murdered by paramilitaries in 2001. "Our lives and livelihoods were swept away by the violence associated with the mining operations. Up until today, the mining companies do not recognize us as victims, do not acknowledge our suffering, and are unwilling to engage in a process that can lead to truth-finding, remedy and reconciliation."

Photo: Daniel Maissan

The Old Victims are the New Victims

The events in Cesar were investigated over a period of several years by the Dutch peace organization PAX. Its 105-page report "The Dark Side of Coal: Paramilitary Violence in the Mining Region of Cesar" is a painstaking documentation of the testimonies of victims and former paramilitaries, and inarguably the most thorough research that has been done on the involvement of foreign corporations in human rights abuses in Colombia. While the report was not published until 2014, PAX and other NGOs have been informing Vattenfall about the serious allegations against its Colombian suppliers since 2010.[9]

While the extreme violence that swept the Cesar region ended with the demobilization of the paramilitaries in 2006, death threats and repression are still commonplace here. And those most at risk are unionists, civil society leaders and former victims of violence, who are asking for the restitution of their lands and reparation for the crimes that were committed against them.[10] Until this day, the region remains unsafe, especially for those who publicly criticize the mining companies. The old victims are in many cases, also the new victims.[11]

Vattenfall's Code of Conduct: Empty Words

In its public communications, Vattenfall claims to adhere to the "UN Guiding Principles on Business and Human Rights" and to conduct human rights assessments for its supply chain.[12] The massive human rights abuses in the Cesar coal mining region, however, did not deter Vattenfall from continuing to source its coal from the companies that are directly implicated.

When criticized for its inaction, Vattenfall generally responds by referring to its "Code of Conduct for Suppliers" and to the industry initiative "Bettercoal", which it founded in 2012 together with several other European energy companies. As it happens, the first mining company to be audited through the Bettercoal initiative was Drummond..[13] In 2014, in an email to NGOs, Vattenfall writes: "The consultants were on site for about 1 week and were able to hold unmonitored meetings with all parties concerned. No grave transgressions against human rights, social or environmental standards in the company's ongoing operations were observed."[14] As long as no one gets shot in the week when the auditors visit, it's apparently not hard to pass the Better Coal audit with flying colors.

Daniel Cogollo
#Murdered

The three sisters Elizabeth, Adenovis and Wendi Cogollo. Their brother Daniel Cogollo was killed in 1997 in El Toco by paramilitary forces.

In regards to Vattenfall's own code of conduct for suppliers, the company writes in a letter to the German social democrat MP, Bernd Westphal: "It is not Vattenfall's goal to stop buying coal from a supplier in cases of digression from our code of conduct, but to work together on improvements."[15]

After 5 years of what Vattenfall calls a "constructive dialog" between itself and the mining companies, there is, however, no sign of "improvements" for the victims of human rights abuses in Cesar. For the past 10 years or more, these people have fought to be acknowledged, to regain the lands taken from them and rebuild their lives. Both Prodeco and Drummond, however, refuse to participate in any type of remediation and reconciliation process with the victims. Instead, Drummond has initiated lawsuits against human rights lawyers for "conspiracy" and has recently even begun suing victims, who are claiming land restitution. And in a coordinated action, Drummond and Prodeco last year laid off the entire regional leadership of the trade union Sintramienergetica, effectively repressing the only independent union in the area.

As long as business partners like Prodeco and Drummond play a prominent role in Vattenfall's hard coal supply chain, it is evident that Vatten-

Dario Parada Ortega
#Murdered

Gloria Patricia Gomez´s husband Dario Parada Ortega was killed and his body was thrown into the nearby river.

Photo: Daniel Maissan

Photo: Daniel Maissan

Alberto Cutt Meza
#Displaced

Alberto Cutt Meza was a cotton farmer, who owned 10 hectares of land in the village of El Toco. In 1997, he was displaced by paramilitaries and is still waiting to get his land back.

Photo: Daniel Maissan

Edymer Gongora Barreto
#Murdered

Edilsa Barreto lived with her son in the rural community „El Prado". In 2002, paramilitaries killed 15 people including her son Edymer Gongora Barreto. Today, the territory of El Prado belongs to the Calenturitas mine of Prodeco/Glencore.


