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Critique of the European Commission's Proposal to Extend the Euratom Loan Ceiling and Change the Scope for the Projects

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On the 6th November the European Commission approved a proposal to both extend the Euratom Loan ceiling by a further €2 billion and to adjust the type of projects and the percentage that the EU can fund – adjustments in the Loan scope. These documents were finally placed on the Commission's web site on the 15th November². These proposals will be sent to the ECOFIN for approval. The change in the loan ceiling does not require the support or discussion by the European Parliament and so can be sent to the ECOFIN soon, where it will require the unanimous support of Member States. Any change in the loan scope will first require discussion within the Parliament and then unanimous approval by the ECOFIN.

However, the proposal to extend the Euratom Loan ceiling should never have been approved by the Commission as the loan signed and subsequent value of the transactions have not reached the level at which action is required by the Commission. Furthermore, the explanatory Memorandum justifying the proposal contains a number of misleading statements and errors which totally invalidate the proposed extension. In the light of these errors Member States must make clear their objects to the proposal to extend the loan ceiling and instead call for the loan facility to be abandoned.

Independent of the extension of the loan ceiling decision Member States should demand changes in the scope of the Euratom Loan facility to ensure that any future loans – with the remaining funds in the existing funds or if the fund is extended – are only used in the areas which are stated priorities for the Euratom loans, namely to increase the safety of nuclear power stations or for decommissioning of nuclear facilities. Despite Commission claims that the changes in the scope are only modifications to harmonise the lending criteria in light of accession, there are important extensions to the scope being proposed. Firstly, the Commission proposal will allow Euratom loans to be used for the construction of research reactors, which can be used for the development of new reactors, nuclear fusion research or for furthering

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² http://europa.eu.int/eur-lex/en/com/availability/en_availability_number_2002_10.html.

research into Mox use. Secondly, the proposal will enable for the first time, the financing of the construction of new reactors in former accession countries.

It is essential that the changes in the scope and loan ceiling occur simultaneously to ensure that if additional funds are made available that these can only be used for the defined priorities of additional safety measures of already operating reactors and for decommissioning

Comments on Proposal for Council Decision on the Extension of the Euratom Loan Decision

(2) *The total value of the transactions effected is approaching the figure of EUR 3 800 million, as provide for in Decision 90/212/Euratom.*

This statement is incorrect. The total value of transactions affected by Euratom Loans is actually, EUR 3082.5 million. The Commission include within its analysis, approximately, €585 million, which has been 'earmarked' for the completion of Khmelnytsky 2 and Rovno 4 (K2R4). However, only preliminary approval was given for a Euratom Loan for the K2R4 project in Ukraine in December 2000. Within 12 months, a final decision was to be taken. However, in November 2001, just prior to the final decision in the co-funder the European Bank for Reconstruction and Development (EBRD) the project was suspended. A similar action was taken for the Euratom share of the project. Since then no final decision has been taken and the project remains officially under preparation. However, should the Ukrainian authorities ever re-submit the project it will require re-evaluation and will effectively be a new project. Therefore it is technically incorrect for the Commission to claim that this funded provisionally allocated for this project counts as a transaction as no funds have been transferred and no loan agreement even signed.

Comments on Explanatory Memorandum

Further Loan Applications

Point 3 of the Memorandum also states *'There are a number of Euratom Loan applications being processed'*. **This is not true.** There is only one loan under active consideration at the present time, for the completion of the Cernavoda 2 reactor in Romania. The European Commission have stated that there are 'no additional requests for Euratom loans [other than Cernavoda] – at the moment'. Furthermore, even if the K2R4 project were to proceed in the near term – which is highly unlikely -, the remaining funds EUR 224 million could be allocated for Cernavoda. This is close to the approximately €250 million in the Euratom loan proposal, the Romanian authorities have been informed that the extension of the loan ceiling may not be approved and that Euratom may only grant €224 million. This is said not to impact on the viability or technical specifications of the project.

Nuclear Safety Standards

The Memorandum states *'Our involvement in these projects ensures that they will be completed in line with western safety requirement'*. This is incorrect with past and current projects under consideration. The only project under active consideration is for the completion of the Cernavoda 2 reactor in Romania. This is a Canadian designed reactor being built by Canadian

and Italian engineering firms and funded by Export Credit Agencies from these countries. The involvement of Euratom brings no significant safety requirements. This is a Western designed and built reactor in Eastern Europe.

Decommissioning

Point 4, states that *'The Euratom Loan Facility will be instrumental in assisting these countries to launch decommissioning programmes'*. **This is incorrect and will not occur for three reasons.**

1) Decommissioning programmes for these countries – Bulgaria, Lithuania and Slovakia – have already been launch. The EBRD was asked in June 2000 to administer an international fund to assist the closure of the reactors in accession countries schedule for closure in their accession partnership agreements. The reactors in question and the funds in the decommissioning funds are show below. Furthermore, in the European Commission Memo *'Towards a Community approach to nuclear Safety'*, released in November 2002, the Commission state that it will make available further resources for the International Decommissioning programmes listed in the table below. By 2006 the Commission will grant an additional €105 million to Kozloduy; €260 million to Ignalina; and €40 million for Bohunice. These funds are expected to more than cover the construction of facilities necessary for decommissioning as well as the work necessary for the first part of the decommissioning process.

