

Fortum's Annual Report 2014

Fortum is an energy company highly committed to sustainability. We strive to respond to the needs of our customers by generating, selling and distributing low-carbon electricity and heat and by offering energy-sector expert services.

Authorities, decision makers and energy industry organisations

The significance of energy issues continues to grow in our society: climate change, security of energy supply and energy prices are part of the everyday public discussion. For this reason, collaboration with authorities, decision makers and energy sector organisations is important. At the EU level, and in our countries of operation, we are directly and indirectly involved in the activities of over 62 sector associations and organisations.

We engage in an active dialogue to develop the energy sector. We present our views and offer our expertise to decision makers and organisations in the sector. We annually publish position papers on key topics and participate in stakeholder consultations. Our goal is to offer constructive suggestions for policies and legislation.

Public affairs themes in 2014

At the EU level, we participated in discussions regarding the EU's climate and energy policy and the targets for 2030. Other themes important for us were development of the emissions trading scheme and, in particular, the market stability reserve mechanism, as well as the internal energy market. Additionally, we expressed views on how policy targets and steering mechanisms impact energy prices and hence the competitiveness of EU industry. The EU's energy dependence and security of energy supply became topics of discussion with the crises in Crimea and Ukraine. Also Europe's energy security strategy and the Commission's energy safety stress tests sparked broad debate. The European electricity market model was a trending topic. Several countries are preparing capacity mechanisms to ensure the secure supply of

electricity at the national level.

Fortum believes that a pan-European, competitive internal energy market with robust transmission connections – and a market in which also renewable energy is developed on a market-driven basis – would not only increase competition and reduce environmental impacts, it would also strengthen the EU's internal energy availability and security of supply.

The European Parliament elections and the new composition of the Commission sparked plenty of interest. Additionally, national parliamentary elections were held in 2014 in two of Fortum's operating countries: Sweden and Latvia.

A report on hydropower legislation was completed in Sweden and is anticipated to lead to comprehensive reform. The discussion on hydropower in Finland focused on recreational fishing, fish stocking and the need to build fishways in conjunction with hydropower plants. In the discussion on tightening environmental regulation and potential renewal of plant permits, we highlighted our long experience in sustainable hydropower production, and we emphasised the CO₂-free aspect of hydropower.

Nuclear power was a topic of discussion in Sweden and Finland during the year. As a result of the nuclear stress tests in the EU, the Swedish nuclear safety authority (SSM) decided to propose new regulations that would improve safety, but would also increase the costs for existing nuclear power plants. It is our view that, along with maintaining a high level of nuclear safety, EU-level harmonisation of nuclear safety requirements is very important. In Finland, the government reassessed the decisions-in-principle given to Teollisuuden Voima (TVO)

and Fennovoima in 2010: The government rejected TVO's request for additional time to implement the decision-in-principle, but approved the amendments to Fennovoima's ownership and plant suppliers.

In general, the tax environment has become tighter in all our operating countries, and tax issues were often a topic on the social agenda. In particular, the Swedish real-estate tax on hydropower plants and the Finnish power plant tax were politically debated. The increase in the hydropower plant real-estate tax was approved in Sweden, and the government also started a comprehensive study of real-estate taxation. The Finnish Government decided that it will not introduce a power plant tax (windfall tax) on nuclear, hydro and wind power built before 2004. The tax would have increased the production costs of emissions-free energy.

The consumer price of heat is a significant political topic and is constantly in the media in countries where the price of heat is regulated. Fortum operates in regulated heat markets in the Baltic countries, Poland and Russia. We expressed our view that all heating forms should compete with each other in a market-driven operating environment.

The Ukraine crisis – and particularly the sanctions, the counter sanctions and the impacts of the sanctions – were topical themes throughout Europe in 2014.

We brought up views impacting the heat reform that is getting under way in Russia. The goal of the market model reform is to encourage energy-efficient heat production and distribution and to improve the efficiency of consumption. At the same time, the aim is to attract investments in modernising the aging production and transmission systems.

Fortum offered its experience to the bodies that are advancing the energy reform; we have extensive operative experience with various legislative environmental work in our various countries of operation.

In December 2014, Fortum updated the company's information in [the Transparency Register](#) maintained jointly by the European

Parliament and European Commission. The register offers information about organisations that aim to influence EU decision making.

Fortum's Corporate Relations function reports to the President and CEO, who is responsible for all public affairs activities. The Group does not use third parties for lobbying

purposes.

Read more

- [Fortum's participation in the activities of energy-sector organisations](#)
- [Fortum's positions on topical energy issues](#)