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The Federation of Finnish Technology Industries

## **The Federation of Finnish Technology Industries proposes a new model for the Nordic electricity market PRICE OF ELECTRICITY WOULD FALL UP TO 22%**

**The Federation of Finnish Technology Industries proposes a new operating model for the Nordic electricity market, reducing electricity prices by up to 22%. In the new model, the markets for electric energy and emission allowances would be separated. The price of electricity would include the actual price of emission allowances. The fall in the price of electricity would reduce inflation by an estimated 0.4 percentage units in Finland. The incentive to reduce carbon dioxide emissions would be maintained.**

The price of electricity is determined according to the most expensive production form used in the Nordic electricity market at any given time. This is usually coal power. The EU emissions trading increases the costs of coal-produced electricity, and the price of emission rights is transferred to all electricity prices.

In the new model, the markets for electric energy and emission rights would be separated. Producers would make an offer on electric energy and declare the number

of emission allowances required for its production. A trading place, for example Nord Pool, would purchase the emission rights required by the implemented transaction and distribute the costs equally between all purchased electricity. The number of emission allowances would remain unchanged, but the price burden would be divided equally between the whole volume of electricity that is traded.

After the change, for example, an average family living in a detached house with electric heating would see an annual reduction of EUR 257.40 in its electricity bills. The price of electricity would consist of the production costs and the price of emission allowances, as at present, but it would only be necessary to pay for emission allowances according to actual emissions. This is where the saving would be made.

- The new model has a number of benefits. The market price of electricity and the price paid by the consumers would fall by 22%. The rate of inflation would fall considerably, by an estimated 0.4 percentage units in Finland. Finland's competitiveness and employment would improve, says **Ole Johansson**, Chairman of The Federation of Finnish Technology Industries.

### **Significant impacts on industry**

The price of electricity is crucial for the competitiveness of the Finnish industry. Industry accounts for slightly over 50% of the electricity consumption of the entire country. The price of production factors, such as the price of energy, largely determines the selection of location for production plants globally.

- In the technology industry, the share of electricity in the costs may be up to 50%, depending on the product. When the market price of electricity has not been determined according to actual production costs, we have not been able to benefit from the production of emission-free Nordic electricity. The new model and the new price of electricity that it would entail would benefit all users of electricity, says Ole Johansson.

### **The new model is easy to implement**

The new model would be easy to implement. Supplementing the current Nord Pool trading model would be enough. Separate windfall taxes or other complicated actions would not be necessary. Moreover, the new model would not require amendments to the emissions trading and electricity market directives, either. Introduction of the model requires a joint decision by the Nordic ministers of economic affairs.

### **Further information:**

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