DULA DE CIUDADANIA
4.347
RA BARRETO

Photo: Daniel Maissan

Carlos Ariza Ortiz
#Disappeared

Leonida Ariza´s family lived in the community El Caiman. They fled El Caiman in May 2001. In the same year, her son Carlos Ariza Ortiz was captured by paramilitaries. She has not heard from him since.

fall's code of conduct and its human rights diligence don't make a bit of difference. If you are a Vattenfall customer in Germany or the Netherlands, the company doesn't care about the "Energy you want". Everywhere Vattenfall runs or supplies hard coal power stations, the "Energy you get" is from burning blood coal.

Dong Does Better

One doesn't have to look far to find a large energy company that is much more serious about "responsible sourcing" than Vattenfall. Denmark's largest energy supplier, Dong Energy, was one of the first companies to react to reports in the media and from NGOs regarding grave human rights abuses against communities in Cesar's coal mining region. After questions were raised in the Danish Parliament about the murder of union leaders, Dong Energy excluded Drummond, the company most prominently implicated in this case, from its suppliers list in 2006.[16] After the PAX report came out in 2014, also documenting troubling testimonies about Prodeco, Dong Energy, in 2015, suspended coal imports from the company. Dong is currently undertaking an enhanced due diligence process, also covering the question of remediation of human rights abuses. In a letter to NGOs in April 2016, Dong states: "We will not consider renewing our commercial relations with Glencore regarding Prodeco until we have a better understanding of the overall situation and are comfortable that Prodeco is meeting our standards of responsible sourcing."[17]

Auden Portillo
#Displaced

Auden Portillo was displaced from the community El Toco in 1997. Due to fear of reprisals by the paramilitary, he never reported his displacement to the authorities. Today he lives in Agustin Codazzi.

Photo: Daniel Maissan

II. LUSATIA

Open Pit Mine Jänschwalde, Lusatia

Turning Earth to Mars

While in Sweden, “Vattenfall” (waterfall) may seem an appropriate name for the country’s publicly owned utility, in Germany Vattenfall is known first and foremost for the gaping holes it has torn into Lusatia’s landscapes. 100 kilometers southeast of Berlin, pine and oak forests, marshes, farms and villages have been turned into gigantic mines, some as large as Manhattan and 130 meters deep. Devoid of all life, these vast alien landscapes of dirt and dust look as if they were on another planet.

Photo: Christian Mang/Greenpeace

But the damage to the land is far larger than the gigantic pits from which Vattenfall extracts 60 million tons of lignite each year. To secure its mines, the company has lowered the region's ground water table by 100 meters, with enormously detrimental impacts for natural ecosystems and agriculture in an area spanning over 3,000 km^2. Due to Vattenfall's water grab, farming in this region becomes ever more precarious and dependent on unreliable rainfalls. The de-watering of the mining areas also has severe impacts on water quality. The pumped out water is mostly discharged into the river Spree, contaminating it with iron sludge and sulfates and endangering the Spree Forest Biosphere Reserve as well as Berlin's drinking water.[18] And the contamination will continue for many decades even after the mines close.

Changing the Climate, Polluting the Air

The lignite from Vattenfall's mines is burnt in nearby power plants, whose cooling towers dominate the horizon. The company's 3 coal power stations in Lusatia – Jaenschwalde, Boxberg and Schwarze Pumpe – are gigantic CO_2 factories and spew out more Carbon dioxide than the entire country of Sweden each year.[19] But greenhouse gas emissions are only part of the story. Burning lignite also produces large amounts of nitrogen oxides, sulfur oxides, fine particulate matter and mercury. A recent study by Greenpeace Germany shows that Vattenfall's lignite power stations are responsible for 20% of Germany's total mercury emissions.[20] Mercury is highly toxic, mobile in the environment and causes severe neurological damage, especially in children. The health and climate bill for generating electricity by lignite is far higher than for any other energy source.

