



Fortum's electricity market review
Keilaniemi 19.2.2008

Lotta Forssell

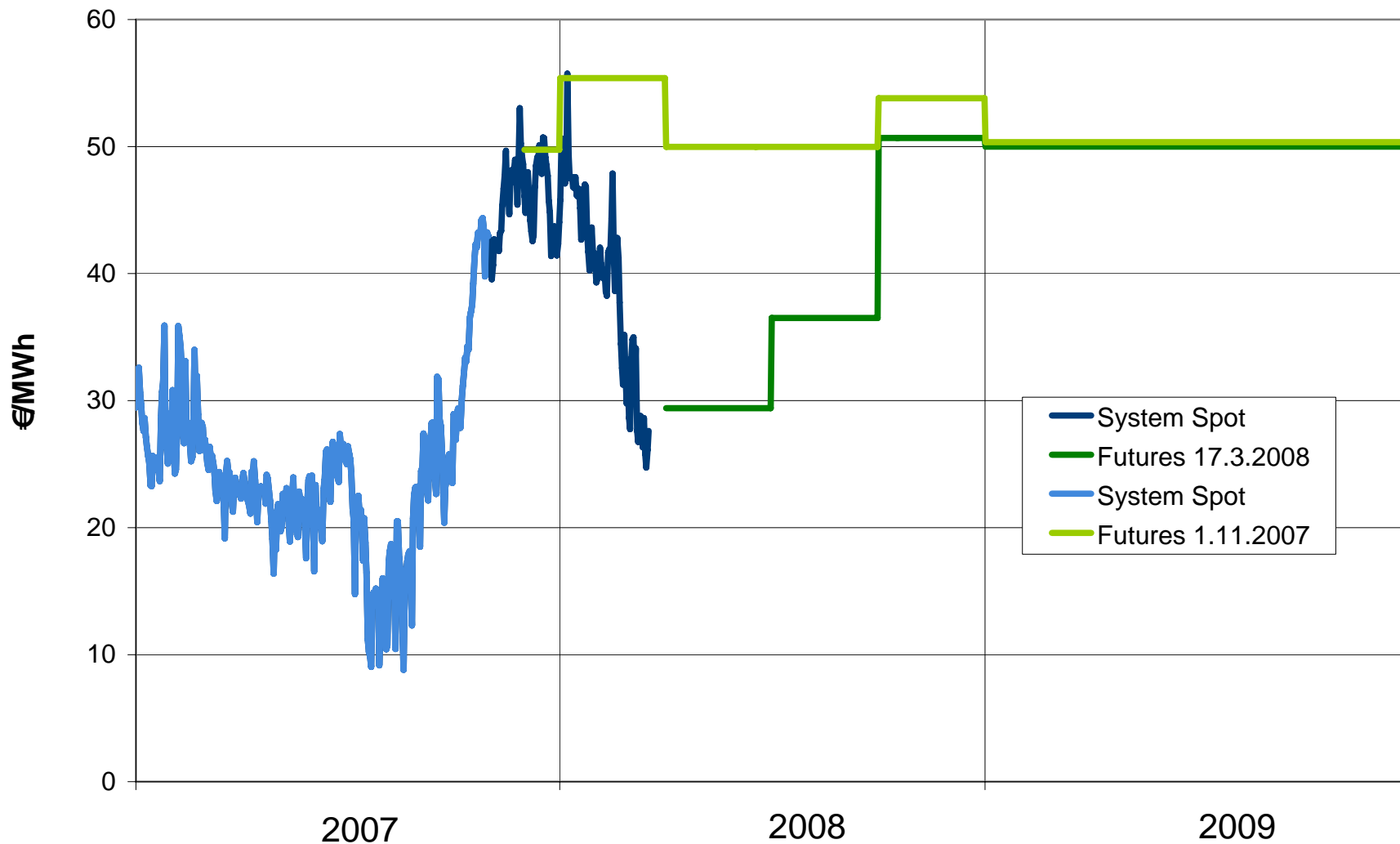
Vice President, Communications
Fortum Portfolio
Management and Trading

Background of the Electricity Market Review

- The goal of Fortum's electricity market review is to give information about the Nordic electricity market and factors behind price development
- Information in this review is based on data from Nord Pool, Nordel, SMHI, Reuters and Fortum's own data
- Similar review is held once or twice a year both in Finland and Sweden

- **Price development since 2007**
 - comparison 2007-2008
- **Development of the fundamentals**
 - hydro reservoirs
 - CO₂ emission allowance price development
 - fuel price development
 - electricity production
- **Nordic and European wholesale price development**
 - spot prices and forward prices

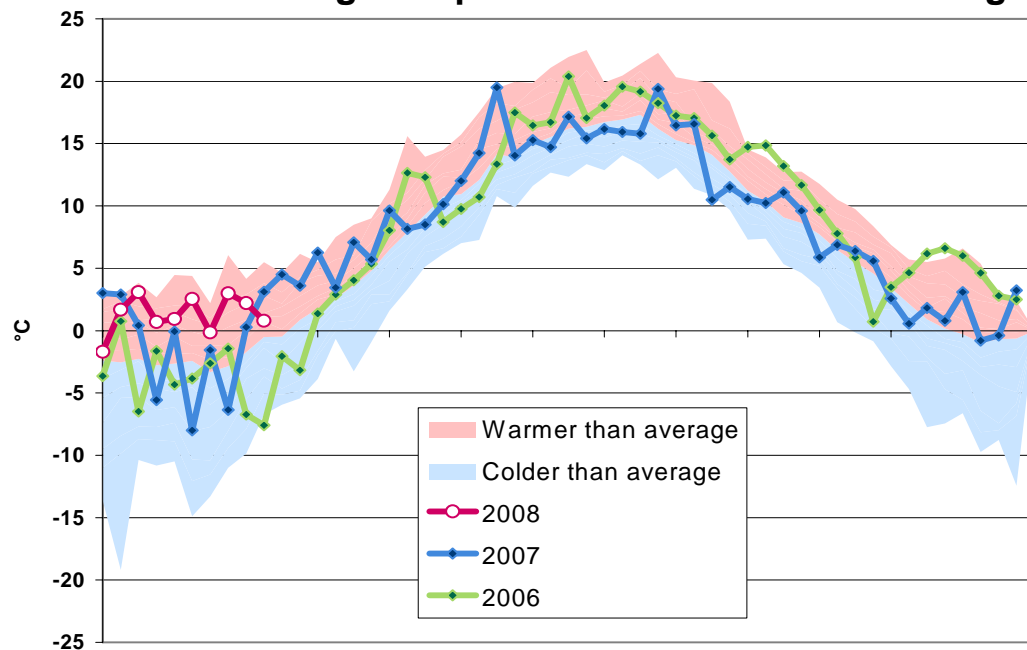
Development of prices since last November - Prices on 17 March 2008



