

# Introduction »

---

Our overarching aim is to be a genuinely sustainable energy provider. By 2020 our ground-breaking Climate Commitments aim to make further huge strides towards a sustainable low carbon energy business.

“ Our quality of life today relies on secure and affordable energy, but our future critically depends on developing new, truly sustainable low-carbon energy sources. That is a challenge we ignore at our peril.

Vincent de Rivaz Chief Executive Officer

2008 has seen a huge step forward in our evolution. It was a year of transition and significant change for EDF Energy.

The coming together of EDF Energy and British Energy transforms our market position. We have become the UK's biggest electricity producer and are now the largest generator of low carbon electricity in the UK.

Our overarching aim is to be a genuinely sustainable energy provider. By 2020 our ground-breaking Climate Commitments aim to make further huge strides towards a sustainable low carbon energy business.

The goal of sustainability has never seemed more important as we all faced the sudden impact of recession, volatile energy prices, and the threat of climate change. Customers rightly demand energy which is not just affordable and secure, but is also the best choice for the environment.

We believe the concept of sustainability has three dimensions: the impacts of our business on profitability, people and the planet. This report addresses each of these three "Ps" and explains how the acquisition of British Energy will help our business to become truly sustainable. It shows how we are investing to bridge the energy gap and it assesses our performance against the ambitions that we set ourselves a year ago.

The vision and ambitions we have for our business here in the UK are significant. They are built on the very clear vision that EDF Group has set out.

While EDF Group has said that it wants to lead the worldwide energy change, our aim for EDF Energy is similarly straightforward: to lead the change we need and want as we construct the energy future of the UK.

I would like first to highlight four key challenges for EDF Energy – energy affordability, decarbonising energy, health and safety and business performance. In each we made progress in 2008, but we realise we still have a lot of ground to cover.

### Energy affordability

Unfortunately energy price volatility continued into 2008. At this time of economic uncertainty, we know that competitive energy costs are crucial to the survival of many businesses and that we have a special duty of care to our most vulnerable domestic customers.

Our Social Tariff, Energy Assist, supports our most vulnerable customers and was recognised in 2008 by the consumer watchdog Consumer Focus. We have also worked with Government and voluntary bodies throughout the year to develop more effective ways to provide help.

In the long term, we believe that affordability and security of supply depends on reducing dependence on the wholesale market and particularly on fossil fuels. That is why we support the Government's commitment to a diverse energy mix.

### Decarbonising energy

In Our Climate Commitments we committed to reduce the carbon intensity of our electricity generation by 60% by 2020. Last year we took some important steps on that path.

First, we set up a joint venture with our sister company, EDF Energies Nouvelles, to create EDF Energy Renewables. The venture has enabled our two companies to combine their skills, expertise, and resources in one place in order to develop opportunities for renewables development in the UK.

Second, we are building a new highly-efficient combined cycle gas turbine (CCGT) power station at West Burton which is capable of producing 1.3 GW, enough electricity to supply approximately 1.5 million homes. It will help to provide new generation capacity in the short term and will significantly reduce the carbon intensity of our fleet.

Third following the coming together of EDF Energy and British Energy we welcome the addition of eight low-carbon nuclear power stations to our generation fleet. This will strengthen our plans to build four new EPR nuclear reactors in the UK by combining the Group's strong track record in France with British Energy's expertise in the UK.

### Health and Safety

Despite these important developments, Health and Safety must always be our first priority.

Last year, all of us in the Management Team were distressed to learn about two deaths, one in March which resulted in a fatal accident to a contractor and one in May which resulted in a further fatality to a member of our Networks team.

At EDF Energy we have strengthened the Zero Harm programme for training staff to work safely and increase their awareness of potential occupational health and safety hazards. This has produced some encouraging results which are detailed in this report.

I have also been impressed on visits to British Energy sites to see evidence of our new colleagues' total commitment to health and safety. We plan to build a new organisation which draws on the unrivalled experience of both EDF Energy and British Energy with a focus on the continued safe operation of the enlarged company.

### Business performance

Our business model must be both profitable and sustainable in the long-term if we are to make the huge investments necessary for our future.

Overall, the financial performance of EDF Energy has stood up well, despite the impact of the credit crunch, fluctuations in wholesale prices, and a highly competitive market. We must maintain this level of financial resilience.

Our sales totalled £6,616 million, representing growth of 13.3% compared with 2007. EDF Energy's profitability reflected in EBITDA was £758 million for the year, representing a decline of 11.9% but includes accounting adjustments for the adverse impact of the mark-to-market valuation of commodities hedging contracts.

Excluding this adjustment, EBITDA grew by 23.3%. This was driven by higher prices and tariffs in the supply and generation businesses and, to a lesser extent, in the networks business.

### Low Carbon Future

I hope this report demonstrates how, with our new colleagues from British Energy, we can tackle these four key challenges.

As we strive to achieve these goals, this vision depends on substantial investment with the support of our parent company, EDF Group. It will of course make us more competitive and profitable in the future.

We are also acutely conscious of our responsibilities to the society we serve. We listen carefully to our stakeholders and particularly to the millions of customers who depend on us in their homes and businesses.

Our quality of life today relies on secure and affordable energy, but our future critically depends on developing new, truly sustainable low-carbon energy sources. That is a challenge we ignore at our peril.

So the three dimensions of sustainability – our impact on people, the planet and profitability – are right at the heart of everything we do. I hope this report demonstrates how we can play a leading role in delivering a prosperous, low-carbon energy future.



**Vincent de Rivaz**  
*EDF Energy Chief Executive*