Vattenfall consistently turned a blind eye to these impacts and the fact that lignite-fired power production beyond 2030 is incompatible with Germany's target of reducing climate emissions by 80% - 95% by 2050.[21] As recently as 2014, Vattenfall was still striving for permits to open new lignite mines, allowing it to continue production until 2050 and beyond.[22]

Displacing People, Destroying Communities

In August 2014, 7,500 citizens protested against lignite mining by joining hands to form a human chain from the Lusatian village of Kerkwitz all the way to the Polish border.[23] The village of Kerkwitz is over 550 years old, but since its inhabitants received notice of Vattenfall's expansion plans in

2008, they have been living in fear and uncertainty. Another community that would be obliterated for the expansion of Vattenfall's lignite mines is Proschim, a small village with a population of around 400. Proschim is a model for clean energy in the region as its wind turbines, solar and biogas plants provide electricity to over 15,000 households.[24] "We will not let our homes, businesses and futures be bulldozed for yesterday's fuel," says Matti Nedoma from Proschim.

All in all, over 3,500 people stand to be displaced if plans go ahead to expand the lignite quarries.[25] But the inhabitants of Proschim, Kerkwitz and other villages are determined to prevent their communities from being added to the long list of Lusatia's "Archive of Lost Towns".

Sweden's Elections: Before and After

On September 3rd 2014, when the moderator of an election debate on prime-time TV asked Swedish politicians whether Vattenfall's lignite expansion in Germany should be stopped, representatives of all 8 parties raised a green card, signaling their answer was "Yes". Opinion polls had shown that ¾ of Sweden's population were opposed to these new lignite mines.[26] So when the results of the September 14th elections rolled in, signifying that Sweden's state-owned utility was now accountable to a Social Democrat / Green government, hopes ran high in Lusatia. And when the parties in the new government reached an agreement to not allow new mine developments by Vattenfall, people in Kerkwitz, Proschim and other villages celebrated.

But their hopes crashed in October 2014, when Vattenfall announced its intention to sell its German lignite business. In its 2015 annual report, Vattenfall tries to portray this as a good thing, happily announcing that the sale will ensure that its "specific carbon emissions are among the lowest among our peer energy companies in Europe"[27] Unsurprisingly, people in Lusatia feel cheated. For years, they have heard Vattenfall claiming to be a responsible company that sees itself "as an integral part of eastern German society"[28] and has "deep roots in the communities where it operates".[29] And for years, Lusatians have been swamped in mountains of glossy brochures filled with aspirational photos depicting how Vattenfall will transform their mine- ravaged countryside into beautiful new landscapes. As it turns out, Vattenfall doesn't give a damn about the region, or repairing the damage its operations caused. What Magnus Hall, Vattenfall's CEO, was after when he announced the sale, was a good business deal. Newspapers reported that the expectation was earning around €3 billion in the sale.[30]

The pumped out water is mostly discharged into the river Spree, contaminating it with iron sludge and sulfates and endangering the Spree Forest Biosphere Reserve as well as Berlin's drinking water. And the contamination will continue for many decades even after the mines close.

The Energy No One Wanted

But companies weren't exactly lining up to buy Vattenfall's ugly lignite business. After years of generating enormous profits, German lignite power plants are no longer the cash cows they once were. Due to the rapid expansion of renewables in Germany's energy mix the prices for conventional power have been dropping rapidly. While Germany's big utilities were already complaining about the price of €35 per MWh in 2014, prices have since dropped to around €20 per MWh.[31] Accordingly, the chief editor of Germany's leading business newspaper, "Handelsblatt" wrote in 2016: "Vattenfall is having trouble finding a buyer for its brown coal operations. The mines and lignite-fired power stations are nearly worthless due to environmental regulations and the boom of renewables. Instead of offering the package deal to other energy corporations, perhaps it should be given to the German Mining Museum in Bochum, where other dinosaurs from the Stone Age era of the industry have been laid to rest."[32]

Photo: Markus Pichlmaier/Ideengruen

In October 2015, Greenpeace Nordic surprised the business world by making a bid of its own for Vattenfall's lignite operations.[33] Greenpeace's bid foresaw the transfer of these assets to a charitable foundation ("Beyond Lignite"), which would wind them down while helping the region achieve an environmentally and socially responsible transition. As Greenpeace itself emphasized, the bid it put forward was based on a "set of optimistic assumptions" regarding the financial value of Vattenfall's lignite business. Even so, when calculating the costs of shutting down the plants and remediating the damage wrought by the mines, Greenpeace arrived at a negative sales price of over €2 billion. This was not the deal Magnus Hall had in mind, and Greenpeace was barred from further participation in the bidding process.[34]