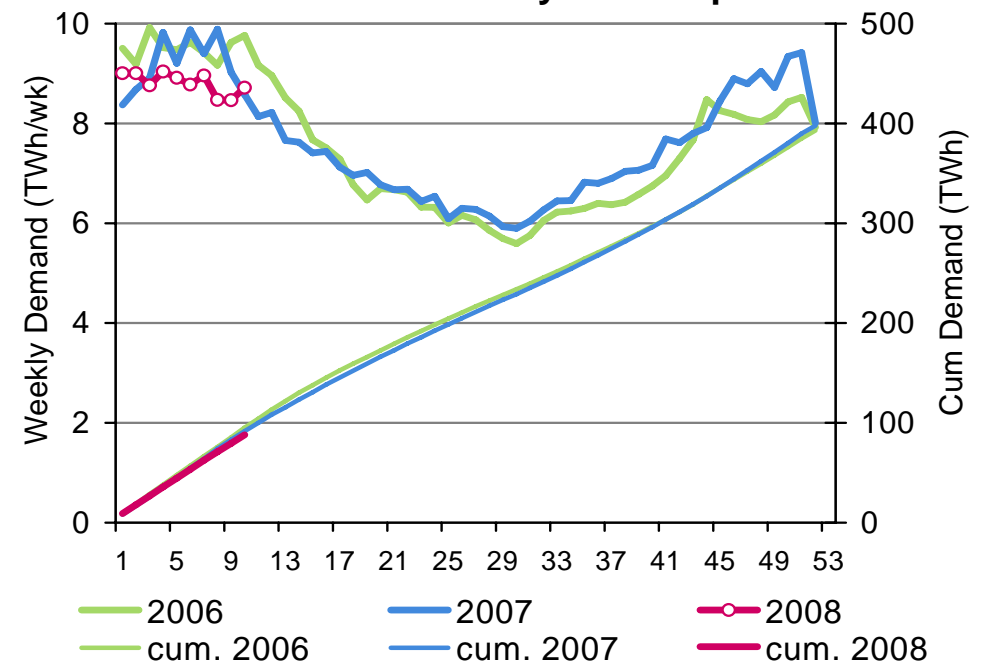
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Temperature and consumption in the Nordic

Nordic average temperatures and historical averages



Nordic electricity consumption



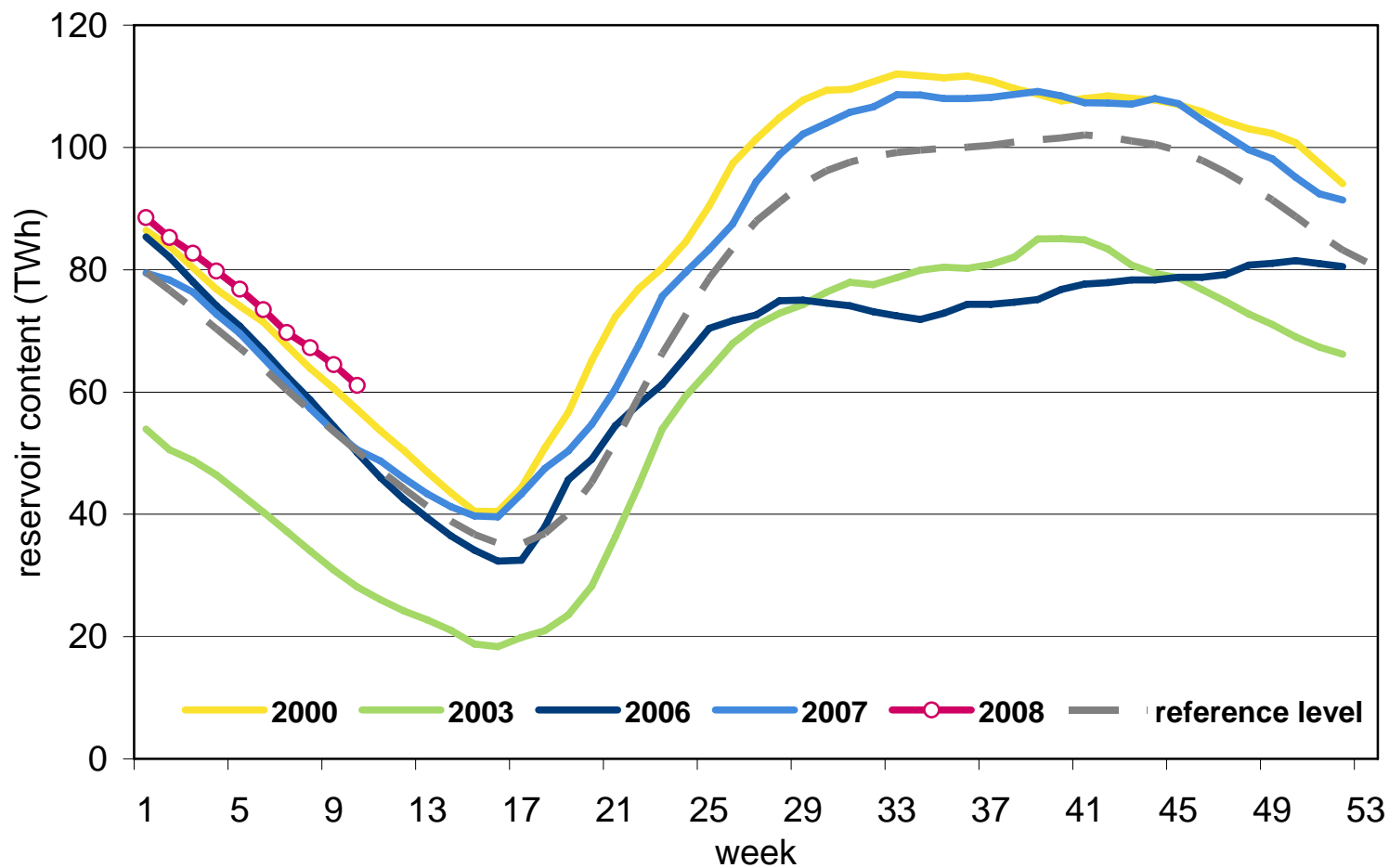
- Warmer than average temperatures during winter
- Precipitation above normal

