

Return on Energy Generation – Resources for all

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Overview

1. **About Landsvirkjun – an introduction**
2. **Landsvirkjun's policy**
3. **Stakeholders**
4. **Benefits for local authorities**

1. Introduction

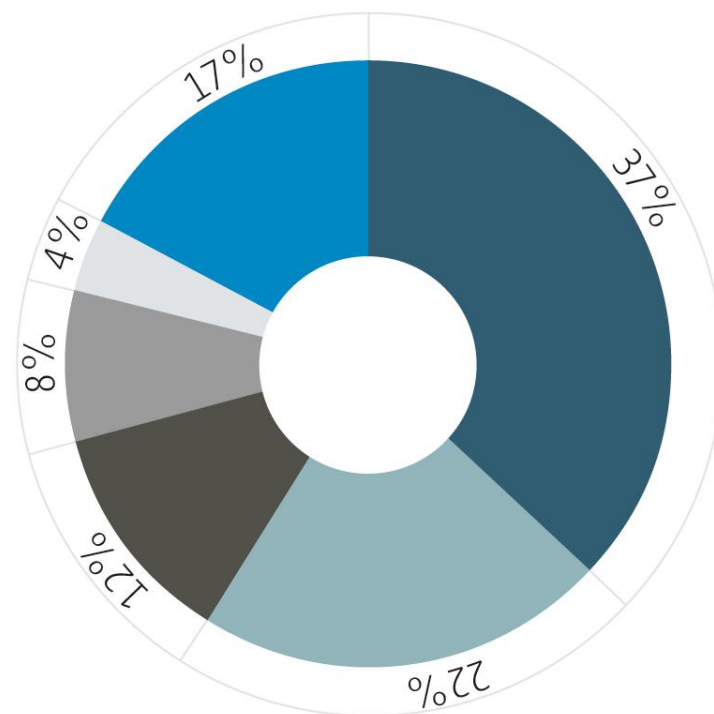
The role of Landsvirkjun is to maximise return from the energy sources that have been entrusted to the company in a sustainable manner with efficiency and creation of value as the focus



Landsvirkjun is Iceland's largest producer of renewable energy and one of the ten largest companies in Europe in its field.