The offers, however, did not get better. While the Czech utility CEZ showed initial interest in buying Vattenfall's lignite assets, it backed off from the deal in March 2016, citing the uncertainty of a continued operation of the lignite plants.[35] Another interested party was Steag, a German utility owned by several municipalities. It teamed up with the Australian investment bank Macquarie, and reportedly came to a similar assessment as Greenpeace, namely that Vattenfall needed to provide at least €2 billion to cover the liabilities associated with its lignite operations.[36]

Magnus Hall's initial high-flying ambitions for the price tag of the deal were obviously misplaced.

German Lignite Goes Czech

The only truly enthusiastic bidder was a private Czech company called Energetický a Průmyslový Holding (EPH). EPH is a kind of wrong-way driver on the European energy market as its strategy consists of buying up the stranded coal assets everyone else wants to get rid of. Its bet is that prices for lignite-fired electricity will see a significant rise. As EPH board member Jan Pringl explains: "We expect electricity prices in Germany to rebound in the midterm, at least after nuclear power plants go offline in 2022."[37] For its bid, EPH teamed up with the private equity group PPF, which is owned by Petr Kellner, the richest man in the Czech Republic.

On April 18th 2016, Vattenfall signed a deal with EPH and PPF, whereby the 2 Czech companies pay a symbolic price of €1 to acquire 8,095 MW of installed power capacity and quarries with a production of 60 – 65 million tons of lignite per year. In return for the buyer's assumption of liabilities for these assets, Vattenfall will shell out close to €1.7 billion in cash to EPH. Liability costs for reclamation of the mining areas and de-commissioning of the power plants are estimated to be around €2 billion.[38] The transaction will only be closed, however, if it receives approval by the Swedish government.

Someone is Wrong

Both buyer and seller appear convinced they have made a good deal. At the press conference announcing the sale, Vattenfall CEO Magnus Hall said the sale "is good strategically, but also financially" and states that it would have been more expensive for Vattenfall to keep its lignite assets.[39] EPH, however, expects to reap a profit from these very same assets. According to its crystal ball, "after 2022, lignite will be the only fuel providing base load power in Germany."[40]

As both companies are using opposite assumptions, we can be sure that at least one of them is wrong.

Who is EPH?

In spite of the reassuring phrases Vattenfall used at its press conference ("established European energy company" with "proven expertise")[41], the fact is that EPH has not been around long enough to have much of a track record. The private Czech holding was only founded in 2009 and its chairman, Daniel Kretinsky, owns 37% of the company. Since 2012, EPH has been on an acquisition spree, tapping equity investors to buy up conventional power stations and coal mines in Germany, Italy, Slovakia and the UK.[42] The company's earnings before taxes (ebitda) were €1.4 billion in 2014, but its debt is estimated to be around €5 billion.[43] The acquisition of Vattenfall's lignite plants will allow EPH to grow its power generation portfolio by 60%.

Through its daughter company Mibrag (Mitteldeutsche Braunkohlegesellschaft), EPH already owns lignite assets in eastern Germany, and, for example, operates Germany's oldest lignite-fired power station, Deuben, which was built in 1936(!). Environmental organizations have - without success - called on EPH to shut down this "methuselah reactor". EPH is one of Europe's dirtiest companies and was responsible for an estimated 2.5% of all European power sector CO_2 emissions in 2015.[44]

A recent article in Germany's Manager Magazine calls attention to an on-going corruption investigation by German prosecutors against a Mibrag director in connection with the acquisition of the company by EPH.[45] And the European Commission in 2012 imposed a €2.5 million fine on EPH and its advisors for obstructing an anti-trust investigation.[46] Both the head of EPH and Petr Kellner, owner of its investment partner, PPF, seem to have a pre-disposition for tax havens, according to the "Panama Papers".[47] While Vattenfall claims to have "zero tolerance for bribery and corruption", the company doesn't seem picky when choosing its business partners.