Source SMHI and Nordel

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Nordic hydro reservoirs 11 TWh above average



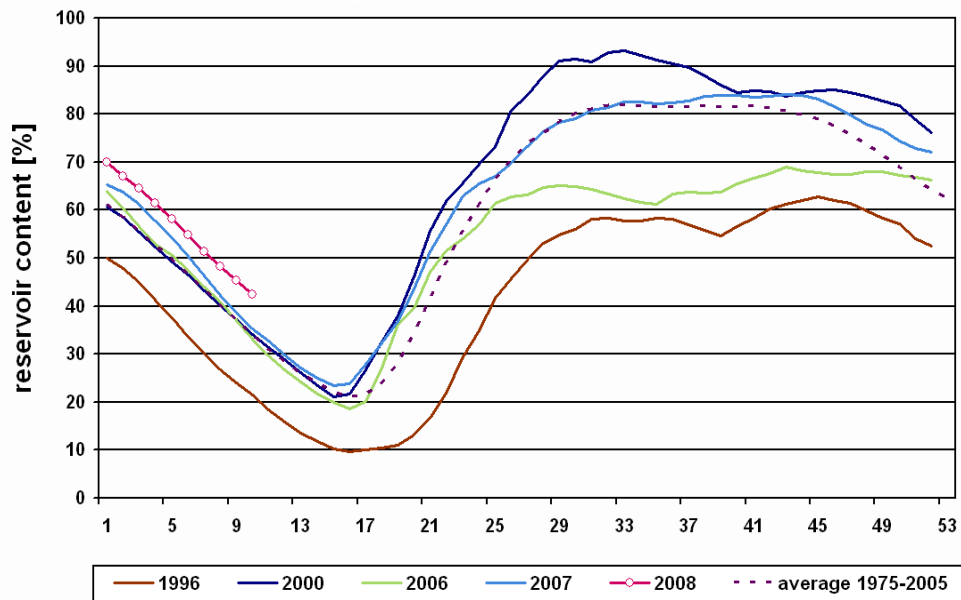
Source: Nord Pool

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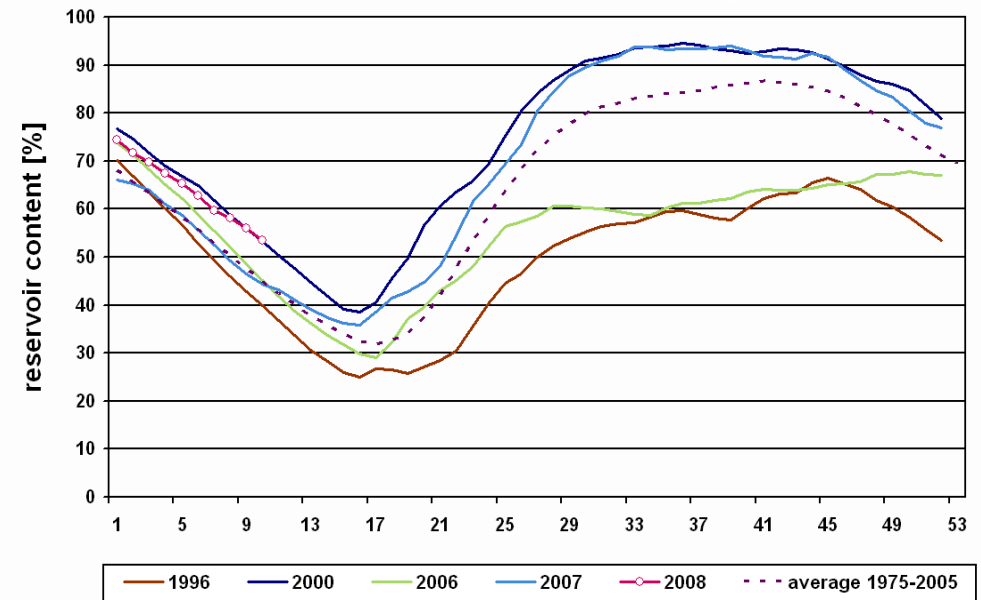
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Hydro reservoirs in Norway and Sweden

Water reservoirs in Norway,
100% = 81.7 TWh, week 10/2008



Water reservoirs in Sweden,
100% = 33.6 TWh, week 10/2008



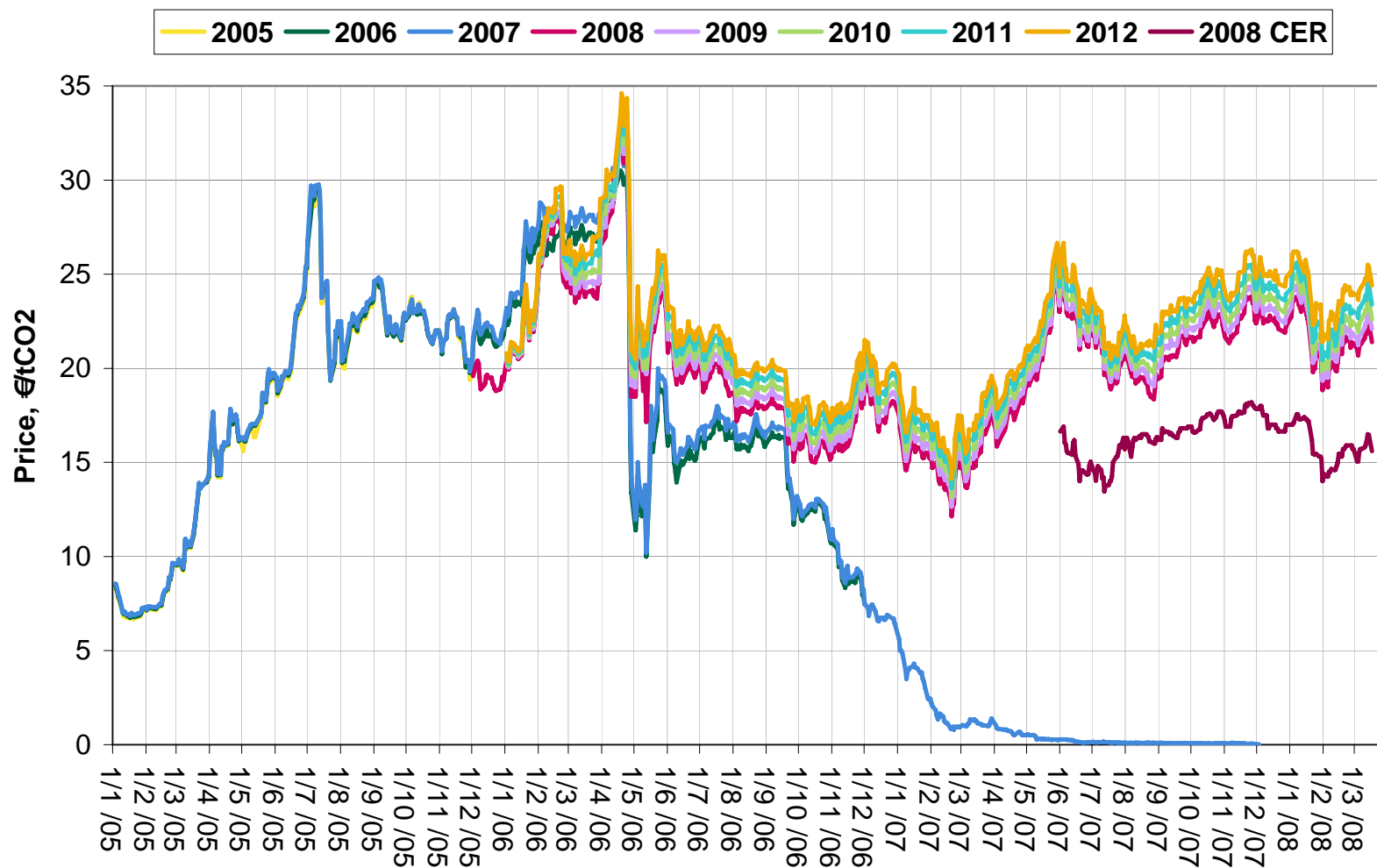
- In addition to hydro surplus there is estimated to be a significant snow surplus in Norway

