The cost price Mankala operating model in electricity production

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Background for the cost price Mankala operating model

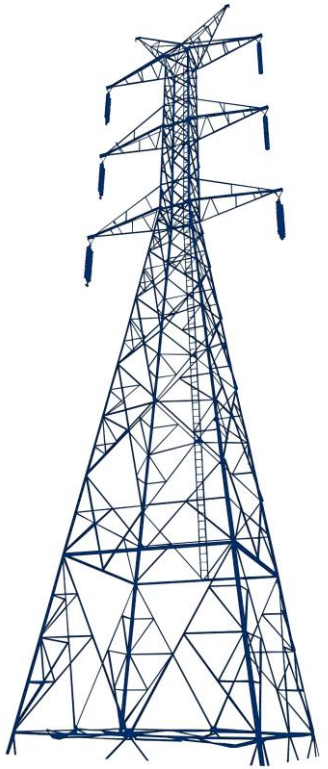
- The energy sector is the most capital-intensive sector in Finland.
  - 35.5% of all investments made in Finland over the last 20 years, and 39% in 2024, were allocated to energy supply.
- Large amounts of capital are tied in power plants for decades.
- Building a single power plant can cost hundreds of millions or even billions of euros.
- Only a few operators would be able to finance and implement large-scale power plant projects alone.

The cost-price operating model has long traditions in Finland

- Today, approximately 50% of the electricity produced in Finland is generated by companies operating at cost price model. There are nearly 50 such companies.
  - Since the production started at TVO's OL3 power plant, the share of electricity generated at cost price has increased considerably.
- Companies combined their resources and developed the cost-price operating model in the 1940s to secure power supply at a time when there was a shortage of capital in Finland. The first such company was Oy Mankala Ab, which gave the name to the principle.
- The Supreme Administrative Court of Finland confirmed the operating model with its decisions in 1963 and 1968. Legislators have since referred to the operating model in several cases.

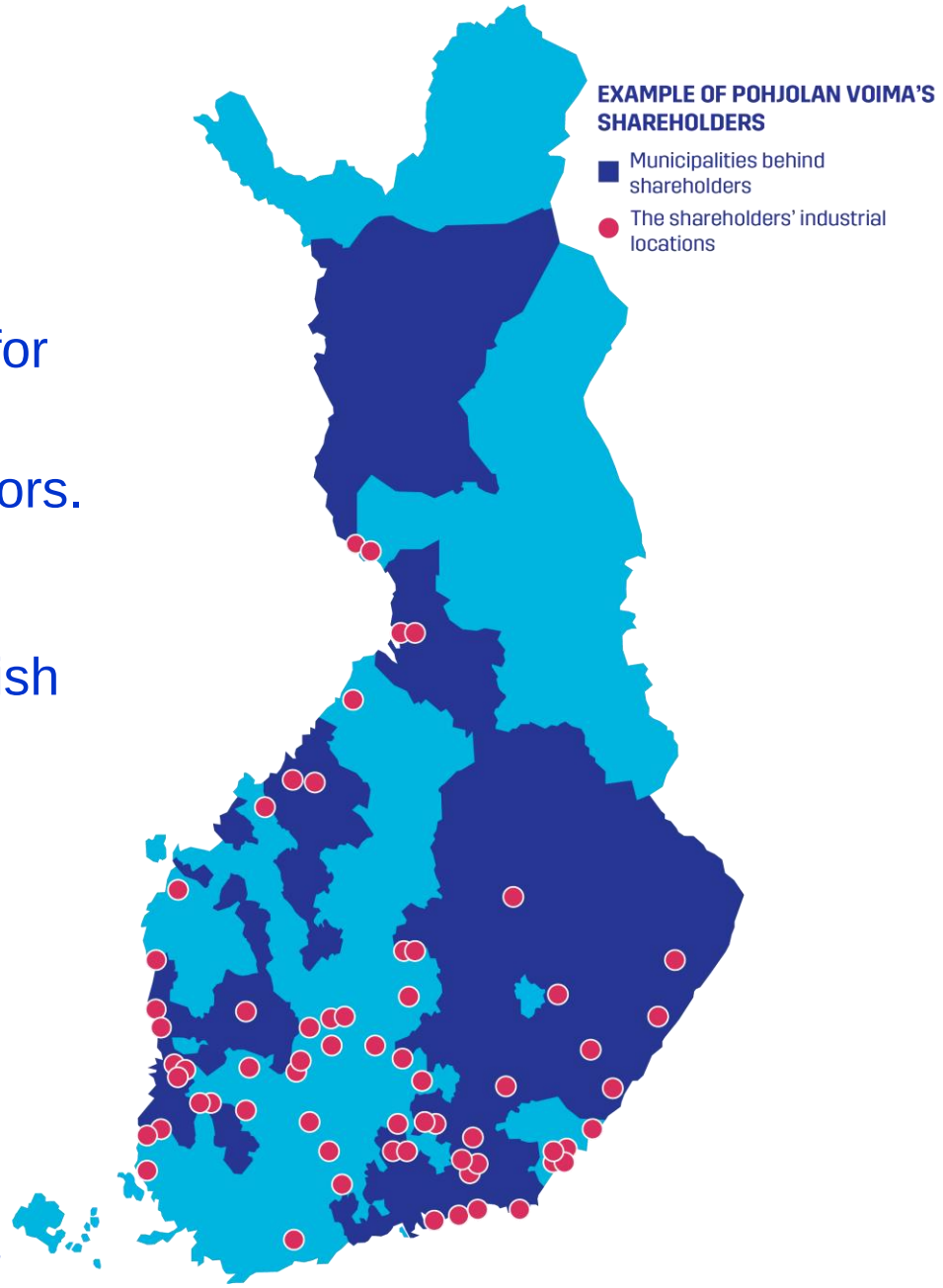
How does the cost-price Mankala operating model work?

