



## Common position paper

from Fossil Free München, Extinction Rebellion Munich, Fridays For Future München, Raus-aus-der-Steinkohle München; Scientists For Future München, Parents For Future München, Students For Future München, Protect The Planet, AG Ökosozial, Ende Gelände München, Greencity eV.

Munich must take the “Climate emergency” seriously:

# End SWM participation in *Spirit Energy*!

Through its subsidiary, Stadtwerke München GmbH (SWM), the City of Munich holds a 31% stake in ***Spirit Energy***, a company that explores and produces **oil and gas** in the North Sea and sells it on the world markets.

As part of the Munich Climate Justice Movement, we see **SWM involvement in the production and exploration of fossil fuels as more critical than ever**. We consider the municipal participation in *Spirit Energy* to be incompatible with the declaration of "climate emergency" of the City Council of the City of Munich in 2019 - and, moreover, an enormous financial risk.

**We therefore demand to the city council: end SWM subsidies to fossil fuel industries!**

## SWM is involved in oil and gas production

The **city of Munich has declared a "climate emergency" in 2019**, acknowledging the global climate crisis. For us Munich citizens, this meant that our "city government" is committed to acting decisively and consistently to ensure a fair, livable and secure future for all of us. Munich joined the "worldwide coalition of cities and states for climate protection" and, since then, our city council has been conducting "a review of all the relevant resolutions for **climate protection**". The city council also decided to **cooperate with civil society to develop the necessary packages of measures for climate protection**. It was stated that, besides local businesses, universities and other local institutions, "**Fridays for Future**" and **all the other relevant environmental movements would have also been actively involved** [1].

At the same time, however, **the City of Munich**, through its subsidiary **SWM, is directly and significantly involved in oil and gas exploration and production**: SWM has a 31% stake in *Spirit Energy*, a company that explores new oil and gas deposits in the North Sea and produces oil and gas itself. *Spirit Energy* is a joint venture company with the British energy supplier Centrica (69%) [2].

## *Spirit Energy*: The oil and gas from the North Sea will make the climate crisis worse!

The combustion of oil and gas produce further **carbon dioxide (CO<sub>2</sub>-) emissions**, which **exacerbates the global climate crisis**. Only in 2018, *Spirit Energy* produced 16 million barrels of oil and 186 billion cubic feet of natural gas [3]. When burned for electricity, heat and transport, they produce 16 million tonnes of CO<sub>2</sub>. Such quantity is **way higher than the overall yearly CO<sub>2</sub>-emissions of the city of Munich** (around 9 million tons CO<sub>2</sub>-aeq) [4].

The activities of the city owned company SWM clearly contradict the commitment of the city of Munich to become "**climate neutral by 2035**" (city council 18.12.2019). In fact, *Spirit Energy* is not planning any reduction of oil and gas production, which would be in accordance with the "**Paris Agreement**" (2015) and its target to **keep global warming below the limit of max. +2 degrees Celsius** compared to pre-industrial times. **New oil and gas exploration fields** are no way compatible with such agreement and objectives!

The worldwide extraction and burning of fossil fuels are the main root causes of the climate crisis. Therefore, they have to be brought everywhere to an end as quickly as possible, also in Munich. The remaining global "CO<sub>2</sub> emissions budget" is very limited, with a maximum of 420 gigatonnes of CO<sub>2</sub> by 2040: [5] More than 85% of all fossil fuel reserves and more than 50% of the world's natural gas reserves must remain unburned in the ground! This is the only way we can achieve the +1.5 °C temperature target from the Paris Agreement. [6]

When natural gas is extracted - especially through procedures like the so-called "fracking" - and transported, leakages result in considerable additional methane emissions (CH<sub>4</sub>) [7,8]. Although this gas decomposes faster in the atmosphere than carbon dioxide (CO<sub>2</sub>), **methane** has a global greenhouse potential **84 times higher**

**than CO2 over a 20-year period** [9]. This is critical and must not be ignored in the discussion on climate protection, although this is often the case.

Therefore, **even with a switch from lignite and hard coal to natural gas**, the emission of dangerous climate gases would not stop: **natural gas extraction and combustion also causes considerable amounts of greenhouse gas emissions** and thus exacerbates the global climate crisis [10]. The city of Munich can therefore only fulfill its responsibility for the climate and people if - in addition to stopping coal combustion in the coal unit 2 of the combined heat and power plant Nord (HKW Nord) in Unterföhring, as quickly as possible - it also becomes **a pioneer in a rapid and complete stop of exploration, trading and then also the use of fossil natural gas** - by gradually switching to renewable gas [11].

## Phase out fossil gas energy!

SWM justify their natural gas production with the fact that currently gas supply is mainly guaranteed by liquid and natural gas (LNG) from Russia. [12,13,14] - which, if correct, would apply to the same extent to whole Europe due to the single European gas market. Therefore, according to SWM, its participation in *Spirit Energy* is essential **for securing the natural gas supply especially for Munich** [3,15].

