RI Case Studies

How Vattenfall Deals With a Poor Reputation In Its Home Country of Sweden

THE EVENT

At a time when most utility companies around the world maintain average to solid reputations with the general public in their home countries, Vattenfall receives much less trust, admiration, good feeling and esteem from Swedish consumers. In the 2010 Global Reputation Pulse ranking based on 425 responses from January-February, Vattenfall only scored 46.78 out of 100 in its home market, dropping more than seven points from 2009.

Vattenfall's 2010 scores in each of the seven individual dimensions of reputation are also far off the pace of the most admired companies, with bottom 10 company scores in Innovation (46.81), Governance (41.10), Citizenship (44.83) and Leadership (49.36) out of 91 global brands and local Nordic companies measured in Sweden. In fact, its only strong performing dimension in Sweden in 2010 was Financial Performance, where it scored an impressive 67.21.

How can a world leader in carbon capture and storage and renewable energy technology be so misunderstood by consumers in its home market that its reputation is in the same league as bankrupt financial institutions? This case study will tell the story behind the Vattenfall reputation challenge in 2010, with some reputation management lessons learned for other brands in the future.

BACKGROUND

Vattenfall was founded in 1909 and was a Swedish state-owned hydroelectric power company for its first six decades. In the 1970s, Vattenfall began diversifying its energy portfolio into nuclear energy, which dramatically reduced Sweden's dependence on imported oil and coal. In addition, it was an early adopter of biofuels and wind power in the 1980s, but Vattenfall did not start to resemble the modern company of today until the European Union directive on opening up electricity markets from 1992-96 created new opportunities for international business and acquisitions. By 1996, the Nordic region became a single electricity market in 1996 with open competition, and Vattenfall expanded into Germany and launched its first international brand building campaign to better profile and raise awareness of the company among different stakeholder groups, including the general public.

Throughout the next decade, Vattenfall acquired companies and other assets across northern Europe. But its largest and most important transaction took place in its centennial year of 2009, when it acquired the Dutch energy company N.V. Nuon Energy. In fact, Vattenfall named former Nuon chief executive Oystein Loseth as its new CEO in April 2010.

Today, Vattenfall is active at all stages of the electricity value chain - generation, transmission, distribution and sales, serving several million customers in the Nordic countries and northern Europe (Belgium, Denmark, Finland, France, Germany, Netherlands, Norway, Poland, Sweden and the UK). Vattenfall also generates, distributes and sells heat, and conducts energy trading and lignite mining. The parent company, Vattenfall AB, is wholly owned by the Swedish state.

Vattenfall focuses its Group Research & Development (R&D) on six key areas: Renewables, Operational Efficiency, Nuclear Energy, Energy Efficiency, Carbon Capture and Storage, and New Technologies.

Vattenfall hydroelectric power plant Stornorrfors in Sweden

REPUTATION IMPACT

In the 2000s, Vattenfall built an aggressive reputation platform as it continued to expand into new markets through acquisitions. Like many energy companies in Europe and around the world in competitive electricity markets, Vattenfall made some strategic assumptions about renewable energy and a lower-carbon future that it sought to promote through cause-related marketing, sponsorships and thought leadership.

For starters, Vattenfall proposed a global adaptive burden-sharing model to create a low carbon emitting society built on the following principles in the late 2000s:

- All countries should participate - participation is a part of being a member of the global community.
- Emission allowances are allocated to each country in relation to its share of global GDP.
- Emission caps should be binding.
- No poor country shall be denied its right to economic development - no extra cost burden on the poorest.
- No rich country shall have to go through disruptive change.
- Richer countries pull a larger weight (emission caps do not embrace countries until they have reached a certain economic level; poorer countries with caps get higher allocations compared to richer countries).
- There shall be a level playing field. The proposed framework shall not change relative competitiveness.
- The system shall be robust. As new knowledge is accumulated parameters may change, but not the principles underlying the system.[1]

Beyond the lofty rhetoric aimed at elected officials and NGOs for a low carbon emitting society, Vattenhall sought to move the business community from apathy to action through a reputation platform pillar dubbed the 3C initiative. “Combat Climate Change” was the brainchild of Vattenfall which aimed at forming a global opinion group consisting of companies showing leadership by demanding an integration of climate issues into the world of market and trade. More than 50 international companies signed up for 3C between its launch in January 2007 and the COP15 meeting in Copenhagen in December 2009.[2]