Produces 73% of all electricity in Iceland
12.4 TWh produced in 2011

Division of electricity sales in 2011



- Alcoa
- Rio Tinto Alcan
- Century Aluminum
- Elkem
- Becromal
- General market

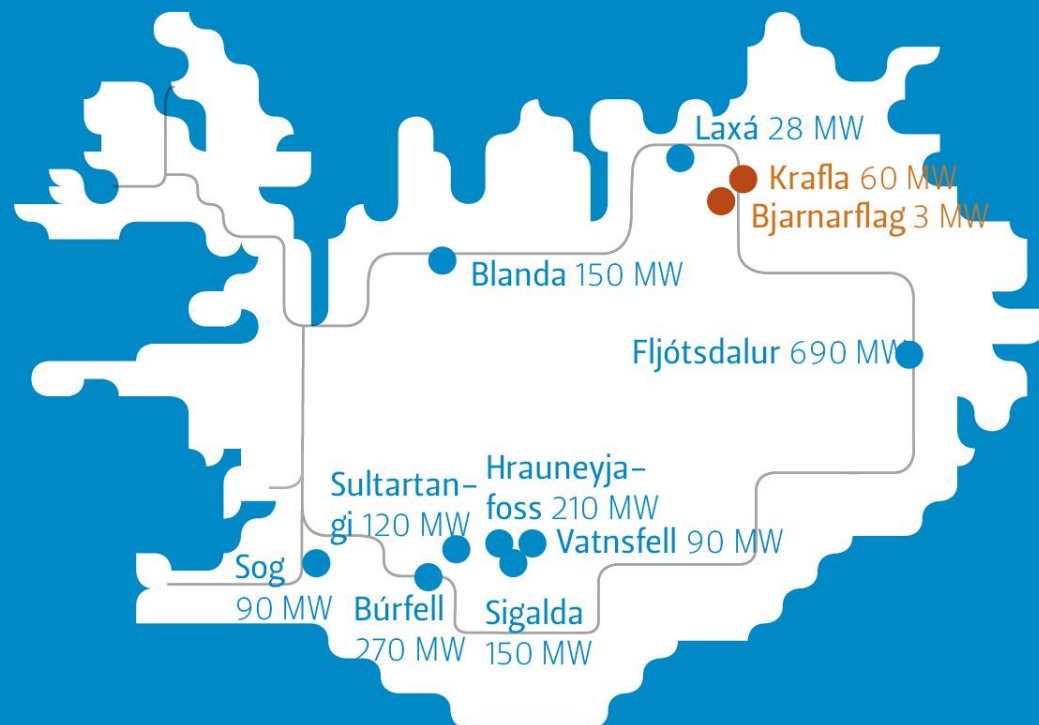


Power plants
Landsnet
transmission system
Customers



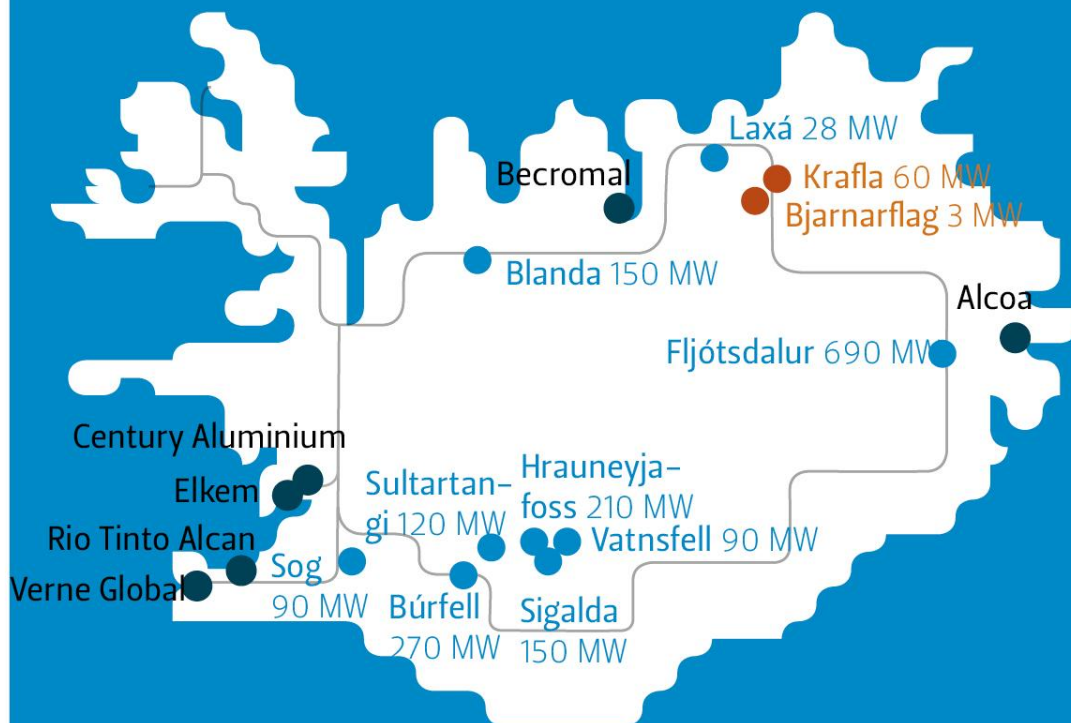


Power plants
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Power plants
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Customers





