

# **Update to the 2021 Climate Lobbying Review**

**December 2022**





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## Key outcome of the 2021 Climate Lobbying Review

In December 2021, Fortum published its first Climate Lobbying Review of 15 industry associations in Europe, Russia and India. The associations were assessed on their alignment with the Paris Agreement and Fortum's climate advocacy principles.

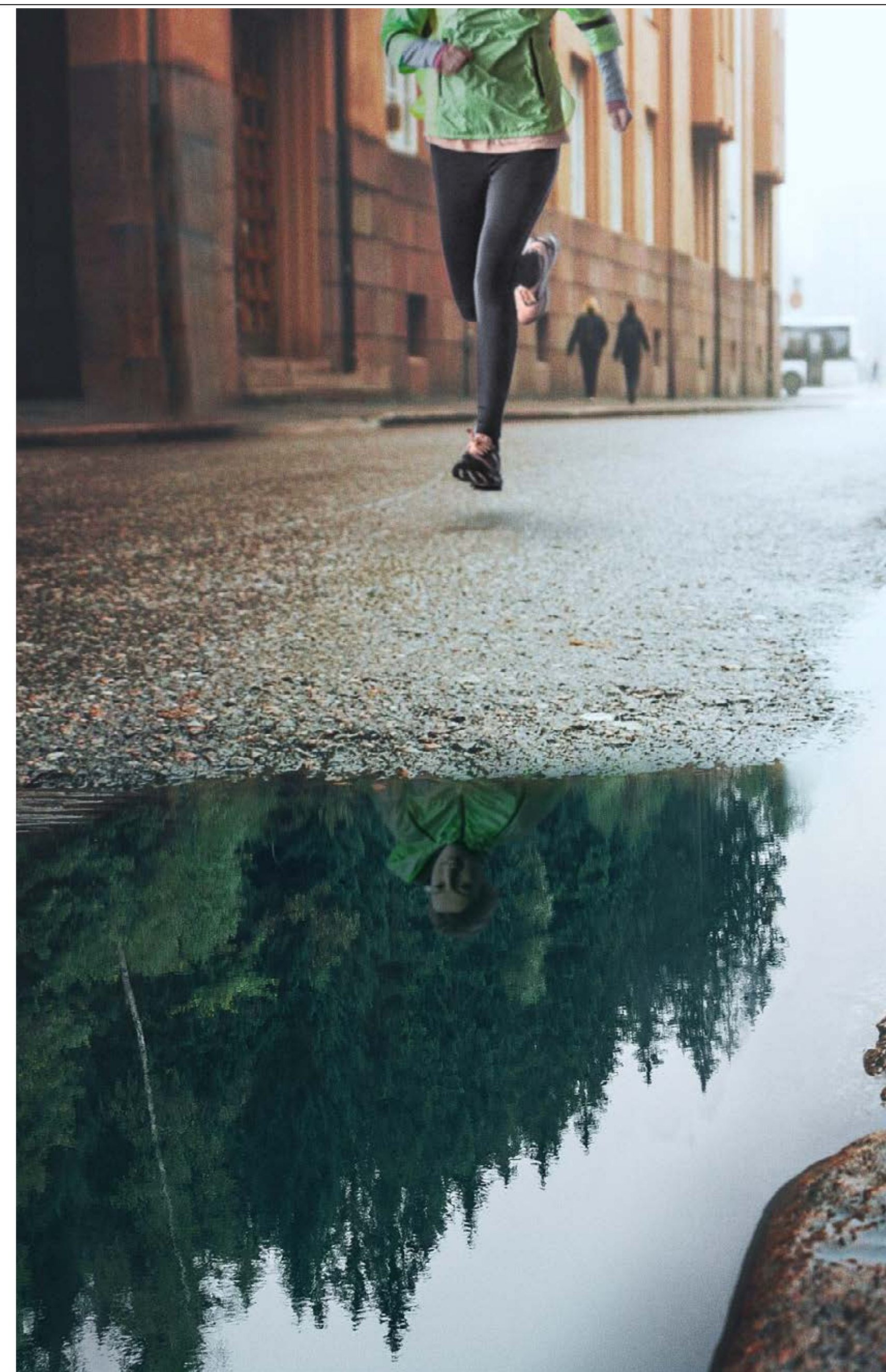
The outcome of the review was that seven of the 15 associations were already fully aligned with the Paris Agreement and Fortum's climate advocacy principles. Eight associations were partially aligned, including one misalignment on a key principle.

As next steps in the 2021 review, we promised to continue to evaluate our industry association memberships and to increase dialogue with them on climate policy advocacy. Based on the 2021 review, Fortum agreed to monitor and address misalignment whenever the associations' current positions differ from Fortum's climate advocacy principles. We promised to have bilateral discussions with those associations that are partially aligned or misaligned and to encourage them to take development actions. We committed to report on the progress of this dialogue and to explain the actions we took as a result of the first review in our following Climate Lobbying Review in 2022.

In addition, we promised to strive to include even more industry associations in the annual Climate Lobbying Review. In particular, this was related to associations where Uniper is a member.

