

## Finland is facing major energy decisions

By Timo Rajala

Energy investments are being made in Finland and all over the world at an increasing speed. Many countries find themselves in the same situation as Finland; electricity consumption is increasing, imports are decreasing and existing capacity is becoming obsolete.

Finland wants to continue these investments. The industries are exceptionally unanimous in their wish to change over to emission-free electricity production during the next 20 years. They will volunteer to make the necessary investments, worth billions of euros, largely without government subsidies. The gain would be self-sufficiency in electricity production. Thereafter the use of electricity for heating or even electric cars would be acceptable and would slow down climate change. The new capacity built would also curtail price increases and reduce the costs levied on companies by emission trading.

In this difficult economic situation companies are looking for strong signals to indicate that Finland will provide favourable operating conditions in the future. The secured availability of energy at competitive costs would be an incentive for companies to develop and invest in Finland.

It poses a political problem that nuclear power has a prominent role in future electricity solutions. At least two new nuclear power plant units will be needed by 2025 in addition to the Olkiluoto 3 plant presently under construction. One of these would have to be built already before 2020 to help Finland to fulfil its emission reduction quota.

When we are now thinking of the future energy solutions in Finland, one factor causing confusion is the EU liberalisation package. There is talk in the EU about liberalising the market, but in practice regulation is on the increase. The EU has set exact percentual goals for emission reductions, energy conservation and the share of renewable energy. It restricts the decision-making options of the member states drastically. There has been a tradition in Finland that the industries and politicians seek the best national solutions in close co-operation and then commit themselves to these. The best national solution now is a model emphasising nuclear power, but it doesn't fulfil the EU equation with the three variables.

The grip of the EU on national energy policies has continued to tighten. This is somewhat peculiar, as energy policy does not fall within the authority of the EU but should be decided on by each member state independently. The EU has circumvented the problem by directing energy solutions in the name of environmental policy.

What is guiding the EU decisions and actions? Has it consistently concentrated on averting the climate change? As a consequence of the EU emission trade the carbon dioxide emitted carries a price now, at least in energy production and heavy industry. There is also a political agreement on the setting of emission limits on sectors outside the emission trade, e.g. traffic.

The country-specific obligations for renewable energy are at odds with this goal. Nearly all the member states have such heavy obligations that their execution is both unrealistic and unreasonably expensive. The essential criterion for decision-making in the EU energy policy has been lost, i.e. the cost-effective reduction of emissions. Member states have no alternative but to use enormous

resources for renewable energy. What if the same resources had been applied to other means of reducing emissions?

There is a political wish now to force companies into renewable energy generation through legislation. Manufacturers of equipment and other actors selling services are naturally enthusiastic about this. The situation is a tricky one, though, because in order to get investments countries are likely to start competing in who grants the most generous subsidies and thus triggers rapid investments. Sellers of equipment will take advantage of the heavy demand and the customer's paying capacity. The customer can afford to pay because the subsidising level is high.

The capacity of the EU has weakened. In addition to renewable energy, the EU has also on its plate many other massive and ambitious legislative projects. Their preparation has, however, proceeded slowly. One example is the so-called third liberalisation package, which contains stipulations on the ownership of power transmission grids. After their summit in June 2008, the energy ministers announced publicly that a successful compromise on the issue had been reached. However, the European Parliament did not accept this compromise and the whole package is now threatening to collapse.

There is reason to ask whether the EU should reduce the quantity of legislation and improve its quality. The combat against climate change is a global problem and the EU should concentrate on finding a global solution. The member states should be allowed to decide independently on the most cost-effective ways to avert climate change.

The EU has now begun to stipulate the energy solutions of individual member states and is in actual fact setting limits on the total consumption of energy. This is only a short step away from the stage where the EU sets a production ceiling e.g. for Finland's energy-intensive industry. If, for example, the Finnish steel industry increases its energy consumption by one megawatt-hour, Finland will have to invest further in renewable energy owing to its EU obligation. Implemented with wind power, this would cost 250 million euros. Should the same steel mill invest in Hungary, the obligation to increase the share of renewables would cost only one third of that sum.

Finland has the opportunity to shift to nearly almost completely emission-free electricity production quickly and, from society's point of view, economically. For its part, this would help to secure access to competitive energy to the Finnish industry and economy. The price of energy and the costs of emission trading would be considerably reduced. We in Finland should be allowed to decide on this independently.

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