Current EBRD Administered International Decommissioning Funds³

Country	Reactors	Decommissioning Fund
Bulgaria	Kozloduy 1-4	€96 million
Lithuania	Ignalina 1 and 2	€145 million
Slovakia	Bohunice-V-1	€116 million

2) The key point is that the International Decommissioning Fund, allocates grants and not loans to assist with the decommissioning. Decommissioning is undertaken after the reactors have stopped operating and when all electricity and therefore income generation has ceased. It is therefore impossible for any decommissioning loan project to fulfil the economic criteria laid down namely the requirement that *'investments must relate to installations that are economically viable'*.

3) Decommissioning of nuclear facilities is broken down into three stages. The first two, are undertaken on the short term, after the facility stops functioning and involved removing the fuel and making the facility safe. The final stage (stage three) is the final dismantling of the facility and occurs many decades later, usually between 50-100 years after closure. Stages 1 and 2 are relatively inexpensive and are funded by utilities operational expenses or in the case of the high risk reactors destined for closure under accession, through the grants from the international community. Euratom loans will therefore fund stage three decommissioning, but this will not occur at least 50 years after the loans are granted.

Staff in the Euratom Loan department admit that they do not know how they will fund any decommissioning project and that its inclusion in the loan scope was largely political. It is possible that the Euratom Loans will be given to the utility in general, to fund the construction of other energy – probably non-nuclear – projects, such as district heating. If so, these projects

³ March 2002

should be funded through the European Investment Bank, or EBRD, as a normal energy sector project.

Comments on Proposal for Council Decision to change the Scope for the Euratom Loan Facility

The European Commission's press release, of 6th November, to announced the proposal to increase the loan ceiling stated: "*Commission proposes to ensure the continuing availability of Euratom loans for nuclear safety and decommissioning projects in candidate and other non-member countries*". Furthermore, the background document to accompany the change in scope stated the purpose to the proposal is to ensure the equal treatment of current and new Members of the EU; to ensure that safety and efficiency issues are important criteria for Euratom loans; and to ensure that decommissioning project are explicitly eligible.

Despite this apparent prioritisation, the Commission has inserted into the draft Council decision, wording which will specifically allow the further development of nuclear technology as it states that Euratom loans should in future be used to fund '*fuel and material testing reactors that are necessary for safety and efficiency improvements*'. It is unclear what specifically these type of reactors would be doing.. However, it is clear that such fuel and material testing reactors could be used for the further development of fusion technology, developments in the use of Mox fuel, the development of a new generation of Pressurised Water Reactors or to assist proposals to extend the life of existing reactors. This language must be removed from any revised scope.

Secondly, given the importance that Member States place upon the use of Euratom loans to increase the safety standards in the reactors and the potential use of Euratom loans for decommissioning of closed nuclear facilities, Euratom loans should be restricted to only increase the safety in already operating reactors, under carefully considered conditions (namely no life extension of the reactors and coupled with the closure agreements with other reactors in the country concerned) and for decommissioning. Unless this occurs then Euratom loans will be used to expand the nuclear sectors, such as is occur in Romania or it will be used to develop a new generation of reactors within the EU.

Consequently it is therefore proposed to alter the scope of the loans as follows: -

Article 1 of Decision 77/270/Euratom shall be replaced by the following:- the suggested additions are in uppercase and underlined, the suggested deletions are underlined and bracketed.

'Article 1

The Commission is hereby empowered to contract, on behalf of the European Atomic Energy Community (Euratom), and within the limits fixed by the Council, borrowings, the proceeds of which will be allocated in the form of loans to finance, within the Community, investment projects relating to the industrial production of electricity in nuclear power stations and to industrial installations in the nuclear fuel cycle. The Commission shall also be empowered to contract, within the same limits, borrowings, the proceeds of which will be allocated in the form of loans to ONLY TO finance projects to increase the safety and efficiency of the OF ALREADY COMMERCIALY OPERATING nuclear power stations of the non-member countries listed in the Annex TO DECISION 94/179/EURATOM. For these projects to be eligible they must:

- relate to nuclear power stations or installations in the nuclear fuel cycle which are in service, [DELETE or under construction, to fuel and material testing reactors that are necessary for safety and efficiency improvements.] or to the dismantling of installations where modification cannot be justified in technical or economic terms,

- have received all the necessary authorization at national level and in particular the approval of the safety authorities,

- have received a favourable opinion from the Commission AND PARLIAMENT in technical and economic terms.

The Commission may borrow only within the limits of loans requested of it.

The borrowing and corresponding lending operations shall be denominated in the same monetary unit and carried out under the same conditions as regards repayment of the principal and interest payments. Cost incurred by the Community in concluding and executing each operation shall be borne by the recipient undertakings.'