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Interview Lars G. Josefsson, ceo Vattenfall

‘Politicians must deliver the policy framework’

Vattenfall, the Swedish state owned utility, developed from the biggest national player to the fifth biggest one in Europe. Its ceo Lars G. Josefsson has commanded a leading role in the global debate on sustainable energy. He believes the market can and should deliver a sustainable energy future, but this will only happen if politicians set a stable and consistent policy framework.

| by Reiner Gatermann

Both domestically and abroad (in Germany), Vattenfall has been heavily criticised for its engagement in nuclear and coal power. Chief executive Lars Josefsson insists, however, that the world has to make use of all available energy resources to ensure economic growth. His policy is to gradually expand sustainable power and to make coal-fired power emission-free through carbon capture and storage. He has even promised that his company will be carbon-neutral in 2050. He does add a warning: all technological efforts will be useless, he says, if politicians fail to put a global cap on CO₂ emissions. EER talked to Josefsson at Vattenfall’s headquarters in Stockholm.

Vattenfall is criticised by environmental organisations and politicians for being involved in nuclear power and lignite. You defend yourself by referring to the national laws and regulations which have to be followed. But isn’t this only a pretence, aren’t you hiding behind this argument just to be able to make a good profit with nuclear power and lignite?

No, not at all. Of course we follow the national legislation

regulating the markets in which we are involved. But, in addition we have the overall goal of becoming carbon neutral by 2050. To achieve this goal, we have a strategy in place which also includes lignite power plants. They too should become carbon neutral by 2050. There is of course the time factor involved in this process which our critics and the public may not necessarily understand. It takes a long time to change power supply systems. It is also difficult to get the message across when trying to explain that it may take decades to achieve our goal.

You could compare us with the car industry. Although there are currently electric cars available nobody demands an immediate stop to the production of cars with combustion engines. Those who criticise us for running lignite power plants and demand their closure, do not, on the other hand, demand a stop to the production of petrol cars.

Why don’t they do that?

Because people like cars, but they don’t like large power plants.

But they like electricity.

Naturally. But they don't see the connection between the power which comes from the socket and the power plants which produce it. People want power but no nuclear power plants. It is quite interesting that this connection is often not made. We understand of course that it is a very complex matter and that we have to respect this. People also demand that we keep our prices at a level which does not put a huge strain on their budgets, or which would restrict economic growth, and to top it all off, we are expected to overcome climate and environmental problems. On the other hand, our principal obligation is to supply power.

What do you think when you come to your office in the morning and you have to climb over a mountain of coal in front of the main entrance?

Actually, it doesn't bother me. It is the result of freedom of opinion and of our democratic rights which I strongly support. Isn't it great that people have different opinions? You can also see this if you look at our climate manifesto on the internet (www.vattenfall.com) where all kinds of different opinions are thrown about. This has by far exceeded our expectations.

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Now, some people think that this climate manifesto is first and foremost a PR campaign.

You will also find the view reflected on the internet that it is all just greenwash. But first we should ask ourselves what it is about these three demands which is actually greenwash? Or do people just criticise this manifesto because it comes from us? Are these demands actually right, and is it just because they come from us that people can't identify with them? This is a very interesting perspective on democracy. Does Greenpeace think these demands are wrong? Actually they should agree with us and say: We support you. It is strange that Greenpeace is angry with us because of this manifesto.

At this stage, is it realistic to promise to become carbon neutral by 2050?

Yes, it is realistic. However, from the current perspective there are two prerequisites: First that a price is put on greenhouse gas emissions (emissions trading scheme). A scheme already exists but we must be certain that it will remain in place for a long time. The second pre-requisite is the opportunity to commercialise Carbon, Capture and Storage (CCS), which could lead to a kind of private-public partnership. Private sector investment would require the support of public investment.

What can private enterprise contribute and what has to come from government?

In the first instance politicians must deliver the policy framework.

And the money?

Primarily for larger developments which wouldn't happen otherwise, such as CCS. Beyond that politicians don't have to do much, perhaps provide some assistance with standardisation. The rest must come from the market.

What do you find most irritating when you listen to the European climate debate?

One of the problems is having a system which requires 27 countries to come to an agreement. And burden sharing is one of those things which is being negotiated at the moment. There are goals but negotiation is required to determine who should contribute, and how much, to achieve them. This can be quite confusing sometimes. In addition, one gets the impression sometimes that the EU wants to do too much. More and more new objectives are set without a clear understanding of how they interrelate. In a word, their objectives conflict with their ambitions. What worries me is the possibility that too many political goals require more and more market intervention. Every time there is intervention it costs money. This can lead to higher prices.