But that wasn’t all. Vattenfall put a stake in the ground and announced that its climate vision is to be a climate-neutral company by 2050. Achieving this climate vision would require that Vattenfall reduce its CO_2 emissions from existing operations while at the same time dramatically increasing its generation of electricity with very low CO_2 emissions. The new electricity generation capacity needed to realize the company’s climate vision will be derived from renewable energy sources, such as wind power, bioenergy, ocean energy and non-renewable energy sources, such as coal power using the new CCS technology, and nuclear power.

The European Union’s target of 20% of total energy supply derived from renewable sources is ambitious, as the continent’s current levels as of 2009 was just under 10%. In its home region of Scandinavia, Vattenfall has a comparatively high percentage of renewable energy in its electricity generation mix due to an abundance of hydro power, so the company believed that

[1] http://en.wikipedia.org/Vattenfall
[2] For more information about 3C, its member companies and goals and objectives, visit http://www.combatclimatechange.org/www/ccc_org/ccc_org/224546home/index.jsp

taking an early climate-neutral corporate position before any global mandate or standard was established would be seen as credible in the eyes of most stakeholders.

Perhaps the most visible element of Vattenfall's public perception campaign to push the climate change agenda was aimed at empowering the European general public in 2008-09. Vattenfall dubbed this the Climate Manifesto, and created a simple three policy statement petition for consumers to sign to support its belief that "the world needs structural changes of the system we all are a part of as individuals, consumers and voters:"

1. A global price on carbon dioxide emissions
2. More support for climate friendly technologies
3. Implementation of climate requirements for products

Vattenfall made each signature turn into a figure that went on a seven-city tour of northern Europe starting in Brussels and ending at the United Nations Climate Change Conference in Poznan 2008. The figures formed a series of "photo ops" to demonstrate the visual impact of popular support to European politicians, regulators and climate negotiators on the eve of COP15, which was called the "most important environmental meeting since Kyoto Protocol was negotiated in 1997." In September 2009, over 244,192 signatures from the Manifesto joined forces with Seal the Deal, a UN worldwide campaign aimed at reminding world leaders that consumers expected them to negotiate an effective and fair agreement at COP15 in Copenhagen three months later.[3]

Despite the emotional support and demands of tens of thousands of activists gathered in the Danish capital in December 2009, expectations of the UN climate conference among participants were not so high that they were hard to meet. But the accord put together on the final Saturday of the weeklong gathering by an informal grouping of countries, including America, China, India and South Africa, barely made it over, and was only incorporated into the conference's conclusions after a tense all-night session. Companies like Vattenfall that had staked their reputation to a successful COP15 outcome were bitterly disappointed and found a vicious backlash and reexamination of their corporate motives during the 2009 holiday season by supporters and detractors alike.

[3] For more on Vattenfall's positioning in the months leading up to COP15 in December 2009, visit http://cop15.vattenfall.com/tag/vattenfalls-climate-manifesto

An image from Vattenfall's COP15 blog on the final day of the summit, 21 December 2009

What was accomplished at Copenhagen? The accord offered to enhance long-term co-operative action against climate change, and recognizes the need to provide help to poor countries for adaptation. It provided a way to bring together the offers of emission reductions made by various countries before the conference began—and, should they so wish, to raise them—as long as they are confirmed in the next few months, and gives a special status to the idea of holding global warming to no more than 2ºC. It found words that provide a way forward on the vexed issue of monitoring reductions undertaken by developing countries off their own bat, which is important not least because it is something the US Senate wanted reassurance on with respect to China. It offered short-term funding for projects in developing countries of $30 billion, and aspires to a long-term system that would, in principle, provide $100 billion a year for mitigation and adaptation from 2020 onwards. And, perhaps the component of clearest value from outside the world of climate politics, it moved forward on REDD, the plan for reducing deforestation.[4]

ANALYSIS

Vattenfall's reputation challenge with Swedish consumers in the late 2000s is indeed striking, in part because so much of the reputational damage was self-inflicted and reflected the "blowback" by activists who questioned the company's motives in the run-up to and aftermath of COP15. One way to assess the fallout is to look at Vattenfall's track record from 2007-10 through each of the seven individual reputation drivers:

- **Products and Services**: prior to the Nuon acquisition in 2009, nearly half (46%) of Vattenfall's production came from fossil fuels, with one quarter coming from both nuclear energy (28%) and hydroelectric power (24%). This did not sit well with Nordic consumers asked to sign a Climate Manifesto pledge by Vattenfall while "dirty" coal was still its leading source of energy and profits.