Source: Nord Pool

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Price development for emission allowances



Source Nord Pool

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Fuel price development

Oil price



Coal price



Gas price (UK)



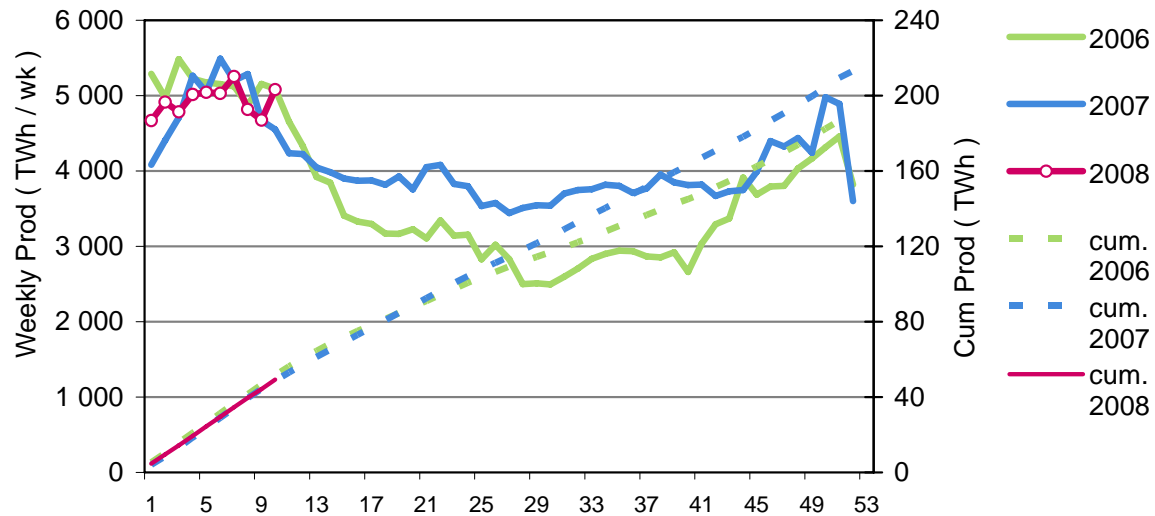
Source: [REUTERS](#); market prices March 2008; 2008-2009 future quotations

Energy prices and global economic growth

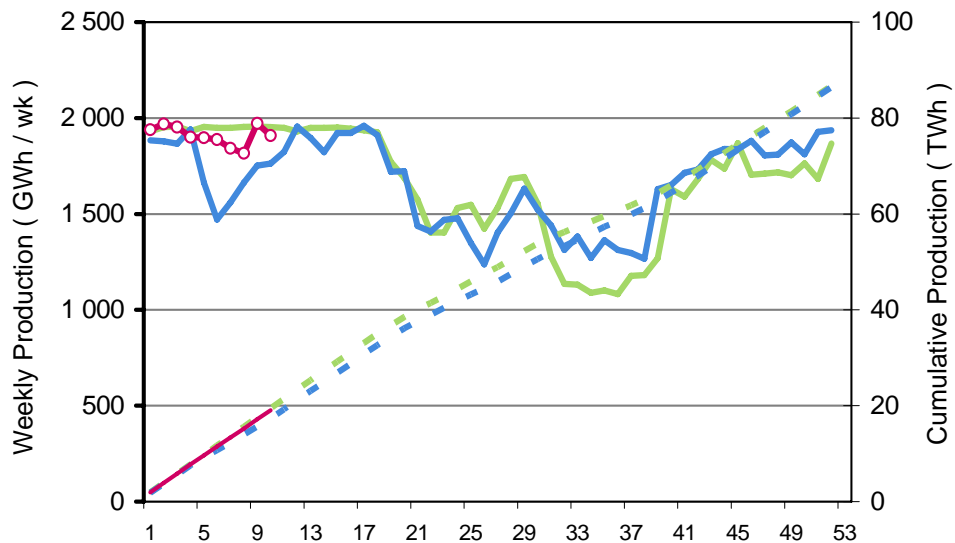
- As the Nordic Energy prices are driven by fuel prices it is also driven by the global economic growth.
- Strong economical growth in China, India, Russia and countries in South America has caused increasing coal and oil prices
- The recession in USA and the turbulence on the financial markets has still not broken the increasing fuel price trend
- However, the situation in USA can potentially impact for example China's economy because about 20% of China's export goes to USA