However, the **natural gas** produced by SWM-*Spirit Energy* in the North Sea is by no means delivered directly to Munich, but sold to European gas operators and fed into the **European natural gas network**, including Emden, among other places. **The produced gas is therefore resold** and - through the entire gas network - used throughout Europe. There is no "direct pipeline connection" between North Sea and Munich. It is not "reducing Munich's gas dependency" since the **share of SWM-*Spirit Energy* in the whole German gas market** - not to mention in the European one - is **less than 6%** [3,16].

For what concerns heat generation, Munich is still dependent on natural gas and gas imports from a wide variety of European and non-European countries, as the whole of Germany. Munich's dependence on the European gas network can therefore be reduced primarily **by expanding geothermal energy and renewable gas use in and for Munich**. In the long term and on a sustainable basis, security of supply for Munich can only be guaranteed by **renewable energies**.

# Fossil oil: SWM speculations on the world market do not serve the public interest of the city of Munich

Article 87 et seq. of the Municipal Code of the Free State of Bavaria [19] only permits the City of Munich and its subsidiary Stadtwerke (SWM) to perform the tasks and activities that respond to the public interest of the city of Munich, which of course include energy and heating generation.

The SWM justifies the investments in the *Spirit Energy* **petroleum production** as a way to guarantee the supply of diesel, **petrol and heating oil**. However, the fossil oil produced by SWM in the North Sea **is not delivered to Munich**, but it is sold on the **global market** to make profit. No car, no oil heating system in Munich would stand still if the oil production was stopped by SWM-*Spirit Energy*. Moreover, in view of the worldwide oil surpluses from the USA, Russia, the countries in the Middle East and thus the significant drop in oil prices, SWM profits from the oil business have fallen dramatically.

## Dangerous financial bubble: Enormous risks from investments in fossil fuels

SWM plans to invest up to **€150 million in *Spirit Energy* each year** [18]. However, since the majority of the world's fossil oil and gas reserves must remain unused in the ground, investments in exploration and production of gas and oil are threatened with a massive loss in value. The SWM run the serious risk of having to write off their investments in *Spirit Energy* as losses - as **stranded assets**, "failed investments". [19,20]

The **British joint venture partner Centrica** has recognized the financial risks associated with oil and gas production and **has announced that it will end its participation in *Spirit Energy* by the end of 2020** [21]. Yet, the City of Munich and its subsidiary, Stadtwerke München GmbH, keep on blindly participating to this! Ultimately, **all the millions that SWM loses** are going to be money lost by Munich citizens\*; in the worst case even as taxpayers if the City of Munich had to bear the losses of SWM from *Spirit Energy* (which has already been the case in the past).

In order to invest the **money of the City of Munich safely and sustainably**, participations and investments in **fossil fuels must be terminated as soon as possible!** Like many universities, corporations and asset funds, major Munich insurers such as Munich Re and Allianz have withdrawn their investments in coal, oil and natural gas because they see enormous climate-related, social and especially economic risks. [22,23] **Ending the investment in *Spirit Energy* not only averts additional global climate damage but also a major financial risk for the city of Munich.**

# Our request: a transparent and binding phase-out of fossil fuels!

In order to stick to the goals of "**Climate Neutrality 2035**" and to take the climate emergency seriously, the city of Munich must finally **take consistent actions** and set a good example: It must no longer participate in the promotion of fossil fuels and should therefore send a strong political signal to other cities and also to the world markets.

We therefore call for a **binding resolution by the City Council of the City of Munich** before the end of 2020, which clearly states that:

- **SWM is no longer allowed to invest in natural gas and oil exploration and production,**
- SWM will not only terminate its participation in *Spirit Energy*, but **also all existing and future participations in natural gas and oil production and exploration** as quickly as possible, but at the latest within one year of the city council's decision.