- In accordance with the company's Articles of Association, the shareholders of a Mankala company are responsible for the production costs in proportion to their shares.
- In return, shareholders receive energy at cost price.
- A Mankala company does not aim to make a profit.
- The operating method and the principle of shareholders' cost liability are laid down in the company's Articles of Association.
- The shareholders use the electricity they receive in their business operations and pay taxes on the profit of their operations.
- The operating method is comparable to property and housing companies in Finland.



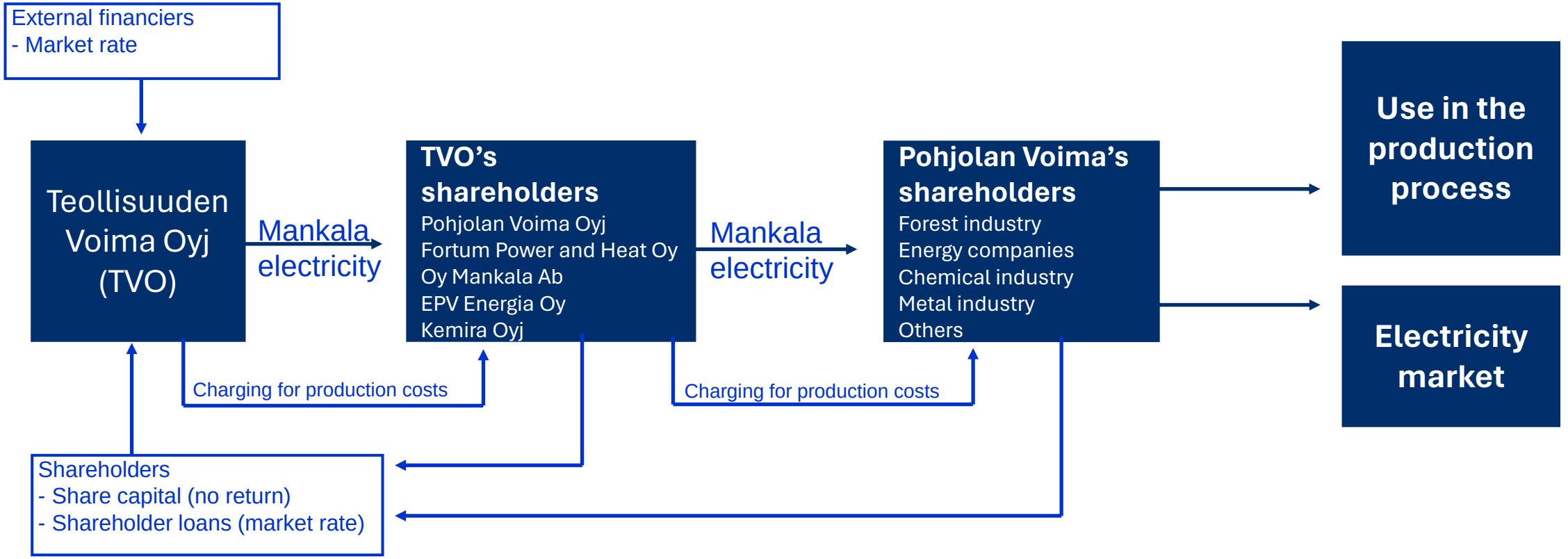
The significance of the cost-price operating model to Finnish society

- Domestic power generation provides security and stability for Finland.
- Investment risks and benefits are shared by several operators.
  - Smaller companies also have the opportunity to participate in large investments.
- A well-functioning market and affordable electricity for Finnish customers.
  - There are more operators of different sizes in the electricity market, resulting in increased competition.
- Combines the competences and financial resources of companies.
  - Enables innovation and the development of new technologies.
  - Enables access to financing.
- Taxes are paid where the profits are made.
  - The state receives tax revenue from the shareholders of the Mankala company.



Example: Olkiluoto’s financing and the route of electricity

Mankala companies in TVO’s chain of ownership provide electricity at cost price to their respective owners.
Some of the companies in the chain of ownership use the electricity in their own industrial production, while others sell the electricity.



Without the cost-price operating model:

- Many energy investments would not take place at all.
- Finland’s energy self-sufficiency would be lower than it currently is.
- There would be fewer operators in the Finnish electricity market.
- The price of electricity in Finland would be higher than at present.
- Finland’s carbon dioxide emissions would be higher than at present.
- A significantly smaller number of operators would be participating in energy projects.

All of Finland benefits from the cost-price Mankala operating model

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