[4] For an excellent summary of COP15, *The New York Times* and *The Economist* both covered the highs and lows of the Copenhagen climate change summit masterfully throughout December 2009.

- **Financial Performance**: Because Vattenfall is state-owned, the Swedish general public gives them high marks from an investment perspective for continuing to grow the company through an aggressive M&A strategy. This is consistent with high ratings given to other state-owned enterprises in Scandinavia, including energy giant Statoil.
- **Innovation**: Vattenfall has not been able to translate its leading-edge R&D into innovation credibility in its home market in part because it is now perceived as building out a COP15 framework (organizing 3C and its Carbon-Neutral by 2050 claim, for example) for future growth which is now seen as hopelessly naïve and unrealistic.
- **Citizenship**: In May 2009, Vattenfall was voted the winner of the 2009 Climate Greenwash Awards for "its mastery of spin on climate change, portraying itself as a climate champion while lobbying to continue business as usual, using coal, nuclear power, and pseudo-solutions such as agrofuels and carbon capture and storage (CCS).[5]" This slap in the face from a group of Danish NGOs undoubtedly took the varnish off the 250,000 signatures of Vattenfall's Climate Manifesto.
- **Governance**: Greenpeace says Vattenfall owns four of the "dirty thirty" most polluting power stations in Europe. Its coal-fired power plants account for more than twice as much CO2-emissions as the rest of Sweden combined, and, if counting their Swedish-owned but foreign-located plants as Swedish, would bring Sweden up to the fourth highest CO2-emitting country per capita. Quite simply, Vattenfall does not enjoy enough benefit of the doubt with Swedish consumers to be able to pull off such an aggressively "green" reputation platform around its ethics and transparency.
- **Workplace**: Vattenfall took an "employer of choice" black eye around safety when its nuclear power plant Krümmel (part owned by E.ON) in Germany was closed for two years starting in 2007 due to a fire in the transformer. A July 2009 short circuit of another transformer led to another closure, leading Peter Henry Carstensen, Prime Minister of Schleswig-Holstein, to announce this will be *"letzter Versuch"* (their last try) before the facility is closed for good. The Swedish media covered this episode closely, which didn't help Vattenfall's morale or local recruiting efforts leading up to COP15.
- **Leadership**: The failure of COP15 to produce a meaningful low-carbon global framework for Vattenfall to execute against has created a crisis of confidence in senior management among the Swedish general public. Its once-rock solid reputation platform appears to be more of a "house of cards" than anything else, and new CEO Oystein Loseth has his work cut out for him to regain the respect of consumers in Vattenfall's home market of Sweden.

[5] http://www.climategreenwash.org/nominees

Further information

1. Vattenfall website (http://www.vattenfall.com) and its COP15 blog (http://cop15.vattenfall.com)
2. Greenpeace website (http://www.greenpeace.org)
3. 3C/Combat Climate Change website (http://www.combatclimatechange.org)
4. http://www.treehugger.com/files/2007/01/companies_band.php
5. http://www.icca-corporateaccountability.org/reports.php
6. Ten Technologies To Save The Planet: Energy Options for a Low Carbon Future by Chris Goodall. New York: Greystone, 2010.
7. Hot, Flat & Crowded: Why We Need a Green Revolution – And How It Can Renew America by Thomas Friedman. New York: Farrar, Strauss & Giroux, 2008.
8. Why We Hate The Oil Companies: Straight Talk from an Energy Insider by John Hofmeister. New York: Palgrave Macmillan, 2010.
9. Catching The Carbon: The Politics and Policy of Carbon Capture by James Meadowcroft and Oluf Langhelle. London: Edward Elgar, 2010.

