



Fortum updates on the turbulent situation in the Nordic power commodity market

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In conjunction with the company's half-year 2022 financial statements release last week, Fortum stated that the ongoing energy crisis in Europe due to Russia's decision to use energy as a weapon, now also affects the Nordic power market. Dramatically increased spot and futures prices for power in the Nordics have led to unprecedentedly high collateral requirements for utility companies that hedge their power sales on the market.

At the end of last week, power prices continued to rise in the Nordics. At market close on Friday 26 August, Fortum's standalone (excl. Uniper) collaterals tied up on Nasdaq amounted to approximately EUR 5 billion, having increased by around EUR 1 billion in a week. The company has sufficient liquid funds to meet the current collateral requirements. Fortum follows the situation closely and communicates if material changes occur.

To be prepared for continued exceptional price developments, Fortum is in talks with its majority owner, the Finnish State, on how to secure the company's liquidity needs until the hedged power contracts go to delivery and collaterals are released. Fortum's main exposure relates to Nordic system 2023 futures contracts. Fortum's subsidiary Uniper is responsible for covering its own collateral requirements.

Fortum has also reached out to the Nordic market regulators and authorities, and urges them to take immediate action to stabilise the market because a default of even a smaller market participant would be difficult to manage under the current extreme price levels and could cause severe disturbances to the Nordic power system. In the longer term, regulatory changes are necessary to the implementation of the EU EMIR-regulation (The European Market Infrastructure Regulation), which set the legal framework for margining and collateral requirements. The current implementation does not distinguish between requirements for power generators and pure financial counterparties. Review of the EMIR is crucial to restore stability and predictability for both energy producers and users.

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Fortum

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