Kari Kankaanpää 12.12.2024

FORTUM'S PARIS ALIGNED CLIMATE ADVOCACY PRINCIPLES

This document outlines Fortum's Paris aligned climate advocacy principles that guide the more detailed positions Fortum takes on the global, EU and country specific policies. These principles are also the basis for our policy engagement in the industry associations we are participating.

Climate science and the Paris Agreement

Fortum considers the scientific basis of climate change and the link between human activity and climate change evident. We recognize the reports by the Intergovernmental Panel on Climate Change (IPCC) as an authoritative source on climate change.

Fortum strongly supports the goal of the Paris Agreement to limit the average rise in global temperature to well below 2 °C above pre-industrial levels and to pursue efforts to limit it to 1.5 °C. We have aligned our strategy with the Paris goal and we have set a science based target for our greenhouse gas emissions in line with the SBTi1.5°C trajectory.

We recognize that climate mitigation and adaptation require strong political commitment as well as ambitious and prompt action. We encourage governments and policymakers to continue implementing and further intensifying policies and to put forward strengthened, high quality nationally determined contributions (NDCs), in line with a 1.5°C trajectory.

We expect the Agreement to accelerate low-carbon transition and to create new business opportunities.

Climate neutrality goal

In line with the Paris Agreement, Fortum supports the development of robust and sustainable policies to help the world get to net-zero emissions by 2050. We encourage policymakers to commit to reaching 100% decarbonised power systems by 2035 in advanced economies and by 2040 at the latest for others.

We recognize that the nature and pace of change will vary between countries and regions, reflecting different types of economies and development priorities.

We strongly support the EU 2050 climate neutrality target and encourage the EU to swiftly establish a holistic long-term emission reduction pathway 2030-2050 and decide on the related policy instruments. We support a 2040 climate target of around 90% net emissions reduction. All sectors need to contribute and focus must be on sectors, where we can get the most significant results in the most cost-efficient way.

Fortum's target is to be carbon neutral in line with the goals of the Paris Agreement by 2030 at the latest.

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Carbon pricing

We encourage policymakers to put a meaningful price on carbon that reflects the full costs of climate change. Fortum views carbon pricing as the key policy for meeting the Paris Agreement's goal. Carbon pricing is cost efficient, technology neutral and flexible.

Fortum advocates mechanisms that help carbon markets to be linked internationally, promote increased ambition in reducing emissions and create incentives to invest in low-carbon technologies. We encourage linking of regional carbon pricing systems and using the cooperation mechanisms based on article 6 of the Paris Agreement that was made operational in COP29.

In the EU, we support Emissions Trading System (ETS) as the main climate policy instrument. The system has to be further reinforced and extended in order to be able to deliver on the increased climate ambition.

Policy coherence

Fortum recognizes that government-led carbon pricing mechanisms alone are not likely to deliver the necessary reductions in emissions to achieve the Paris goal and other policy measures are need at least for a certain period.

In the EU, we support renewable energy and energy efficiency as important tools to reach the climate targets. However, the related targets and policies need to be coherent with the EU ETS in order not to water down the functioning of the ETS. The ultimate goal has to be a climate target alone.

Technology neutrality

Fortum considers technology neutrality as one of the core principles of modern energy policy. We believe that transforming the European economy into a climate-neutral economy requires an approach that relies on a complementarity of carbon-free and low-carbon energy technologies, ranging from all renewable energy sources (wind, solar, hydropower, biomass, geothermal, etc.), nuclear, energy storage, and clean gases to carbon-negative technologies.

The complementarity of technologies plays also a key role in keeping the costs of energy transition down and making the energy transition affordable to customers.

Energy transition

The world needs a fast energy transition to mitigate climate change. To be successful, the energy transition must balance sustainability, affordability, and security of supply. The energy transition requires not only renewables and other carbon free energy sources like nuclear, but also increasingly clean gases, energy storage, and other flexible solutions to provide security of supply.

As the power sector will be highly decarbonized by 2030, other sectors will play an increasingly important role in reducing greenhouse gas emissions. We believe that electrification – both direct and indirect – and sector integration are key tools in decarbonising industrial sectors, heating and cooling and transport.

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We welcome the decisions by COP28 on energy transition with the aim to transition away from fossil fuels in the energy system and to triple the use of renewables and to double energy-efficiency levels.

We advocate policy frameworks that support the development of low-carbon gases, including hydrogen and hydrogen-derived fuels. We also support regulatory efforts to decarbonise natural gas, reduce its use and reduce the environmental impact from its value chain.

Carbon removals and negative emissions

Fortum believes that carbon removals and negative emissions have a crucial role to play in achieving climate neutrality. We highlight that carbon removals and negative emissions are supplemental to emission reduction.

In our view, captured CO2 as raw-material is more valuable than permanently stored CO2 and therefore the focus of carbon removals should be on carbon capture and utilization (CCU). CCU from biogenic sources should be preferred as it results in negative emissions.

We advocate regulatory frameworks and other government incentives that enable the deployment of carbon removals and negative emissions at scale. In our opinion, industrial carbon management should contribute both to the objectives of climate policy, renewable energy policy and waste and circular economy policies.

The EU post-2030 climate policy framework should set distinct targets for emission reductions and carbon removals to ensure both emissions reductions and removals.