

Energy industry

State-owned Swedish firm Vattenfall enters UK energy market

Company is latest foreign publicly owned entity to join lucrative UK market with plan to sell energy from windfarms to big business



Vattenfall is building Wales' largest windfarm, which is due to come online next year. Photograph: Kapook2981/Getty Images/Stockphoto

A state-owned Swedish company has become the latest European firm to enter the UK's lucrative energy market, as Britain's appeal to continental power suppliers shows no sign of abating after the Brexit vote.

Vattenfall, which is 100% controlled by the Swedish government, is launching its first foray into UK energy supply as it joins a competitive field of European players including France's EDF, German-owned E.ON and Npower, and Spanish-backed Scottish Power.

Vattenfall has already made inroads in the UK by building several windfarms, including a North Sea project near Aberdeen and Wales' largest offshore windfarm which is due to complete next year. Now, in what Vattenfall has described as a vote of confidence in post-referendum Britain, the firm will sell its renewable power from the windfarms direct to big business customers.

"Long term we don't see that this [Brexit] as changing the basic prerequisite for doing business together. We find the UK to be an attractive market for us now and going forward, and we will continue to invest in the market," said Vattenfall executive Anna Borg.

Vattenfall follows established European players such as EDF and E.ON but also Danish state-owned Dong Energy, which sells its wind power to corporate clients, and Dutch firm Eneco, which supplies business customers such as Heineken and Unilever. France's Engie is also attempting to muscle in on the consumer market and trying to woo households with a tariff that tracks wholesale power prices.

Borg said European power companies are attracted to the UK market because of two fundamentals: tight margins between energy supply and demand which means a constant appetite for new entrants; and the UK's legally enshrined climate targets, which will remain when the UK leaves the EU and ensure demand for energy generated by renewables or nuclear.

The combination, she said, means the government will support investment in new plants and will require energy from low-carbon entrants. Vattenfall believes its portfolio of renewable power and the confidence instilled by dealing with an established player will help it win over corporate customers wanting to burnish their green credentials.

Borg said Vattenfall is a state-owned company which has been around for 100 years and is here to stay.

Vattenfall's decision to sell its German coal business last year to focus on green energy also showed it was capable of transforming, Borg added.

While Vattenfall is not yet naming its first customers, it said it was in talks with UK retailers, manufacturing industries and data centre operators. Borg would not be drawn on whether the Swedish firm was considering making a play for the consumer market, which is dominated by six big energy suppliers, four of which are owned by European energy companies. "It's too early to say. We will see what opportunities arise," she said.



The London Array offshore windfarm. Photograph: Bloomberg/Bloomberg via Getty Images

However, the prospect of price caps being imposed on household energy bills, as promised by Theresa May's Conservative party, would not deter Vattenfall.

"In general of course, price regulation is complicated and difficult in a market that is supposed to be deregulated. But we are used to managing a lot of regulatory issues in all the market we operate in, so it doesn't change our willingness," said Borg.

Vattenfall has invested £3bn in the UK since 2008, and from next year will operate around 1GW of wind power, enough to power 650,000 homes.

Experts said the company's established standing would place it in a strong position.

Robert Buckley, an analyst at Cornwall Energy, said: "It's a big strategic move for them but they are following a well-trodden path. There is a demand out there from the business supply market for the kind of product that they have to sell."

The fact the power was generated by windfarms would help too, he added. "The green side is attractive to some. Some companies have very strong corporate social responsibility objectives." Cornwall said Vattenfall is the 50th business-to-business energy supplier in the UK.

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