E.ON Press Talk

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Ladies and gentlemen,

I am very pleased to welcome you to Paris today.

E.ON in France: Although this is a relatively new chapter in our company's history, it is a very important one. Particularly in the energy sector, France is – because of the market size and its weight in energy policy – a key market for European integration and hence for E.ON as well. We are thus all the more pleased that we have been operating here as number 3 in the French energy market for just under a year now. This is a success of our recent European expansion.

In the last two years we have substantially expanded our business in Europe with investments totalling € 42 billion. This involved above all the takeover of Endesa activities in Italy, Spain and France, acquisitions in the renewables sector and takeover of the Russian power supplier OGK4. As a result, E.ON today operates in 30 countries. No other energy company has such a broad presence in Europe. This is only possible thanks to the liberalization of the European energy markets. Therefore we support this process like few other European players. We are committed to open competition in Europe and promote it with numerous initiatives.

Unfortunately the political integration in Europe has not kept up to the speed of the economic integration. The failed referendums on the draft European constitution reflect that. As Henry Kissinger said, "a vacuum has emerged between Europe's past and Europe's future". Europe's economic integration can help to fill that vacuum. However, especially in the energy sector, there are still come obstacles that have to be removed. Let me cite just a few examples:

- Electricity should be traded freely across borders in the European energy market. For this purpose, more cross-border power links will have to be created, for instance between Spain and France.

- Liberalisation and privatisation of energy markets have not yet been fully achieved. In most countries, the state is still one of the dominant owners of energy companies and determines the rules in national energy markets. This impairs competition.

- We need more harmonized energy systems. Government influence on electricity prices differs strongly from one country to another. In Germany, for example, the share of taxes in end user prices is 40 %, but in the UK it is only 9 %. There are also differences in the tax burden for industrial customers. This distorts competition.

- We also need greater harmonization in climate protection. In Europe we have 27 different CO_2 trading schemes and 27 different incentive systems for renewables. As a result, investments are not always made where they are economically and ecologically sustainable.

Europe is undergoing a far-reaching transformation of its energy systems and markets. The huge task is to make an open, single market for energy become reality and move climate protection forward with massive investments, without losing competitiveness.

Climate protection is only one part of the huge task. Prosperity and progress are just as indispensable for Europe. This calls for a comprehensive, forward-looking European energy strategy which is consistently aligned to the three overriding goals: security, climate compatibility and affordability of energy supply. We have to answer the question: Which energy mix do we need for Europe's future in order to achieve those goals in a balanced manner? Let me stress this: it has to be balanced. In Europe we cannot deal one-sidedly with the question of how far we want to reduce CO_2 emissions and expand renewables by 2020. Just as important is the question of what share of nuclear, coal and gas we want to have in Europe in future. Even if we achieve the very ambitious goal of raising the share of renewables to, say, 30 % by 2020, we will still have to cover 70 %, in other words over twice as much, with non-renewable sources.

France is undoubtedly in a very favourable starting situation. Over 70 % of its energy supply is covered by nuclear energy, in other words a reliable, economical and above all carbon-free technology. Burdens from European CO_2 trading tend to be low for French energy companies. Given the diverse efforts by almost all European countries to strengthen the position of nuclear energy, France can also play a key role in this respect. This may result in competitive edges and opportunities for French companies. But allow me to ask this question: Despite all the advantages, is it right to rely almost exclusively on one technology? Would it not be desirable for France to also play a stronger pioneering role in, say, the liberalisation and privatisation of the energy market and the expansion of renewables? To my mind, these could be key issues for French energy policy in the coming years.

E.ON is today the largest private-sector energy supplier in France with an installed capacity of approx. 2,500 MW from four gas or coal-fired power stations. At the Emile Huchet site, we are currently building France's largest and most modern gas-fired power station; here we are investing around € 470 million.