Hydro, nuclear and thermal power production

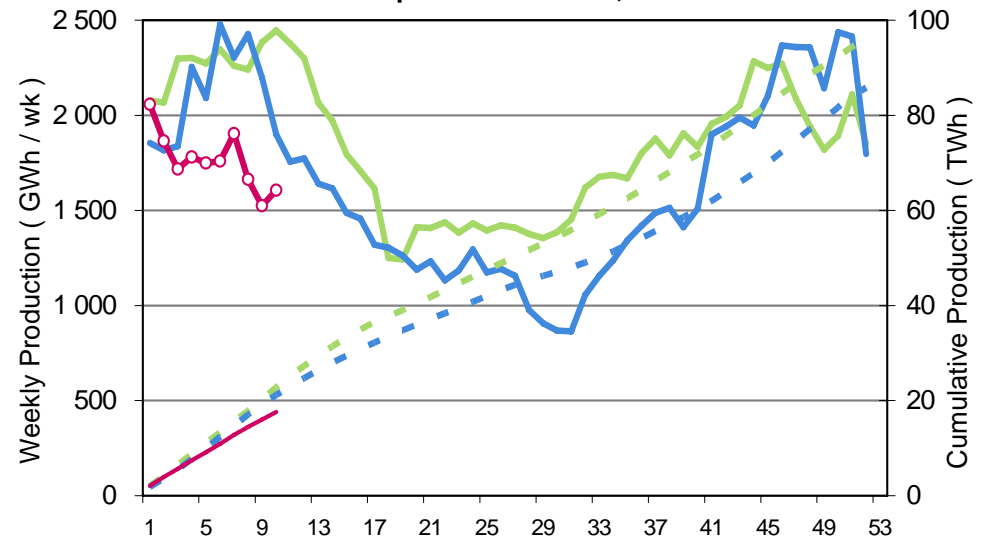
Hydropower production in EEA, week 10/2008