Landsvirkjun

Landsvirkjun's electricity production

Hydropower 96%
Geothermal 4%





2. Landsvirkjun's policy

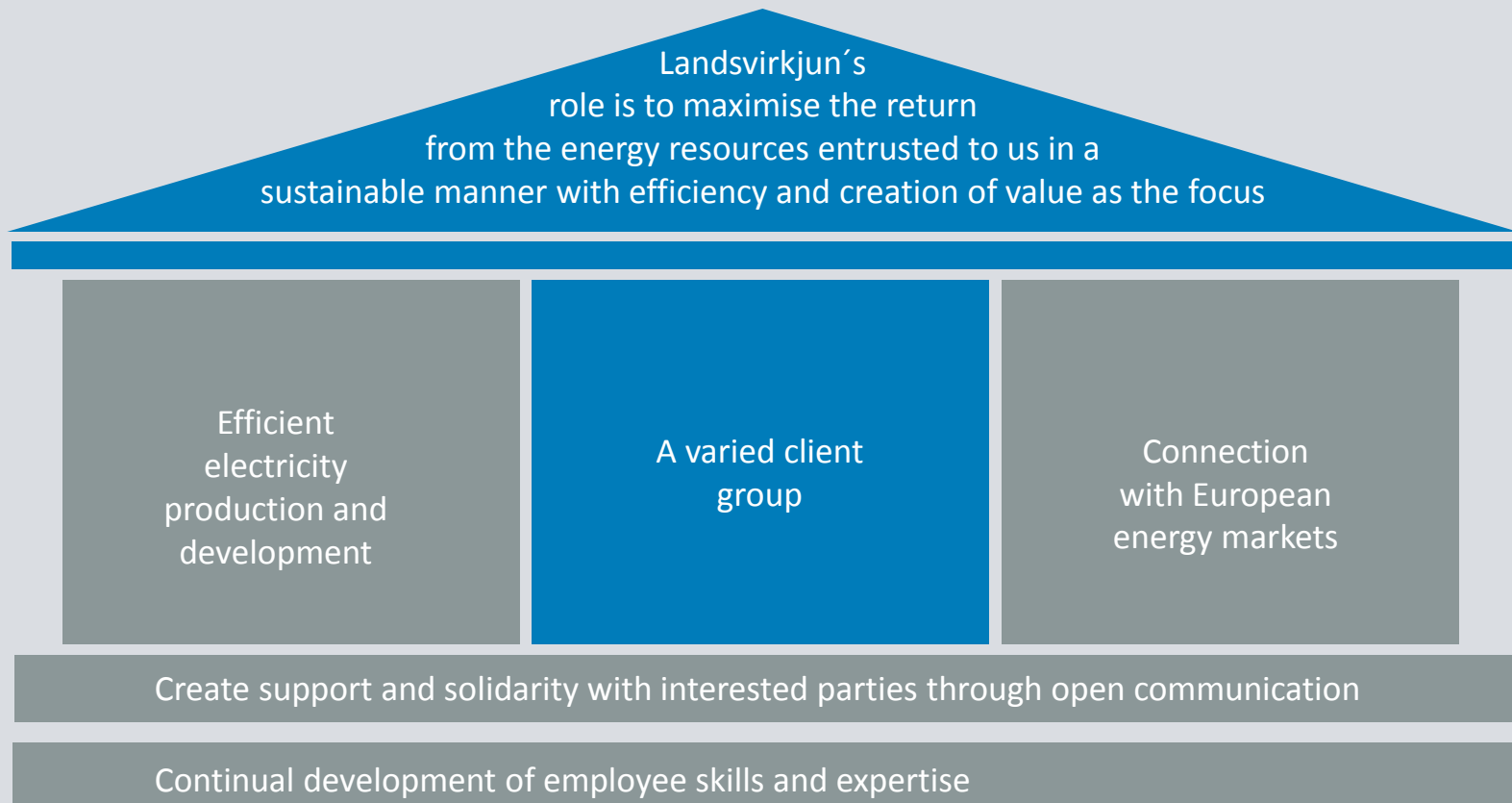


› **Opportunities:**

- › Good electrical infrastructure, high level of expertise, opportunities for growth
- › Green energy is valuable
- › Reason for further harnessing: Economic benefits
- › Construction phase benefits, operational phase benefits and profitability benefits

› **Important challenge ahead:**

- › Fair and transparent division of the benefits between interested parties





Policy: To create support and solidarity among stakeholders through open communications

› **Open communications:**

- › Information for the public
- › Contact with stakeholders

Other points, e.g.:

- › Balance between utilisation and conservation
- › A fair division of benefits – something for everyone

RESPONSIBLE MANAGEMENT
Landsvirkjun operates under responsible management practices

VALUE CHAIN
Landsvirkjun strives to influence its value chain

KNOWLEDGE SHARING
Landsvirkjun shares knowledge that can contribute towards innovation and development in the economy and society

