Renewable Electricity for IKEA Supply Partners

PinZhen Shen
April 2023
Science-based emission reduction targets
UN Global Compact 1.5°C pledge
2030 Climate Positive
Reducing more greenhouse gas emissions than the IKEA value chain emits, while growing the IKEA business

- Drastically reducing absolute GHG emissions
- Carbon removals & storage
Renewable electricity in 2025

Renewable energy total value chain by 2030

Reduce absolute GHG emissions from production at direct suppliers by 80% by 2030, vs. 2016

100% in total value chain
Going beyond IKEA
Striving towards 100% renewable energy across the value chain is a key enabler to becoming climate positive

IKEA Sustainability Report FY22
• Decrease climate footprint by 5% vs. FY 21, by 12% vs. FY16
Program
launched June 2021

Poland
China
India

= CO2 savings equal to all IKEA yearly ocean shipping
Program expanded to 10 additional markets

Wave 2 countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Absolute climate footprint (CO2 eq) (as percentage of Wave 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey (TR)</td>
<td>31%</td>
</tr>
<tr>
<td>Vietnam (VN)</td>
<td>18%</td>
</tr>
<tr>
<td>Czech Republic (CZ)</td>
<td>16%</td>
</tr>
<tr>
<td>Germany (DE)</td>
<td>12%</td>
</tr>
<tr>
<td>Romania (RO)</td>
<td>9%</td>
</tr>
<tr>
<td>Italy (IT)</td>
<td>8%</td>
</tr>
<tr>
<td>Portugal (PT)</td>
<td>3%</td>
</tr>
<tr>
<td>Slovakia (SK)</td>
<td>1%</td>
</tr>
<tr>
<td>Lithuania (LT)</td>
<td>1%</td>
</tr>
<tr>
<td>Sweden (SE)</td>
<td>0.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
Renewable Electricity Staircase

**On-site investments**
- Investments in PV panels, Combined Heat and Power Plants, on-site wind etc.
- Scope of the 100 MEUR financing option
- Assumed to be able to cover 15-20% of total electricity need.

**Energy Attribute Certificates (EAC)**
- Credible claim
- Less additionality than higher steps
  - Indirectly driving investment by increased demand
- Feasible for PPA setup not mature
- Less possibility to address electricity cost

**Power Purchase Agreements (PPA)**
- Long-term agreement to off-take electricity at a fixed price
- Price risk reduction
- Securing additionality

**Off-site investments**
- Direct ownership
- PPA

**Energy Attribute Certificates, EAC (GO, I-REC etc.)**

**On-site investments**
- Investments in PV panels, Combined Heat and Power Plants, on-site wind etc.
- Scope of the 100 MEUR financing option
- Assumed to be able to cover 15-20% of total electricity need.
Wave 2 – Project Methodology & Steps

Pre-study
- Market intelligence
- PPA / GoO / I-REC
- RFX with utilities / REC providers
- Negotiation & Frame Agreement
- Information and interest scanning to supply partners

Implementation
- On-boarding supply partners

Maintenance
- Maintaining / renewing contracts – securing continued 100% RE
- Continued search for more optimal set-ups e.g. from I-REC to PPA

Today
Benefits for IKEA Supply Partners

- Accessible: Access to renewable electricity is an effective way of decreasing the supply partner’s climate footprint and contributing to the IKEA People and Planet strategy.

- Affordable: Participating in the program is a potential way to save costs since economies of scale can provide more affordable solutions.

- Long term business partnerships: Share the same vision.
Thank you!

“We are just at the beginning. A glorious future!” - Ingvar Kamprad, founder of IKEA