München, den 15.06.2020

# References

- [1] Stadtratsbeschluss "Bayerisches Versöhnungsgesetz II", 18.Dezember 2019  
<https://www.ris-muenchen.de/RII/RII/DOK/TOP/5822571.pdf>
- [2] Antwort auf Stadtratsanfrage FDP (Anfrage Nr. 14-20 / F 01421) 10.04.2019  
<https://www.ris-muenchen.de/RII/RII/DOK/ANTRAG/5441207.pdf>
- [3] Spirit Energy Group "Consolidated Financial Statements 2018", 19.März 2019  
<https://www.spirit-energy.com/media/1133/spirit-energy-group-consolidated-financial-statements-2018-1.pdf>
- [4] Referat für Umwelt und Gesundheit „Treibhausgas-Monitoring der Landeshauptstadt München 2017“, 10.03.2020  
<https://www.ris-muenchen.de/RII/RII/DOK/SITZUNGSVORLAGE/5891843.pdf>
- [5] IPCC, 2018: Global Warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty, chapter 2  
<https://www.ipcc.ch/sr15/chapter/chapter-2/>
- [6] McGlade & Ekins, Nature, 517, 187-190 (2015)  
<https://www.nature.com/articles/nature14016>
- [7] Alverz et. al. Science, 361 (6398), 186-188, (2018)  
<https://science.sciencemag.org/content/361/6398/186>
- [8] Energy Watch Group "Erdgasstudie 2019"  
[http://energywatchgroup.org/wp-content/uploads/EWG\\_Erdgasstudie\\_2019.pdf](http://energywatchgroup.org/wp-content/uploads/EWG_Erdgasstudie_2019.pdf)
- [9] IPCC, 2014: Climate Change 2014: Synthesis Report. Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change  
<https://www.ipcc.ch/report/ar5/syr/> page 187–190
- [10] Tanaka et. al. Nature, Climate Change, 9, 389-396 (2019)  
<https://www.nature.com/articles/s41558-019-0457-1>
- [11] Deutsche Umwelthilfe "Eckpunkte für eine nachhaltige Gasstrategie", 04.10.2019  
[https://www.duh.de/fileadmin/user\\_upload/download/Projektinformation/Energiewende/Eckpunktepapier\\_Nachhaltige\\_Gasstrategie.pdf](https://www.duh.de/fileadmin/user_upload/download/Projektinformation/Energiewende/Eckpunktepapier_Nachhaltige_Gasstrategie.pdf)
- [12] Stellungnahme der Stadtwerke München zum Verfahren Bundesnetzagentur - Abteilung 6 - Az.: 8615-NEP Gas 2018-2028  
[https://www.bundesnetzagentur.de/DE/Sachgebiete/ElektrizitaetundGas/Unternehmen\\_Institutionen/NetzentwicklungundSmartGrid/Gas/NEP2012-2018/NEP\\_Gas2018/NEP\\_Gas2018\\_node.html;jsessionid=AC8E423BADB5F36E6CD2F08E664F4A9D](https://www.bundesnetzagentur.de/DE/Sachgebiete/ElektrizitaetundGas/Unternehmen_Institutionen/NetzentwicklungundSmartGrid/Gas/NEP2012-2018/NEP_Gas2018/NEP_Gas2018_node.html;jsessionid=AC8E423BADB5F36E6CD2F08E664F4A9D)
- [13] FNB-Gas "Netzentwicklungsplan Gas 2020–2030 Szenariorahmen", 16. August 2019  
[https://www.bundesnetzagentur.de/SharedDocs/Downloads/DE/Sachgebiete/Energie/Unternehmen\\_Institutionen/NetzentwicklungUndSmartGrid/Gas/NEP\\_2020/Szenariorahmen2020.pdf?\\_\\_blob=publicationFile&v=1](https://www.bundesnetzagentur.de/SharedDocs/Downloads/DE/Sachgebiete/Energie/Unternehmen_Institutionen/NetzentwicklungUndSmartGrid/Gas/NEP_2020/Szenariorahmen2020.pdf?__blob=publicationFile&v=1)
- [14] International Energy Agency "Natural Gas Information 2019", September 2019  
<https://www.iea.org/reports/natural-gas-information-2019>
- [15] SWM "Annual report 2019"  
<https://www.swm.de/dam/swm/dokumente/english/swm-annual-report.pdf>
- [16] Food & Water Europe „EU Gas Mapping 2019, Germany fact sheet“, 2019

[https://www.foodandwatereurope.org/wp-content/uploads/2019/09/Germany\\_FactSheet\\_2019-final.pdf](https://www.foodandwatereurope.org/wp-content/uploads/2019/09/Germany_FactSheet_2019-final.pdf)

[17] Bayerische Gemeindeordnung

<https://www.gesetze-bayern.de/Content/Document/BayGO-57>

[18] Süddeutsche Zeitung, 21. Februar 2019

<https://www.sueddeutsche.de/muenchen/muenchner-stadtwerke-oel-gas-gewinne-1.4340004>

[19] Mercure et. al. Nature Climate Change ,8,588-593 (2018)

<https://www.nature.com/articles/s41558-018-0182-1>

[20] Griffin et. al. **Energy Economics**,52, Part A,Pages 1-12 (2015)

<https://www.sciencedirect.com/science/article/pii/S0140988315002546>

[21] Centrica "Interims Announcement 2019"

[https://www.centrica.com/media/2540/interims\\_announcement\\_2019.pdf](https://www.centrica.com/media/2540/interims_announcement_2019.pdf)

[22] Allianz, 04.05.2018

<https://www.allianz.com/de/presse/news/geschaeftsfelder/versicherung/180504-klimaschutz-wandel-zur-kohlenstoffarmen-wirtschaft.html>

[23] Urgewald "Allianz handelt, Munich Re und Hannover Re ziehen nach", Mai 2019

<https://urgewald.org/kohle-versicherer>