This alone shows that we want to strengthen and expand our market position in France. Of course, we are interested not only in coal, gas or hydropower. E.ON is the second largest operator of nuclear power stations in Europe with an installed capacity of some 11,000 MW. In the UK and Scandinavia, we are already involved in the expansion of nuclear energy. In France, the number 1 nuclear energy market, a large part of the nuclear power station fleet will reach the end of its originally planned service life in the foreseeable future and has to be replaced. Basically, we are highly interested in participating in new-build projects. On various occasions we have been encouraged to do so by politicians and industry, and we have been holding talks on this subject with possible French partners for some time.

In addition, we have signed an agreement on close cooperation with AREVA on the construction of new nuclear power stations and the development of a new, forward-looking reactor design. And we have agreed on a research contract with the French supervisory authority CEA, the Commisariat à l'Energie Atomique. Thus we have a good basis for partnerships in the French nuclear energy market.

Renewables do not yet play a major role in France. But that is to change. The French government wants to raise the share of renewables to 23 % by 2020.

Here, too, we regard ourselves as the prime-choice partner. E.ON is today one of the world's leading operators of wind farms, both onshore and offshore. We want to reinforce this position. In the next three years, we want to use a further € 4 billion, i.e. 25 % of our total power generation investments, for the expansion of renewables. By 2030 we intend to raise the share of renewables in our energy generation to 36 %, which is almost three times as high as today.

In France, E.ON today operates four onshore wind farms in France with a total capacity of 40 MW. Two others are currently being built by us. Together with other partners we are also planning new wind power projects in the coming years on a scale of up to 1,000 MW. This means that in the medium term France will become one of E.ON's key markets for wind energy.

In the longer run this also applies to solar energy. We are convinced that France will, in the south, become one of Europe's most important solar markets. This is why a few weeks ago we opened the first section of our very first solar farm in Le Lauzet in southern France where we will use our own modules.

I am delighted that today only few weeks later I can add a new chapter to our young French solar story: We acquired the French photovoltaic project developer Société Conilhac Energies. Conilhac has already successfully implemented photovoltaic projects in southern France and has a good stock of projects at various stages in the pipeline. This enables us, first, to strengthen our market position in France in the renewables sector. Second, we gain important know-how in the short term for implementing solar projects on an industrial scale.

Let me finally look at the importance of close Franco-German cooperation. Germany and France displayed joint unity and strength by obtaining a third way for implementing the EU internal market package. Furthermore, the two countries ensured that strong and internationally successful energy companies, which Europe needs, are not simply expropriated or broken up – even though the so-called third way is, in our view, far from an ideal solution. Not least during the gas conflict between Russia and Ukraine this cooperation between France and Germany also proved valuable, and it paid off for consumers.

There can be no doubt: Europe needs strong energy companies. They are needed for three reasons: First, to be able to negotiate with major supply countries on an equal footing. Second, to secure and modernise

Europe's energy supply with investments amounting to billions of euros. Third, to develop further the single European market and European competition. Strong companies are not just strong partners but also strong competitors.

A large number of European companies, especially French ones, are active in the German power and gas market. And our involvement in France shows in turn that the French energy market is also increasingly opening up to competition, though somewhat hesitantly. Germany and France are thus close partners, but nonetheless they compete intensely with each other. That is the reality!

Against this background, the anticipated decision by the European Commission in the anti-trust proceedings against E.ON Ruhrgas and Gaz de France ignores reality and the present situation. The decision concerns something that has long passed and was never reality. The agreement between Ruhrgas and GdF Suez under consideration was signed in 1975. It was essentially related to the transportation of gas in the early days of the European natural gas industry and served to secure pipeline investments. It was not relevant to practical conditions and therefore irrelevant to market developments. As such, it was formally repealed by the companies in 2004 for the sake of clarity. It is incomprehensible why this is being taken as evidence of cartel-like agreements that impede competition. Though we support the EU Commission in its general efforts concerning Europe, we will not accept this decision if it rules as expected.

We need viable partnerships in and for Europe. Against this backdrop, it is pleasing that this year's Franco-German council of ministers took a clear decision in favour of setting up a bilateral Franco-German Energie-AG.. This close coordination in energy matters will help us to quickly and systematically identify and implement feasible Franco-German projects in the energy sector.

I am very pleased that you are in attendance at our first press talk here in Paris and I look forward to continuing our dialogue. Thank you for your attention.

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