Landsvirkjun's social responsibility

THE ENVIRONMENT
Landsvirkjun strives to be a leader in the environmental sphere

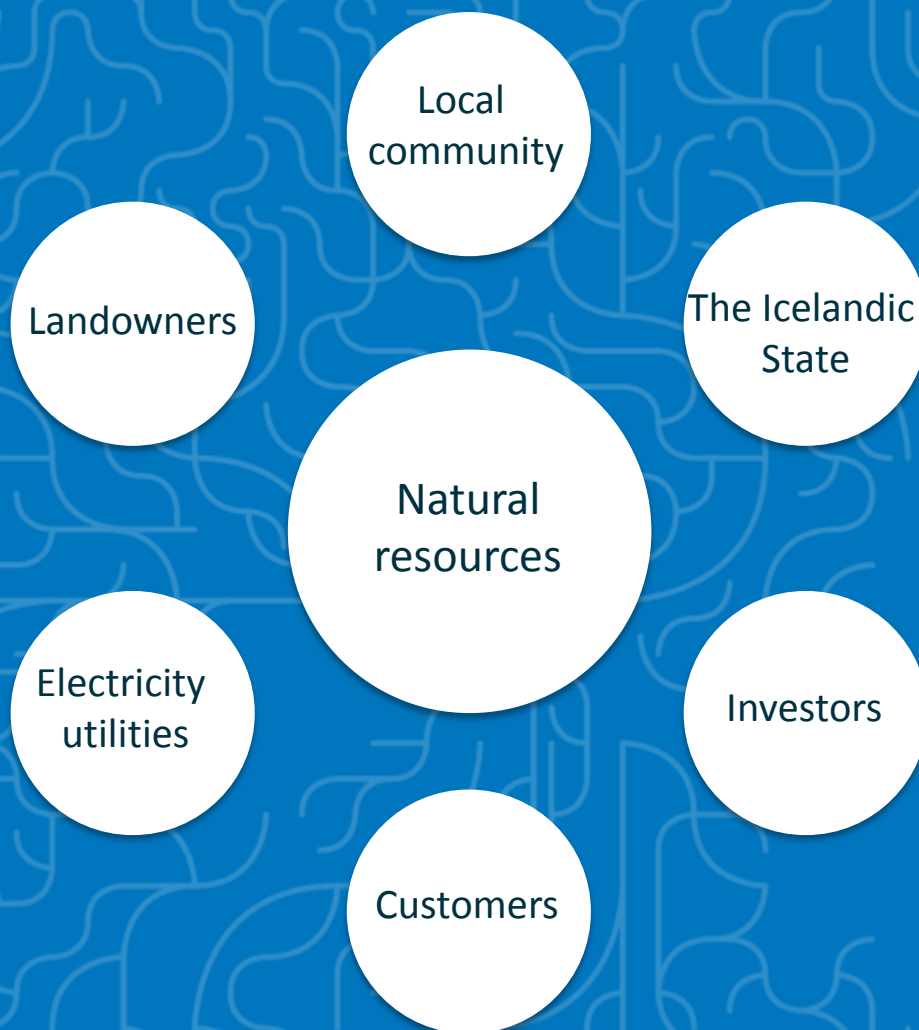
THE COMMUNITY
Landsvirkjun strives to operate at all times in harmony with the community

HEALTH AND SAFETY
Landsvirkjun makes a priority of being a leader in health, safety and personnel matters