On the other hand, there is enormous potential within the EU. We are seeing this at the moment, for example, in the exciting times we are facing as the transport sector changes to electric cars. This would be a huge task for the EU, ranging from the standardisation and the development of batteries to actually giving the signal that one is prepared to change the system. We have to be aware of the fact that changing an entire system is an extremely tedious and drawn-out affair.

The results of the UN climate conference in Poznan were by many viewed as disappointing, particularly with regard to the EU contribution. Do you share this evaluation?

No, there is no reason to be disappointed by the contribution of the EU. The EU really did quite a good job. The most important thing was that it held on to its climate goals. It did that; it did not compromise on this.

Shortly after Poznan, the EU Ministers met in Brussels to decide on their energy strategy. Many observers said they conceded too much to industry and noted that some countries have been given an escape cause. In other words, climate policy was watered down. In view of the extremely important climate conference coming up in Copenhagen in December, do you believe the EU should have produced better results?

I believe the results in Brussels were appropriate to the circumstances. They achieved the best possible outcome. Some people were not satisfied, but we should keep some things in mind. We may not be waiting for Godot, but we are waiting for Obama. Yet it is true that a lot needs to be done in

Copenhagen. The question is whether there is enough time. The most important thing is that we find global solutions and that we achieve an international level playing field, which means that all major countries have to make compromises. There is one big danger: in the search for compromises, decisions may be made that will be unnecessarily costly. We will see what happens. On the way to Copenhagen there will be an economic summit in May 2009 in the Danish capital that will be extremely important.

Vattenfall is running a pilot plant for CCS in Germany. Are you optimistic about this?

I am a realist and at the same time positive. We are going to stick to our plan to have a fully developed demonstration plant by 2015 and a commercial one by 2020. What's positive is the prognosis that we will be able to capture significantly more than 90 to 95% of the carbon dioxide. And I don't see a major problem in finding storage options.

It is not that many years ago that Vattenfall wrote in its annual report that it was satisfied with its current level of involvement in wind power. This didn't sound very positive for wind power. What has caused the drastic reversal in position to the advantage of wind power and other renewable energy sources?

Since around 2002 attitudes have changed significantly, and these changes have become more or less entrenched. Our motto is after all 'make electricity clean' and we want to achieve this through renewable energies, including wind power, CCS and nuclear power. But of course we also have to take market conditions into account. If for example, politicians

take the view that wind power is very important and should therefore receive special subsidies, then we will examine the economics of that. If we believe that such an investment is beneficial, that we can make money from it and create additional resources, then of course we will be more than happy to undertake it, especially since we are already strongly involved in wind power. The underlying principle however

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remains: We have to create value and make money to be able to make investments.

Can you see a future with a nuclear free Germany and Sweden?

No, I can't. Only recently Maud Olofsson, the Swedish Minister for Enterprise and Energy, said that Sweden will keep its nuclear power plants in the foreseeable future. Even though the law to phase out nuclear power in Germany is still in effect, the topic of nuclear power is being discussed more and more often and if I read the signs correctly there are strong indications that there is a change in the offing. A WWF representative told me recently that his organisation would be able to accept an extension to the permitted operational life for nuclear power plants, a significant signal. ■

Who is Lars G. Josefsson?

Lars Göran Josefsson, born in August 1950 in the west Swedish town of Ulriceham, studied engineering in Göteborg. After his military service he started his career as a systems engineer with Ericsson. In 1997 Josefsson, who is a keen tennis player, skier and elk hunter, was appointed to the top level management of the armaments company Celsius, which was taken over by Saab three years later. In 2000 the government appointed him as ceo of the state-owned energy supplier Vattenfall. The then-little known Josefsson wasted no time in initiating the internationalisation of the former monopoly, sometimes against much opposition. He made such a good impression on German Chancellor Angela Merkel that she hired him as an international climate consultant for the German EU presidency. He also made huge profits for the Swedish state, a large part of which were earned in Germany. The father of four adult children also finds time to support Sweden's Queen Silvia with her World Childhood Foundation. Besides this, he is president of the German-Swedish Chamber of Commerce and of the European industry organisation Eurelectric.



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