Waste that is unsuitable for recycling or reuse as a material is incinerated in Fortum’s waste-to-energy (WtE) plants. At the same time, Fortum produces electricity and heat. Fortum has five WtE plants in Finland, Sweden, Denmark, Norway, and Lithuania; the three first of which are high-temperature incineration plants. High-temperature incineration is the best available solution for the destruction of hazardous substances safely.

Fortum’s Zabrze CHP plant also combusts Refuse-Derived Fuel (RDF), and the share of waste is about 40% of the fuel use. Incineration of waste reduces the use of virgin fossil fuels, e.g., coal and fuel oil in electricity and heat production and, furthermore, reduce specific carbon dioxide emissions, because of energy-efficient power and heat production. Fortum has estimated that the Zabrze CHP plant will reduce CO2 emissions by about 200,000 tonnes in relation to the produced energy.

In 2020, Fortum received a total of 2.6 million tonnes of waste from consumers and industry, 55% of which was recovered in its waste-to-energy plants. Of the received waste, about 2.0 million tonnes was non-hazardous, conventional municipal or industrial waste and about 640,000 tonnes was hazardous waste.

Additionally, Fortum offers in Finland a survey-based plan to its partners, which are interested in improving the whole waste management chain for a cleaner and more sustainable world. Based on a waste survey, Fortum is able to design the entire waste management system, including also training, advising and reporting after implementation.

**C12.3**

(C12.3) Do you engage in activities that could either directly or indirectly influence public policy on climate-related issues through any of the following?
- Direct engagement with policy makers
- Trade associations
- Funding research organizations

**C12.3a**

(C12.3a) On what issues have you been engaging directly with policy makers?

<table>
<thead>
<tr>
<th>Focus of legislation</th>
<th>Corporate position</th>
<th>Details of engagement</th>
<th>Proposed legislative solution</th>
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In 2020, Fortum actively promoted a market-based energy and climate policy framework regarding the future EU long-term target setting, the emissions trading scheme and the functioning of the internal energy market. Fortum strongly advocated for the adoption of the EU 2050 climate neutrality objective and increasing the 2030 climate target to at least 55% reduction in the context of the European climate law. Fortum highlighted the need to strengthen the ETS by modifying the MSR, increasing the linear reduction factor (LRF) and improving the coherence between the EU ETS and complementary policies. The extension of the EU ETS was also highlighted, especially regarding heating and cooling sector. Fortum had extensive dialogue with several governmental organisations and politicians in the EU, the European Commission and the Parliament in particular, and member states. During the year Fortum participated in several international business initiatives promoting the role of business in climate change mitigation: Caring For Climate Initiative under the UN Global Compact and Carbon Pricing Leadership Coalition by the World Bank. Fortum has also been active in the Union of the Electricity Industry – Euroelectric, which represents the common interests of the whole European electricity industry, and has participated in discussions with national authorities and other stakeholders.

Fortum is strongly committed to climate change mitigation and supports cap and trade-based emissions trading as the main climate policy instrument in Europe, because it is market based, technology neutral, cost efficient and flexible. Fortum considers the following measures necessary to strengthen the incentives generated by the EU ETS: - Short term:

- 2030 target of at least 55% of emission reductions. Align the Linear Reduction Factor (LRF) with the new EU 2030 climate target from 2023. Secure a strong Market Stability Reserve (MSR) that can tackle unforeseen imbalances and policy overlaps also beyond 2023. This includes a permanent “intake rate” of 24% and a narrowing of the activation threshold band (400-833 Mt) to reflect gradually declining hedging needs. Introduce carbon pricing in other sectors like maritime, heating of buildings and transport, possibly through separate transitional ETS with a plan for future integration under the current EU ETS cap.

- Long-term (after 2030):

  - Emissions reduction target as a headline target and the EU ETS as the key instrument to steer the EU climate policy. Other targets that have overlapping effects on the EU ETS – targets like those on renewable energy sources, energy efficiency and taxation – must be supportive of the EU ETS, if needed at all. This applies to the targets themselves as well as to the measures by which they are implemented in order to avoid a situation in which they water down the incentives of each other. CO2 reduction targets based on the EU 2050 Strategy should be set for 2030-2050. In addition, extension of the ETS to new sectors should be carefully analysed.
<table>
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<tr>
<th>tax</th>
<th>general and so called windfall tax in particular. Fortum has engaged in close collaboration with the European Commission in particular. Fortum has also been active in the Union of the Electricity Industry – Eurelectric, which represents the common interests of the whole European electricity industry, and has participated in discussions with national authorities and other stakeholders.</th>
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</table>