Questions Over Questions

Seeing how rapidly Vattenfall rejected Greenpeace's bid, one has to wonder why it is now willing to shell out €1.7 billion to persuade EPH to "buy" its lignite assets. When it comes to decommissioning the power plants and repairing the holes in Lusatia's landscapes, Vattenfall probably realizes its liabilities could be far greater than expected. Already, two Polish towns are demanding damages from Vattenfall for the impacts of its mining operations on their water supply,[48] property owners are suing the company because of landslides and subsidence caused by lowering of the water table, environmental organizations are suing Vattenfall for water contamination through discharges from its mines,[49] etc.. And Vattenfall's

Protest against Germany's oldest lignite power plant in Deuben

Photo: Ruben Neugebauer/ Greenpeace

attempts at re-cultivating former mining areas have been diminutive and not very successful. What easier solution than packing up these liabilities and problems and transferring them to EPH?

EPH itself doesn't seem to worry much about the liabilities heaping up in its portfolio. The company has been buying up coal assets left and right in the past few years, and it is hard to discern what its "end game" will be, when the time for land reclamation and de-commissioning comes. For now, however, the €1.7 billion that are being thrown in with the lignite assets are very attractive for EPH. This cash flow will enable the company to either weather low prices in the German energy market, or even eventually help it continue its buying spree to become one of Europe's largest coal barons. Either way, there is a real danger that the money will not be available when it is time to repair landscapes, watersheds and livelihoods in Lusatia.

On Vattenfall's side, we truly wonder about the timing of this deal. Over the past few years, it was time and again rumored that Vattenfall was contemplating a sale of its lignite business. To, however, put this business on the block in this particular moment seems extremely shortsighted. While it is true that the German government is struggling to meet its climate obligations and therefore discussing retirement plans for a portion of the country's lignite-fired capacity, Vattenfall is perhaps the company least affected by this. Its lignite plants are, for the most part, quite modern, and the company could even stand to benefit when its competitors are forced to shut down part of their lignite electricity production. It is therefore entirely possible that a future report of Sweden's National Audit Office will ask why Swedish taxpayers received only 1 symbolic € for assets that were worth much more.

The deal with EPH could also be expensive for Vattenfall in other ways that the company hasn't considered yet. Vattenfall still sees Germany as an important market and says it wants to invest in partnerships with German cities. But will municipalities be inclined to trust a company that decided to make an easy exit instead of fulfilling the long-tern promises it made in Lusatia? And is Vattenfall really indemnified against all the damage it caused in eastern Germany? What if EPH, for example, goes bankrupt? Will the German government and public then happily assume the costs of mine reclamation and say this has nothing to do with Vattenfall?

From the Frying Pan into the Fire

It is bitter irony that Vattenfall - after having slept through the German energy transition – is now justifying this sale with its "ambition to be one of the leaders in the new energy landscape" and "to take an active part in the German 'Energiewende'.[50] Selling its Lusatian carbon bombs to one of Europe's foremost polluters is hardly a contribution to Germany's 'Energiewende'. It is more like a slap in the face of the Paris Climate Agreement and efforts to limit global warming to below 2°C.

EPH's business model and the large debt issuances it has piled up over the last years indicate that the company will try to squeeze as much profit as possible from Lusatia's lignite.[51] This means extending the lifetime of the lignite power stations and expanding the boundaries of the region's lignite quarries. For Lusatia's communities, for its environment and for our climate, the deal between Vattenfall and EPH is a showcase illustration of the proverbial "out of the frying pan into the fire".

"Vattenfall's lignite operations have hurt Lusatia enormously, and they are a ticking time bomb for our climate", says Matti Nedoma from Proschim. "The Swedish people should not stand by while their company tosses its responsibilities to the winds. What Vattenfall needs to do, is phase out these operations and clean up its mess, instead of selling out our future to the next corporate raider."

III. STOCKHOLM

A Disturbing Disconnect

There is a disturbing disconnect between Sweden and its utility company. Vattenfall is owned by the Swedish people, but its operations do not reflect the values held dear by Swedish society. Values such as fairness and the right to information or appreciation of nature and respect for human rights.