Nuclear power production in EEA, week 10/2008

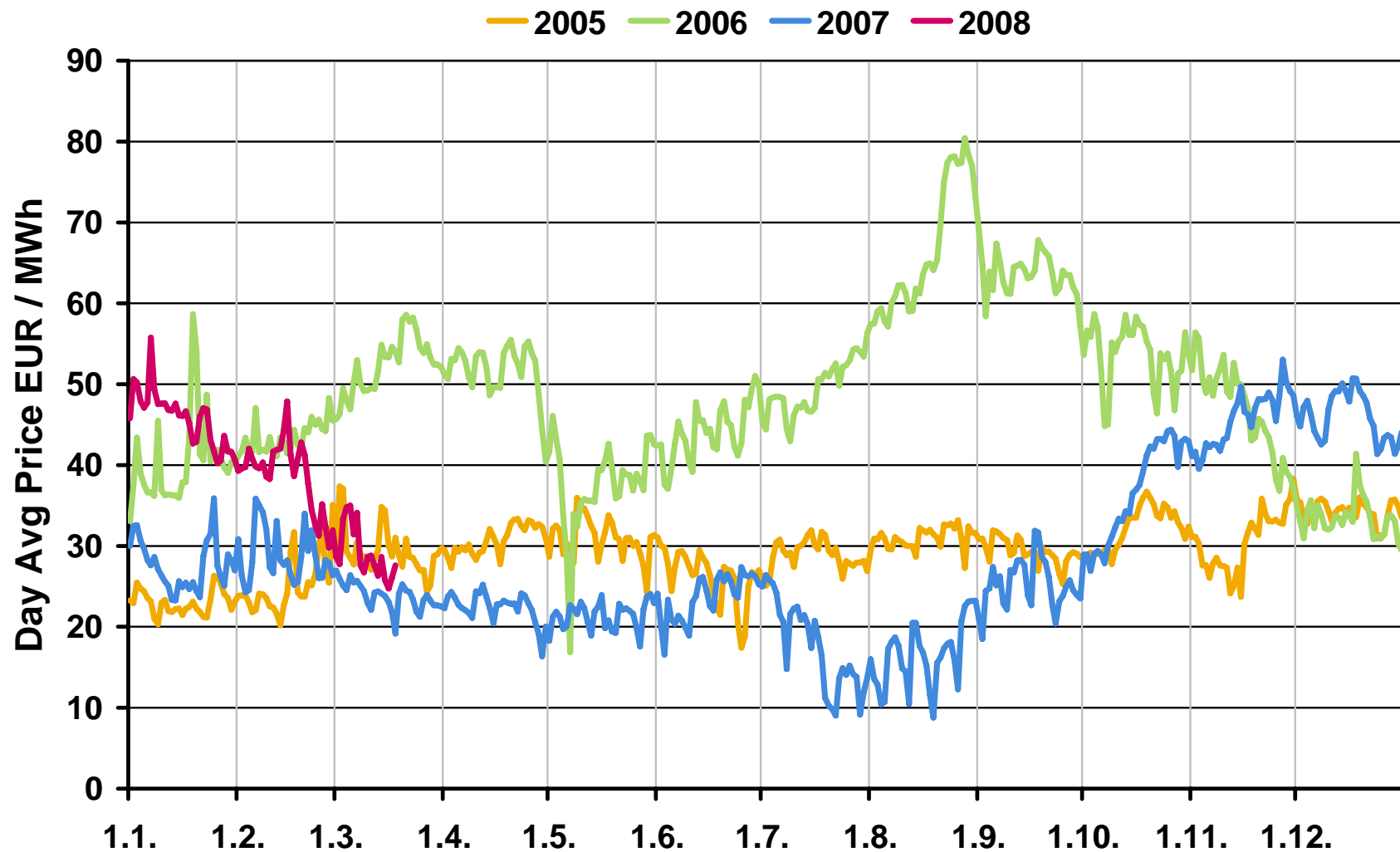


Other thermal production in EEA, week 10/2008



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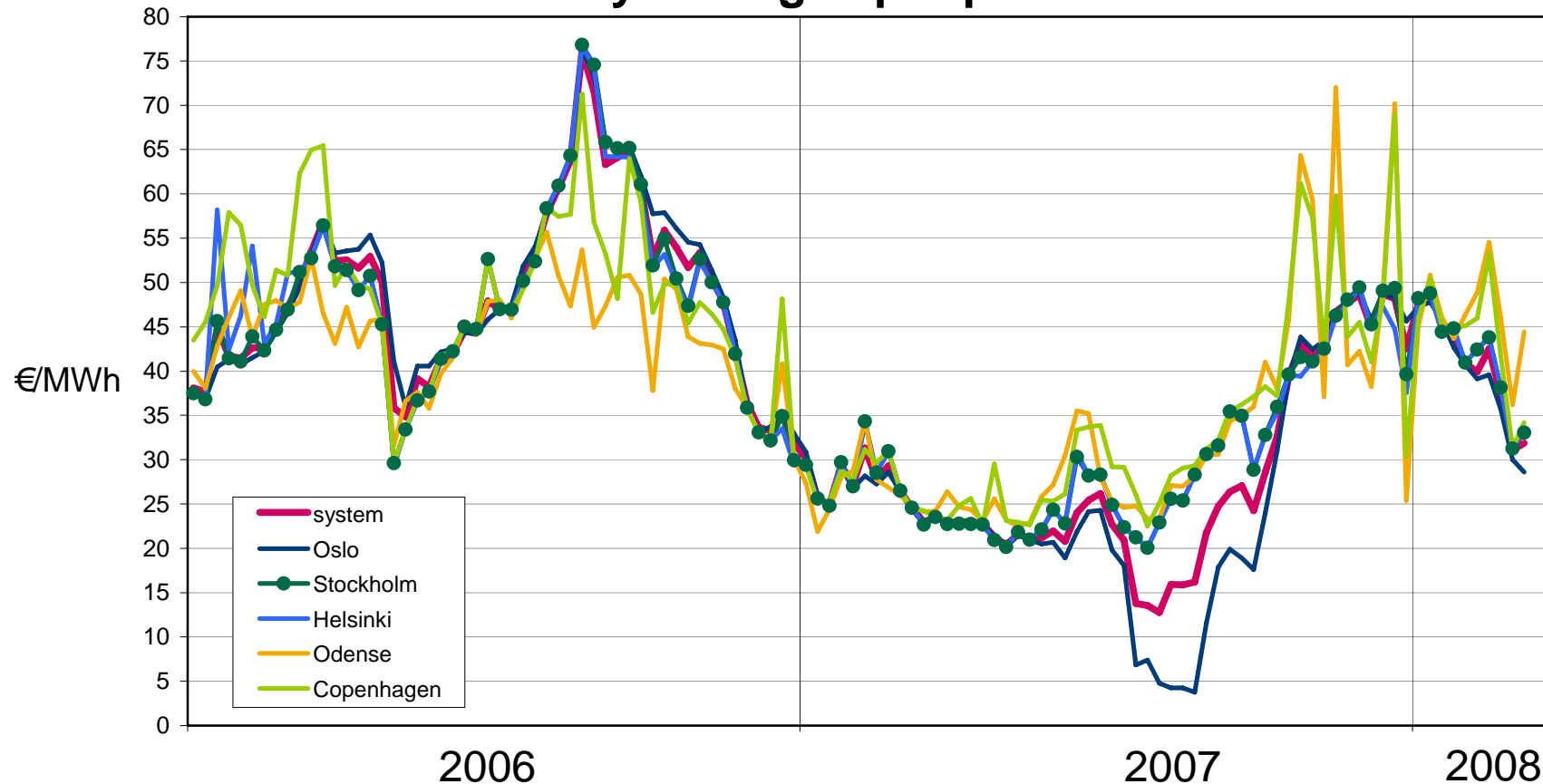
Nordic Spot-price development



Source: Nord Pool

Area price differences between Finland, Sweden and Norway “back to normal”

Weekly average spot price 2006-2007



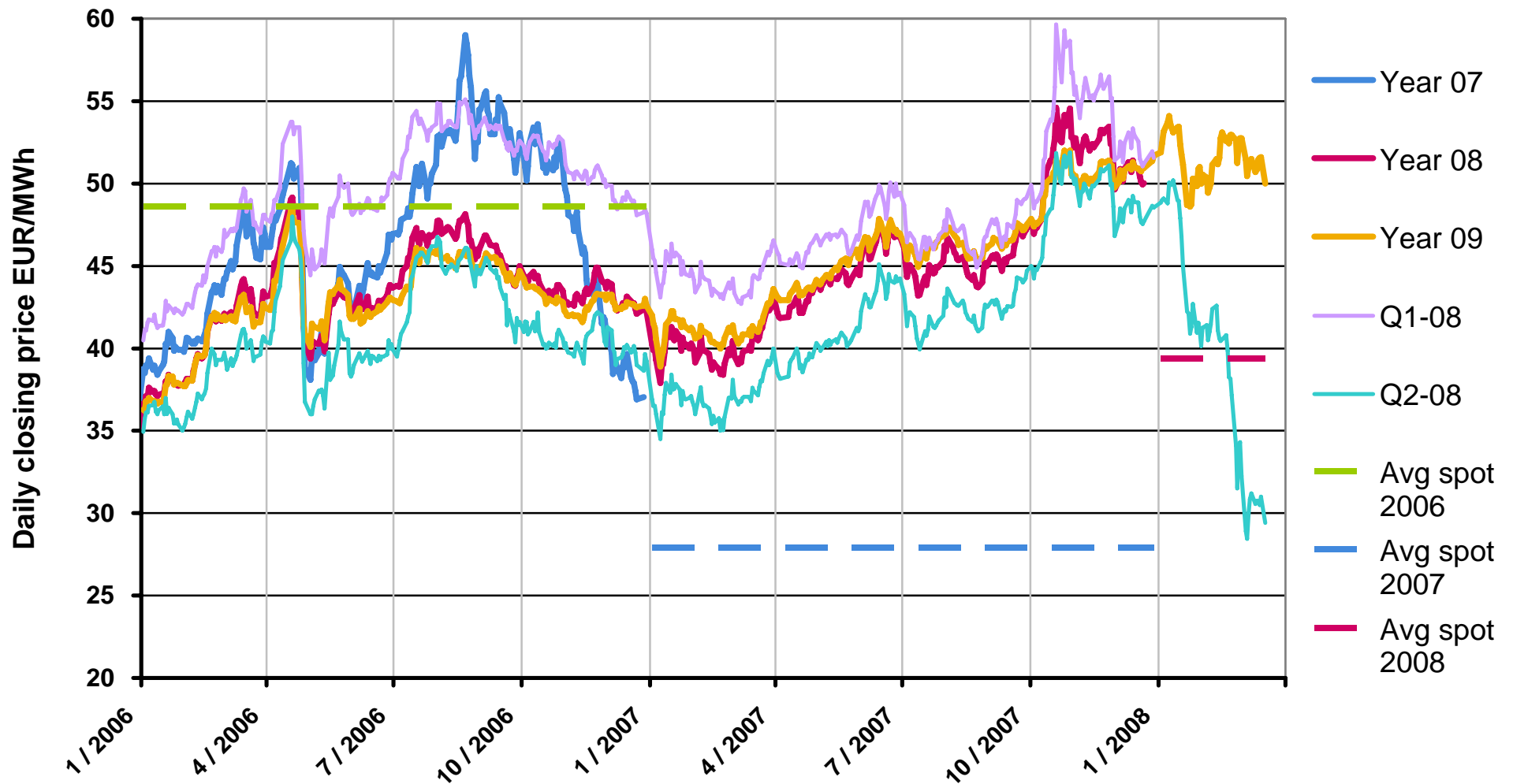
- Danish price reflects German price levels