3. Stakeholders



Fair division of generated wealth generated between stakeholders



Fair division of generated wealth generated between stakeholders



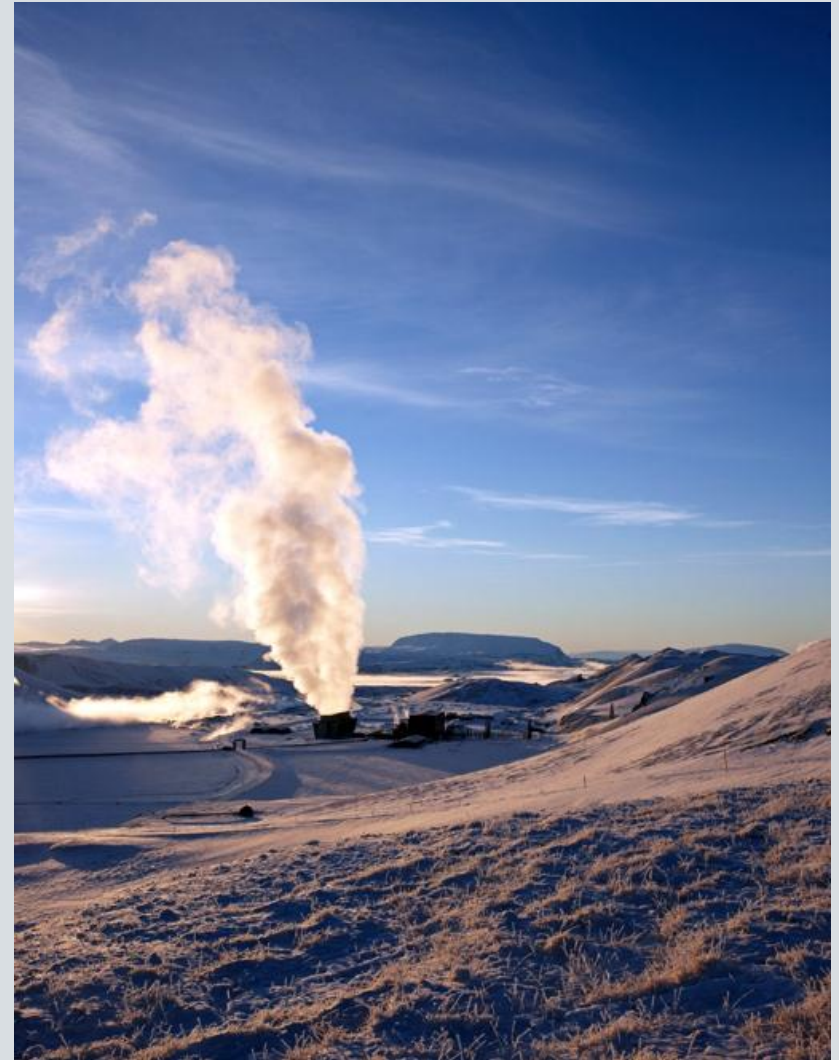
- › **Landowners – contractual payments (or compensation for compulsory purchase)**
- › **Local authorities – public taxes and contractual payments**
- › **Local communities – spin-off benefits for local residents**
- › **State Treasury – dividend, taxes and public levies**
- › **Public / Households – prices**

- › **Financial institutions and companies– interest and capital taxes**
- › **Contracts with clients – prices**
- › **Electricity utilities – profits**



Benefits for local authorities

- **Construction phase benefits**
- **Operation phase benefits**
- **Profitability benefits**



- › **Public levies:**
- › Property taxes on power-station buildings
- › Other possible payments:
 - › Property tax on other buildings
 - › Municipal income tax paid by employees
 - › Etc.
- › No further taxation of power utilities in areas immediately influenced by power plants
- › The location of a power station may be of crucial importance to local authorities in the vicinity.

- **Infrastructure development**
- Roads
- Telecommunications
- Overhead electricity lines;
underground lines



Contractually specified payments. Example:

Funding of environmental projects, including:

- › Land reclamation
- › Forestry

Funding of community projects in the local government area

- › Collaboration on premises (Skriðuklaustur, Végarður, Þjórsárstofa)
 - › Culturally related projects (exhibitions, archaeological excavations, etc.)
 - › Tourism-related projects
 - › School pupils' summer employment schemes
-
- › **Community fund**

Conclusion

Construction phase benefits

Operating phase benefits

Local authorities in an area affected by a power station are not all in the same position regarding financial benefits

Confusing or un-transparent arrangement could result in unfair division and arouse suspicion

Profitability benefits?

An open discussion among stakeholders is needed

The benefits for the local community must be clear

Landsvirkjun welcomes collaboration with local authorities to create better rules for the benefit of the community.

Parliament is best placed to set rules on the division of dividend, especially before substantial profitability benefits become evident