via the EU emission trading system. To make sure the EU ETS delivers a meaningful price, there should be limited overlapping policies with it and having a parallel carbon tax, might hamper the functioning of the EU ETS. When designing energy and climate policy targets and measures to reach them, the EU must rely on the core source of its competitiveness i.e. well-functioning internal energy markets. EU cannot afford policy measures that do not exploit the internal market or which are non-market based and/or predominantly national. If the functioning of the emission trading is not addressed, the risk for national measures like CO2-taxes increases. This development must be reversed. In 2020 Fortum welcomed the EU’s ambition to reduce emissions 55% by 2030. For the energy sector, where investments are capital intensive and with long lead times, it is crucial that the future energy and climate policy framework is predictable. In Fortum’s view, a well-functioning and efficient internal energy market is essential for reaching the decarbonisation target in the most cost-efficient way, and lowering the overall social costs of decarbonisation. - The focus should be placed on carbon emission reduction. The future climate policy framework should be based on a single binding headline target for CO2. - The EU should target at carbon neutrality by 2050. |
| Energy efficiency | Support with minor exceptions |
| Energy efficiency | In the revision of the EU energy efficiency legislation, Fortum has engaged in close collaboration with the European Commission, Parliament and Council. Fortum has also been active in the Union of the Electricity Industry – Eurelectric, which represents the common interests of the whole European electricity industry, and has participated in discussions with national authorities and other stakeholders. |
| Energy efficiency | In the context of the new higher 2030 climate target for the EU, all of the energy related targets, emission reductions, renewables and energy efficiency targets are under review. In Fortum’s view the energy efficiency directive’s aim remains valid and the target adjustment should be considered to the extent it is needed for delivering the new 2030 climate target and in order to accelerate the primary energy savings in the heating and cooling sectors. Energy efficiency target should be updated to the extent necessary to reach the higher emission reduction target, while ensuring the impact of overlapping policies to the ETS is mitigated. Fortum supports the energy efficiency first principle and emphasizes the importance of enhancing energy system integration and flexibility as part of the review. The Energy Efficiency Directive is an important way to help implement the national energy and climate plans prepared by the Member States where district heating and cooling (DHC) is acknowledged as an important technology in achieving a more energy-efficient and low carbon society. |
Focus of legislation

Corporate position

Details of engagement

Proposed legislative solution

Clean energy generation

Support with major exceptions

Fortum has engaged in close collaboration with the European Commission in particular. Fortum has also been active in the Union of the Electricity Industry – eurelectric, which represents the common interests of the whole European electricity industry, and has participated in discussions with national authorities and other stakeholders.

Fortum welcomed the ambition to raise the EU 2030 climate target. In Fortum’s view clear emission reduction target coupled with emission trading system reform that sets the limit for cumulative emissions is the best way to reach the new target. Direct and indirect electrification is the most crucial element in decarbonization. In Fortum’s view clean energy deployment should be encouraged mainly by carbon pricing and it to the extent other instruments are put in place it is crucial that their impact on the ETS system is mitigated by adjusting the number of allowances auctioned. In boosting clean energy deployment the focus should not only be on renewables generation, but also other measures such as nuclear, CCUS and waste heat play a crucial role.

C12.3b

(C12.3b) Are you on the board of any trade associations or do you provide funding beyond membership?

Yes

C12.3c

(C12.3c) Enter the details of those trade associations that are likely to take a position on climate change legislation.

Trade association

Eurelectric

Is your position on climate change consistent with theirs?

Consistent

Please explain the trade association’s position

Eurelectric is strongly committed to reducing carbon emissions and meeting the EU’s climate targets for 2020-2050 and its 2050 climate vision. Delivering these targets and vision depends on an appropriate policy framework that enables cost-effective investments in low-carbon technologies. Eurelectric has consistently adopted a proactive approach in developing market-oriented policies and measures that will help to mitigate climate change. In 2020, Eurelectric supported the EU climate neutrality objective for 2050 and welcomed the Commission’s proposal for the European Green Deal.

How have you influenced, or are you attempting to influence their position?
is currently vice chair of the Working Group Climate Change and Decarbonisation and has a continuous dialogue with the association.

**Trade association**
IETA (International Emissions Trading Association)

**Is your position on climate change consistent with theirs?**
Consistent

**Please explain the trade association’s position**
The International Emissions Trading Association (IETA) is a non-profit business organisation to establish a functional international framework for trading in greenhouse gas emission reductions. IETA members seek to develop an emissions trading regime that results in real and verifiable greenhouse gas emission reductions, while balancing economic efficiency with environmental integrity and social equity. IETA supports the ETS as the cornerstone of the EU’s climate policy. According to IETA, ETS has achieved emissions reductions at a low cost, given its flexibility and links to the Kyoto mechanisms. IETA believes that structural reforms to the EU ETS thus need to be discussed as part of the wider future policy framework post-2020. The EU ETS cap - and its annual linear reduction factor - should be the main tool to reach the EU 2030 target.