Source: Nord Pool

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Nord Pool forward prices and historical spot average



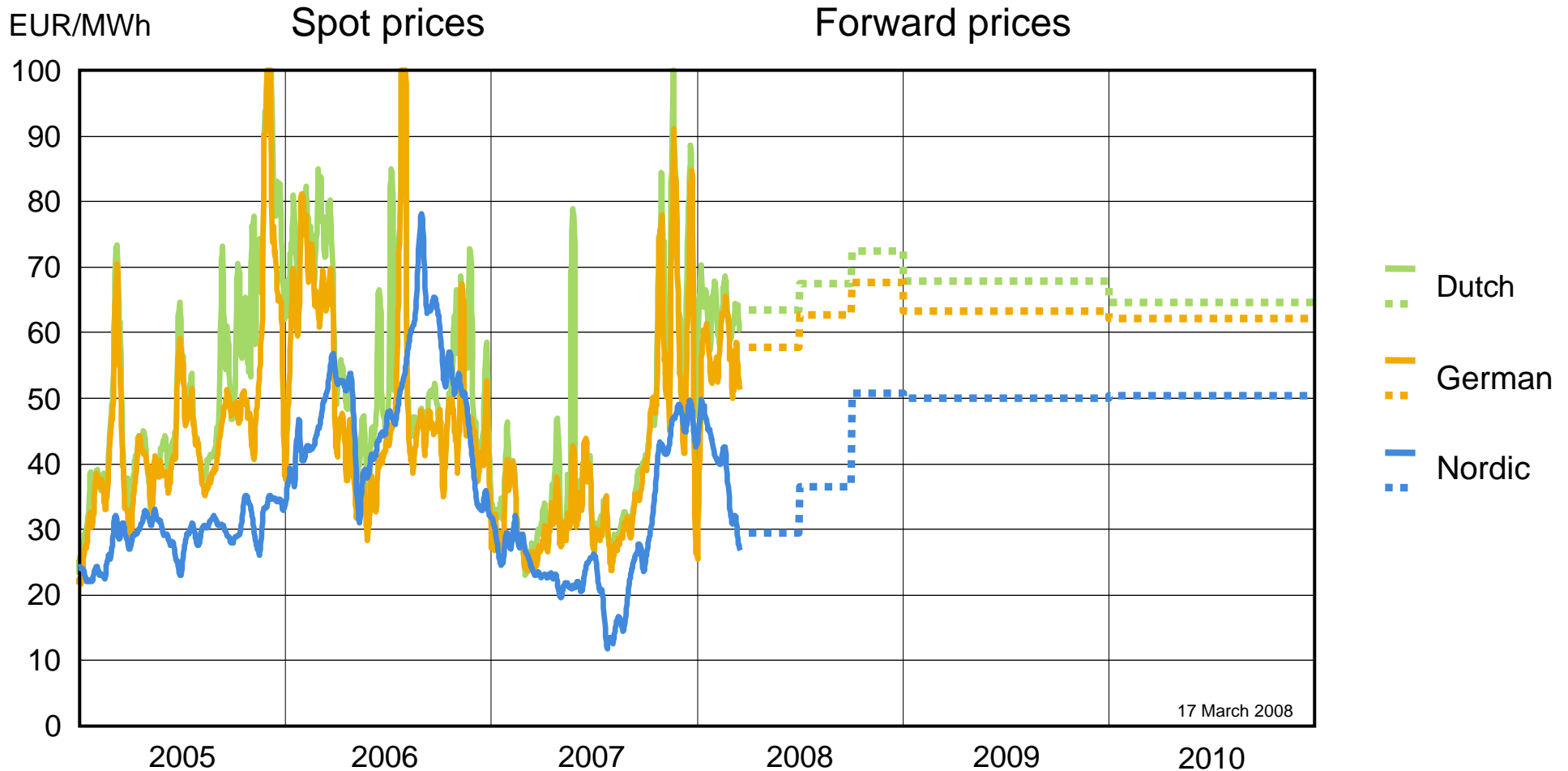
Forward prices 17 March 2008

Source Nord Pool

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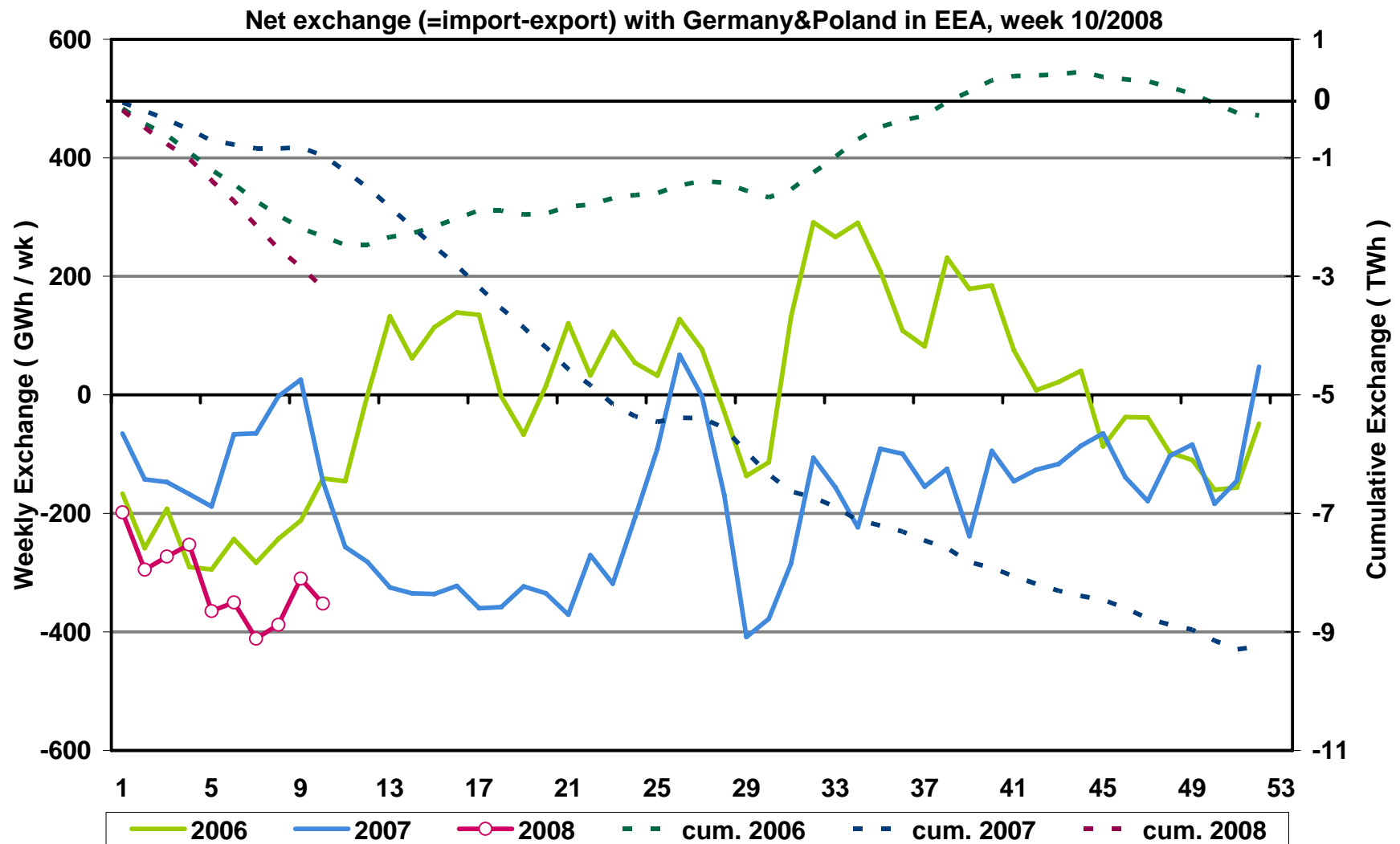
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Continental wholesale prices for electricity currently clearly above the Nordic prices



