

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.

Operating environment and market development

Fortum's operating environment and markets were challenging in 2014. Competitiveness and energy security were emphasised in European energy and climate policy discussions.

The budding economic growth in Europe halted and the purchasing power of households decreased significantly in several countries. With the Ukrainian crisis, the EU paid more attention to energy security, and in May the EU Commission published a proposal for European Energy Security Strategy. During the year EU imposed sanctions against Russia as a result of the Ukrainian crisis. The gas industry and nuclear energy were exempt from the sanctions. The mutual dependency on energy and tight economic relations between the EU and Russia did stabilise relations between the regions.

Energy and climate issues received a lot of attention in the EU in 2014. In January the Commission proposed a Market Stability Reserve (MSR) mechanism for the carbon emissions trading scheme; its adoption is advancing in the Parliament and Council. Additionally, the Commission published a communication on energy efficiency.

In October the European Council agreed on the energy and climate targets for 2030. The targets set were at least 40% reduction in domestic greenhouse gas emissions compared to 1990 level, an increase in renewable energy's share to at least 27% (EU-level binding target), and at least 27% improvement in energy efficiency (EU-level indicative target). The EU Commission will prepare legislative proposals in 2015-2016 to implement the 2030 targets.

The EU Commission and European Council brought forth the concept of an Energy Union, the goals of which are economical and clean energy production and security of supply. The aim is also to harmonise position statements related to energy policy. The Energy Union concept is expected to become more defined when a communication about it is released in early 2015.

In November the International Energy Agency (IEA) published its annual World Energy Outlook, which analyses global energy production and consumption. The IEA estimated 37% growth in the global energy demand by 2040. In Fortum's regions of operation, consumption is estimated to increase by 11% in Russia, but decrease by 7% in the EU.