**How have you influenced, or are you attempting to influence their position?**
Fortum is represented in several climate related working groups at IETA and has been actively contributing to the development of positions at IETA. Fortum has a continuous dialogue with the association.

**Trade association**
Finnish Energy

**Is your position on climate change consistent with theirs?**
Consistent

**Please explain the trade association’s position**
Finnish Energy (FE) is the voice of over 270 member companies that produce, procure, distribute and sell electricity, gas, district heat and district cooling and related services. Finnish Energy supports the EU -55% by 2030 target, and the EU climate neutrality target by 2050. FE sees a market-based EU ETS as the key instrument to a carbon neutral future. FE welcomes the effort of strengthening the ETS, because alternative development would likely result in a fragmented climate policy, disintegrated internal energy market and high cost of transformation towards a low-carbon society. The changes to the ETS should be coordinated with regard to a broader energy and climate policy framework post-2020.

**How have you influenced, or are you attempting to influence their position?**
Fortum is represented in the Climate Change Committee, in the Board and Energy Production Committee at FE and has been actively contributing to the development of po-
Trade association
Swedenergy

Is your position on climate change consistent with theirs?
Consistent

Please explain the trade association’s position
Swedenergy is the united voice of Swedish energy industry. Swedenergy is representing companies involved in the production, distribution and trading of electricity and heating & cooling in Sweden – with a total of 400 member companies. Swedenergy believes that the EU ETS should become the main driver for cutting GHG emissions in line with the EU’s commonly agreed long-term climate objectives. EU ETS assures that emissions are reduced in a cost-efficient manner within the sectors covered by the system in the EU. The 2030 target for emission reduction together with a revised annual reduction factor in EU ETS, would help to increase the credibility of the EU Climate Change Policy and to provide the business society with visibility on the ambition levels aimed for beyond 2020 and thereby create incentives for long term investments in low carbon technology. Short term measures may however also be necessary to increase the credibility of EU ETS and to avoid introduction other, less cost-efficient measures, to rule out the role of EU ETS.

How have you influenced, or are you attempting to influence their position?
Fortum is represented in the Working Group Climate (with focus on EU ETS and other climate issues), in the energy and climate policy committee as well as in the supplier centric model committee at Swedenergy and has been actively contributing to the development of positions at Swedenergy. Fortum has a continuous dialogue with the association almost on a daily basis.

Trade association
Euroheat and Power

Is your position on climate change consistent with theirs?
Consistent

Please explain the trade association’s position
Euroheat and Power (EHP) is the international network for district energy, promoting sustainable heating and cooling in Europe and beyond. Representing members from over 30 countries it is a non-for-profit association uniting the district energy sector and headquartered in Brussels, Belgium. EHP membership includes national district heating and cooling associations, district heating and cooling utilities, equipment manufacturers, academic institutions, research bodies and consultancies active in the sector. EHP strongly supports the EU long term climate ambitions. In particular, EHP advocates for more action and investments to decarbonise the heating sector in Europe, promoting district heating and cooling as one of the vehicles to integrate more renewable and low carbon heat to the energy mix. The district energy sector takes continuous steps in improving environment and climate action. The use of district energy leads to significant emissions reduction and ensures the transition to renewable energy and low-carbon technologies for
How have you influenced, or are you attempting to influence their position?
Fortum is represented in the Energy Policy Committee and in the Board of Directors and has been actively contributing to the development of association's positions. Fortum has a continuous dialogue with the association almost on a daily basis. The EU emissions trading system (ETS) covers district heating installations, whereas individual boilers do not fall under the scope of the current rules. Fortum believes that a revised ETS must help foster the development of efficient district heating networks and, more generally, the evolution of the heating sector in line with the EU’s overall climate and energy ambitions. For example, a mechanism designed to expose individual (non-ETS) boilers to a carbon price signal should be established.

Trade association
COGEN Europe

Is your position on climate change consistent with theirs?
Consistent

Please explain the trade association's position
COGEN Europe aligns with the importance of mitigating climate change. COGEN Europe’s primary focus is on promoting the further utilization of high-efficiency co-generation for both industrial heat and district heating production. Key justification is the primary energy efficiency benefit, providing competitive heat base load capacity for industries and DH systems and security of supply in the electricity markets, of co-generation compared to separate production of required heat with heat-only boilers and separate production of electricity in a condensing power plant.

How have you influenced, or are you attempting to influence their position?
Fortum has delivered its views and positions mostly related to Energy Efficiency Directive, Renewable Energy Directive and to the role of co-generation in climate mitigation to COGEN Europe.

C12.3d
(C12.3d) Do you publicly disclose a list of all research organizations that you fund?
Yes

C12.3f
(C12.3f) What processes do you have in place to ensure that all of your direct and indirect activities that influence policy are consistent with your overall climate change strategy?