Source: REUTERS

Already 3 TWh export from Nordic to Central Europe

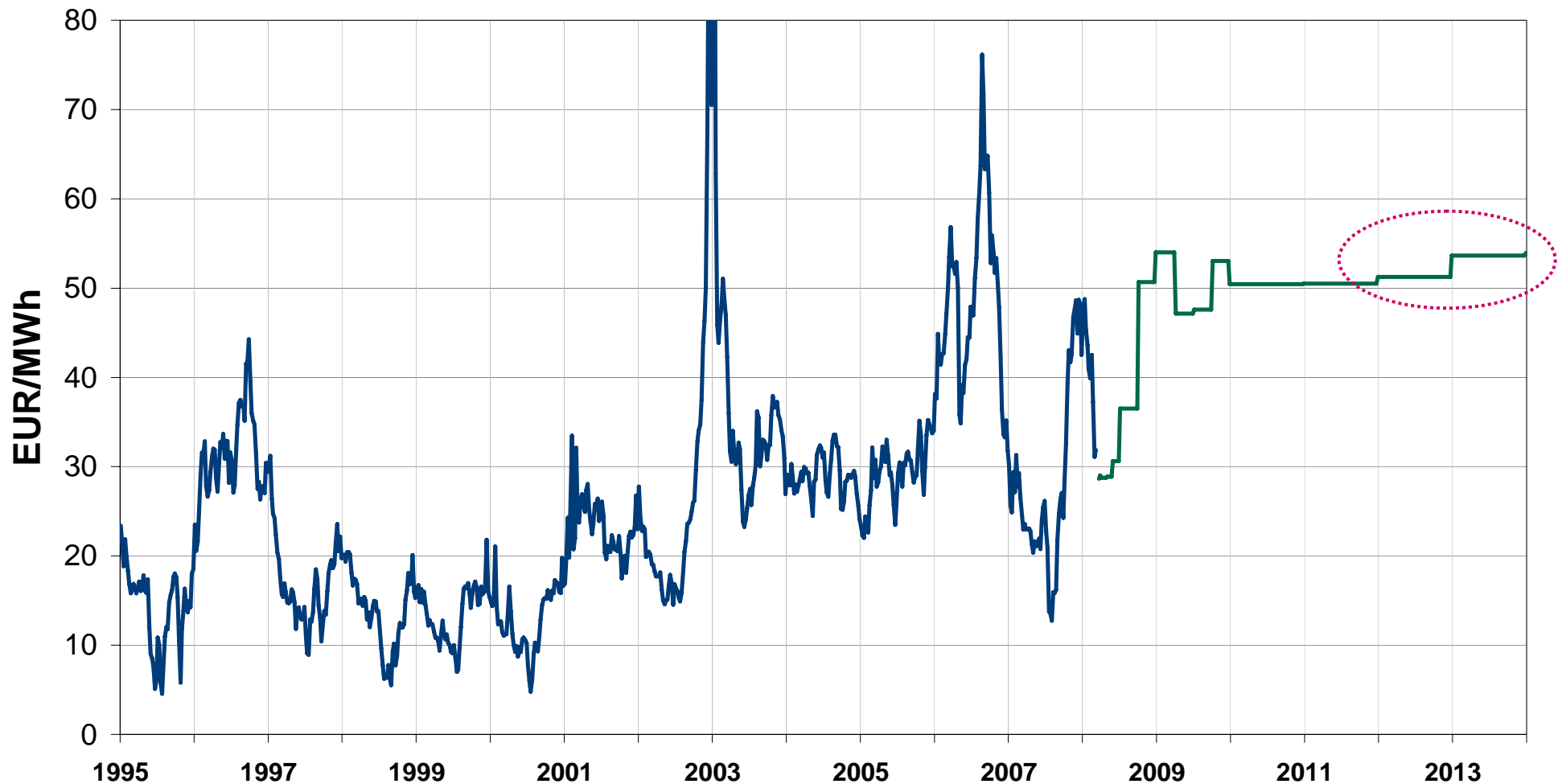


Source: Nordel

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Nordic price history and future quotations until 2013



Source: Nord Pool, Forward prices 17 March 2008

Electricity Market Review, 19 March 2008

Fortum publishes a current electricity market review once or twice a year. Topics covered in the review include price development on the Nordic power market and factors influencing the development.

Summary:

- The Nordic wholesale prices have increased compared to last year – but not as much as was expected. Lower than expected prices are mainly due to strong hydrological situation and warm weather.
- There is a surplus of 11 TWh in the Nordic water reservoirs compared to long term average and in addition there is estimated to be also more snow than average in Norway.
- Price for emission allowances for 2008 have been around 21 EUR/tCO₂ in March
- Wholesale prices in the Continental Europe have increased more compared to the Nordic as a result of increased CO₂, coal and oil prices. For 2008 the difference in future quotations between Nordic and Germany is up to 30 EUR/MWh when for the coming years it is about 15 EUR/MWh
- Higher continental prices have resulted in increased exports from Nordic to Germany

Further information:

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