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Vattenfall presents Electricity Market Report 2003

Vattenfall today presented its *Electricity Market Report 2003*. The Report is built on descriptions of Vattenfall's home markets, i.e. Germany, Poland and the Nordic region.

Vattenfall's President and CEO Lars G Josefsson pointed out that "the deregulation of the European power market has been a success story – however, a lot remains to be done to enhance the understanding of the open market. Credibility and trustworthiness of the electricity market and its major players are frequently questioned by public and customers, especially during difficult periods such as the recent dry winter in the Nordic region. Vattenfall's Electricity Market Report is meant to contribute to building trust in the market by being open. As a leading company, we offer to share our knowledge and understanding of the present state of our home markets, the overriding development of the internal electricity market in Europe and how we judge its future development."

With regard to Germany, today the largest market for the Vattenfall Group, Dr. Klaus Rauscher, Senior Executive Vice President and Chairman of the management in Vattenfall's German company Vattenfall Europe AG, commented that "the German market follows a natural maturing process that earlier on was seen on the Nordic market". But he also underlined the impact of political decision-making on future market development. "The coming regulatory regime, the national allocation plan for the emissions trading scheme and subsidy schemes for renewable energy are just three examples of political decisions that have substantial impact on all companies in the power business."

The *Electricity Market Report 2003* gives a broad description of the main features of how these markets work and also places them in a European context. A broad team of more than 30 people from the whole Vattenfall Group worked together to compile this report. Arne Mogren, Vattenfall Public Affairs, carried the overall responsibility for this work.

Last year, Vattenfall published its first ever Electricity Market Report based on a Nordic outlook. The scope of the *Electricity Market Report 2003* is thus wider, but the ambition remains to describe the market development as objectively and neutrally as possible.

The *Electricity Market Report 2003* contains two different parts:

1. General themes of relevance for the market development seen from a north European perspective, built on market analyses of Vattenfall's core markets.
2. Three separate descriptions of the Nordic, the German, and the Polish markets.

Among the observations the reader will find for example:

- EU energy markets are moving towards free competition. Liberalisation has progressed at different speeds in different countries, more slowly in the gas than in the electricity market. The EU Commission noted progress in terms of the general

functioning of the electricity market, particularly in Germany, Austria and the Netherlands.

- The Liberalised Power Markets where Vattenfall is operating are performing well, but service levels to small customers as well as other aspects need to be improved.
- In the Nordic area it is not relevant to discuss the market share of producers in individual countries, since market integration has already progressed so far that markets have become regional rather than national. Seen in a Nordic perspective, the three largest producers (Vattenfall, Fortum and Statkraft) together represent 47 % of production. The fifteen largest producers together cover 81 % of production.
- In Germany the electricity market is in a transition stage. The influence of political issues upon the energy industry still is and will continue to be quite high.
- Poland is still in the early stages of deregulation. Deregulation has sped up the economic transformation of the Polish energy sector. Energy companies are becoming more commercially minded and customer-oriented. Customers have become more aware of their rights.

The Electricity Market Report can be downloaded from Vattenfall's corporate website www.vattenfall.com (select "Responsibilities" > "Reports"). It can also be ordered by e-mail (contact: birgitta.lagerstrom@vattenfall.com).

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