Vattenfall is, for example, more secretive about its hard coal supply chain than almost any other European energy company. Its annual report provides no information from which countries its coal is being sourced, let alone from which suppliers. It keeps the public in the dark about its role as a coal trader and does not reveal the amounts of coal it sells to other energy producers.

Where NGOs have managed to uncover parts of Vattenfall's hard coal supply chain, we find a company that neither cares nor reacts when if its suppliers are implicated in horrendous human rights abuses. And in Lusatia, we encounter a utility, which is abdicating all responsibility for the whole-scale destruction it wrought on the region's landscapes.

But the real disconnect is in Stockholm. It runs somewhere along the 6 km between Vattenfall's offices in Solna and the offices of the Ministry of Enterprise in Mäster Samuelsgatan.

The Owner Without Influence

In August 2015, Mikael Damberg, Sweden's Minister of Enterprise and Innovation, proudly presented the government's "Action Plan for Business and Human Rights". Its central message is that "business and respect for human rights go hand in hand", and it lays out the need for companies to prevent human rights risks throughout their supply chains. It emphasizes that "state-owned companies are expected to set a good example".[52] In the very same month, the Swedish government announced a new aid program, focusing on 3 countries of which Colombia is one. For Colombia, the program's goal is to strengthen "greater respect for human rights, human security and freedom from violence."[53]

In view of these statements, we were hopeful, when we visited the Ministry of Enterprise in November 2016 to discuss the problems in Vattenfall's Colombian supply chain. This was just months after Vattenfall's suppliers, Drummond and Prodeco, had fired 26 union leaders, effectively demolishing the entire leadership of the only independent trade union in Cesar's coal mines. We also presented the PAX report to the Ministry and asked that it use its influence to ensure that Vattenfall stops importing "blood coal".

The Ministry's response was sobering. We were told that although the Swedish government owns Vattenfall, it "does not want to influence the company in its decisions". Instead, the government sets out policy goals for Vattenfall, "but it is up to the company to decide how these are best implemented". The result of this 'hands off' policy is a company which pays lip service to the government's goals, but is accountable to no one for its actions. As long as Vattenfall 's publications say it "adheres to the UN Guiding Principles on Business and Human Rights", Ministry staff can tick off the next box, without worrying whether the statement has even a grain of truth to it.

A Damning Audit

On initiative of the Riksdag, the government specified in its 2010 ownership directive that Vattenfall should become a leader in "environmentally sustainable energy production." In a telling report issued in April 2014, Sweden's National Audit Office (NAO) examined whether and how the company was pursuing this new goal. Although more politely cloaked, the report comes to similar conclusions as our own analysis. It criticizes the Swedish government for not scrutinizing "the selection and design of state-owned enterprises' sustainability targets" and adds: "It is a financial risk to the state that the government does not explicitly monitor the environmental part of the company's remit".[54] The report deems the owner dialogs between Vattenfall and the government "ineffective" and calls on the government to exercise more leadership and control: "The Swedish NAO considers it to be important that the government is clear on how the company is to interpret its remit (…) and how the government intends to follow up the company's compliance."

The Lusatian Sell-Out

With uncanny precision, the NAO's April 2014 report predicts: "There is a risk that Vattenfall will sell its German coal-fired power stations for the purpose of achieving its financial exposure target at a time that will not give maximum sales value." Its main critique is, however, directed at Vattenfall's disingenuous approach to CO_2 reduction: "Vattenfall's planned sale of its German coal power will not lead to real emission reductions at EU level. A sale means that Vattenfall is not contributing to achievement of the EU climate and energy targets since the problem of reducing carbon emissions from existing plants is being transferred to another company."

But matters are worse than the NAO anticipated. EPH is not just "another company". It is a company with no shareholders, no accountability and no track record on land reclamation. Its business strategy is risky, its portfolio is full of CO_2 and the word "climate" doesn't appear even once in the company's 212-page annual report. It is hard to see how Vattenfall could have made a worse choice than this particular company.

But the choice is not Vattenfall's. The choice belongs to Sweden's government. And it can say "No".

Will Sweden's government own the promises it made in Paris? Will it do right by Lusatia? Will it suspend human rights offenders from Vattenfall's supply chain? Will it bridge the disconnect between Sweden's values and Vattenfall's business?

We don't know, but we are hoping for a happy ending.

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