### The key findings regarding the misalignments of the associations in the 2021 review were:

- **Euroheat & Power:** EHP is broadly aligned with Fortum on the principles of energy sector decarbonisation but differs on the details of policy: most significantly, EHP prioritises energy-efficiency initiatives over carbon pricing and declined to take a position on the merits of nuclear energy in promoting the climate transition.
- **German Association of Energy and Water Industry:** BDEW endorses the climate goals set by the Paris Agreement and is fully aligned with Fortum on the fundamental issues relating to climate action. However, it occasionally diverges from Fortum on the preferred policy options and priorities: BDEW attributes a lesser role to carbon pricing than to the expansion of renewable energy and is sceptical of nuclear energy's role in the energy transition.
- **Chamber of Commerce Polish District Heating:** IGCP aligns with the official Polish position on the energy transition and the Green Deal, including the Fit for 55 package and the Paris Agreement. However, as the means and timetables in reaching the targets differ significantly, the association can only be considered partially aligned with the Paris Agreement and Fortum's key climate advocacy principles. Poland's district heating systems are old and still heavily dependent on coal. Furthermore, IGCP acts mostly as a platform for cooperation, rather than forming strong policy statements.
- **Polish Association of Professional Heat and Power Plants:** PTEZ aligns with the official Polish position on the energy transition and the Green Deal, including the Fit for 55 package and the Paris Agreement. However, as the means and timetables in reaching the targets differ significantly, the association can only be considered partially aligned with the Paris Agreement and Fortum's key climate advocacy principles. Poland's district heating systems are old and still heavily dependent on coal. Furthermore, PTEZ acts mostly as a platform for cooperation, rather than forming strong policy statements.





## Further actions taken in 2022

Fortum's corporate structure has undergone major changes during 2022, including the decision to divest our Russian energy production assets and to sell the entire stake in Uniper to the German Government. As a consequence of this, the Russian associations have been left outside the scope of this update of our Climate Lobbying Review. Our target to include associations relevant for Uniper has also been abandoned.

The European associations that were partially aligned in the 2021 review include Euroheat & Power (EHP), the German Association of Energy and Water Industry (BDEW), the Chamber of Commerce Polish District Heating (IGCP) and the Polish Association of Professional Heat and Power Plants (PTEZ).

The main elements of the dialogue that we had with these associations during 2022 included:

- **Euroheat and Power:** We clarified with EHP their views on the EU's climate targets and carbon pricing; we are aligned with EHP's position. EHP supports extending the EU ETS to more sectors. EHP also supports the new targets set out in the EU's Fit for 55 package.
- **German Association of Energy and Water Industry:** We clarified with BDEW that they support a tightening of the EU's climate targets and carbon pricing in line with Fortum's views.
- **Chamber of Commerce Polish District Heating:** IGCP has focused on influencing Polish national legislation especially regarding energy crisis-related price regime changes. The topics where we had identified partial misalignments during 2021 were related to the 2050 climate neutrality target and carbon pricing. A positive development was that IGCP now stated clearly that they support the 2050 climate neutrality target. On the EU's Fit for 55, the IGCP supports the aims of the package as a whole. They have slightly different policies on carbon pricing, and they are especially sceptical of participation by financial institutions in the ETS. Fortum supports open participation by all participants in the ETS. This is still a partial misalignment with Fortum's policy position, but IGCP has clearly improved its position on climate policies. We note the positive development in the IGCP climate policy position. We encourage IGCP to take a more supportive position on tightening the EU ETS and participation by financial institutions in the ETS.
- **Polish Association of Professional Heat and Power Plants:** PTEZ has focused on influencing Polish national legislation and the EU's Fit for 55 package during 2022. The topics where we had identified partial misalignments during 2021 were related to the 2050 climate neutrality target and carbon pricing. A positive development was that PTEZ now stated clearly their support for the 2050 climate neutrality target. On carbon pricing, PTEZ does not support rebasing the cap and tightening the linear reduction factor. They see that the ETS could be tightened after 2030 when more decarbonisation technologies are available for the Polish district heating sector. This is still a partial misalignment with Fortum's policy position, but PTEZ has clearly improved its position on climate policies. We note the positive development in the PTEZ climate policy position. We encourage PTEZ to take a more supportive position on tightening the EU ETS.





## Conclusions and next steps

Fortum is committed to ensure that the industry associations the company is a member of lobby for policies that are in line with the goals of the Paris Agreement. Based on the dialogue with the four associations during 2022, we found progress was made in line with this commitment. Our conclusion is that German Association of Energy and Water Industry (BDEW) and Euroheat and Power (EHP) are currently fully aligned with the Paris Agreement and Fortum's climate advocacy principles.

The two Polish associations, the Chamber of Commerce Polish District Heating (IGCP) and the Polish Association of Professional Heat and Power Plants (PTEZ), have recently indicated their support for the 2050 climate neutrality target and we consider this an important improvement since 2021. However, both of these associations are still partially aligned with our climate advocacy principles. This is mainly due to the fact that they do not give their full endorsement for carbon pricing and, in particular, for strengthening of the EU ETS at this stage.

We continue our membership in both Polish associations, and we continue to dialogue with them regarding their climate policy positions. In the next review round, we will define a time-bound escalation process to address these industry associations assessed as being partly aligned with the Paris Agreement.

Following the divestment of Uniper to the German State and the ongoing process to exit Russia, Fortum is repositioning its geographic scope and strategic focus. A strategy review is ongoing and the new strategy is planned to be announced in March 2023. In 2023, we will publish also our next Climate Lobbying Review that takes into account the new company strategy and possible changes in our memberships in industry associations.





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