

**The Extension of the Euratom Loan Ceiling:  
An Opportunity for Euratom Reform**

Paper Presented at: -

**EURATOM conference  
“After 45 years of nuclear promotion: time for change”**

**September 2002**

***Antony Froggatt<sup>1</sup>***

---

<sup>1</sup> Antony Froggatt, is a freelance researcher and writer specialising on European Energy issues, for further information contact [a.froggatt@btinternet.com](mailto:a.froggatt@btinternet.com) or visit <http://www.eu-energy.com>

## Executive Summary

The Euratom Treaty is one of the cornerstones of the current EU. The Euratom Treaty, first signed in 1957, was established to promote nuclear technology as it was believed to *“represent an essential resource for the development and invigoration of industry”*. Today within the EU-15 there are no reactors being built and not even any on order.

In March 1977 the Council of the European Communities agreed on *“empowering the Commission to issue Euratom loans for the purpose of contributing to the financing of nuclear power stations*. Initially, this was restricted to nuclear fuel cycle facilities inside the Union with an initial credit ceiling of 500 million European units. As projects were financed so the loan fund had to be increased, most recently in April 1990 by another 1 billion ECU to the current ceiling of ECU 4 000 million. The increasing of the Euratom Loan facility requires the unanimous support of Member States, but does not require the approval or involvement of the European Parliament.

In March 1994 the remit of the fund was changed *“to authorise the Commission to contract Euratom borrowings in order to contribute to the financing required for improving the degree of safety and efficiency of nuclear power stations in certain non-member states”*. The Council was quite clear for one reason for this change, *“Whereas, following the slowdown in the nuclear energy sector and the changes in nuclear energy policy by some Member States, there will not be a strong demand for the remaining finance from nuclear energy projects in the Community over the next few years”*.

However, in the eight years since the rules were changed only one loan for Kozloduy 5 and 6 in Bulgaria has been fully approved. In two other cases - Mochovce (Slovakia) and Khmelnytsky 2/Rovno 4 (Ukraine) - the applicant countries have withdrawn the projects at the last minute due to their unwillingness to meet financial conditionalities of the projects – notably the rapid increase in electricity prices required by the financial institutions involved.

Critics of Euratom loans note a number of problems with the facility. Firstly, due to the lack of EU nuclear safety standard there are no binding safety standards that the projects must comply too. Secondly, the European Investment Bank, which assesses the economics of the projects do not lend its own resources for nuclear power plants or lend in the CIS region at all, and thus has little experience in assessing nuclear projects or in this region. Thirdly, the Cabinet of the Commissioners is the body responsible for approving the loan decision, neither Member States nor the Parliament are involved in individual project assessment decisions. Finally, as with other more general criticisms of Euratom, the loan facility unfairly favours nuclear power as other technologies which don't have their own loan facilities.

In the coming months the Commission is expected to launch a proposal for a further 2 billion to be added to the loan facility. Already a number of Governments and their Parliaments have expressed opposition too or are sceptical of the need for this increase. Therefore its approval is in doubt as it will require the unanimous support of Member States to be adopted. The abandonment of the Euratom loan facility should be seen as an essential first step on the road to the reforming of Euratom.

## Index

<b><u>INDEX</u></b> .....	<b>3</b>
<b><u>EURATOM</u></b> .....	<b>4</b>
<b><u>EURATOM LOANS</u></b> .....	<b>4</b>
<b><u>EASTERN EUROPE</u></b> .....	<b>5</b>
<b><u>INHERENT PROBLEMS OF EURATOM LOAN</u></b> .....	<b>8</b>
<u>LACK OF DEFINITIVE SAFETY STANDARD AND ITS IMPLEMENTATION</u> .....	8
<u>INADEQUATE PUBLIC SCRUTINY</u> .....	8
<i>Accusations of Data-Manipulation</i> .....	8
<i>Economic Due Diligence Beyond the Experience of EIB</i> .....	9
<u>TECHNOLOGICAL BIAS</u> .....	9
<b><u>INCREASING THE LOAN CEILING</u></b> .....	<b>10</b>
<u>GROWING OPPOSITION</u> .....	10
<u>NEXT STEPS</u> .....	11
<b><u>EURATOM REFORM</u></b> .....	<b>12</b>
<b><u>ANNEX</u></b> .....	<b>13</b>
<u>A) COUNCIL DECISION OF 29 MARCH 1977</u> .....	13
<u>B) COUNCIL DECISION OF 23 APRIL 1990</u> .....	15
<u>C) COUNCIL DECISION OF 21 MARCH 1994</u> .....	17
<u>D) DRAFT OF LOAN EXTENSION DOCUMENT – 2001</u> .....	21

## Euratom

The Euratom Treaty is one of the cornerstones of the current EU. The Euratom Treaty, first signed in 1957, was established to promote nuclear technology as it was believed to “*represent an essential resource for the development and invigoration of industry*”. However, despite significant political support and subsequent unparalleled subsidies nuclear power has declined since a peak two decades ago. Today within the EU-15 there are no reactors being built nor even any on order. Only in Finland are there apparently any concrete plans for the construction of a new nuclear reactor, but even here proposals are still far from finalised and a reactor design has still to be chosen. Seven countries do not possess nuclear power plants – Austria, Denmark, Greece, Ireland, Italy, Luxembourg and Portugal, while in others – Belgium, Germany, Netherlands and Sweden politically agreed phase out plans for the operating reactors are in place. Consequently the technology can no longer be deemed as essential, if it ever was.

Euratom as an institutions plays a dual role of both promoting nuclear power and creating standards and guidelines for the nuclear industry, in particular those relating to the health and safety of workers and the public and in the control of fissile and radioactive material. Furthermore, the ‘regulatory’ role of Euratom may well be significantly changed in the coming months if a European Commission proposal to introduce nuclear safety standards is proposed and adopted by Member States.

One key element in Euratom’s promotional arm is its ability to grant loans for the development of the nuclear industry.

## Euratom Loans

In March 1977 the Council of the European Communities agreed on “*empowering the Commission to issue Euratom loans for the purpose of contributing to the financing of nuclear power stations*”<sup>2</sup>. Initially, this was restricted to nuclear facilities inside the Union with an initial credit ceiling of 500 million European units. As projects were funded the loan fund had to be increased which was done in 1979, 1982 and 1985. The most recent addition was undertaken during the Irish Presidency in April 1990, which increased the loan facility by another 1 billion ECU to the current fixed ceiling of ECU 4 000 million.<sup>3</sup> The increasing of the Euratom Loan facility requires the unanimous support of Member States, but does not require the approval or involvement of the European Parliament.

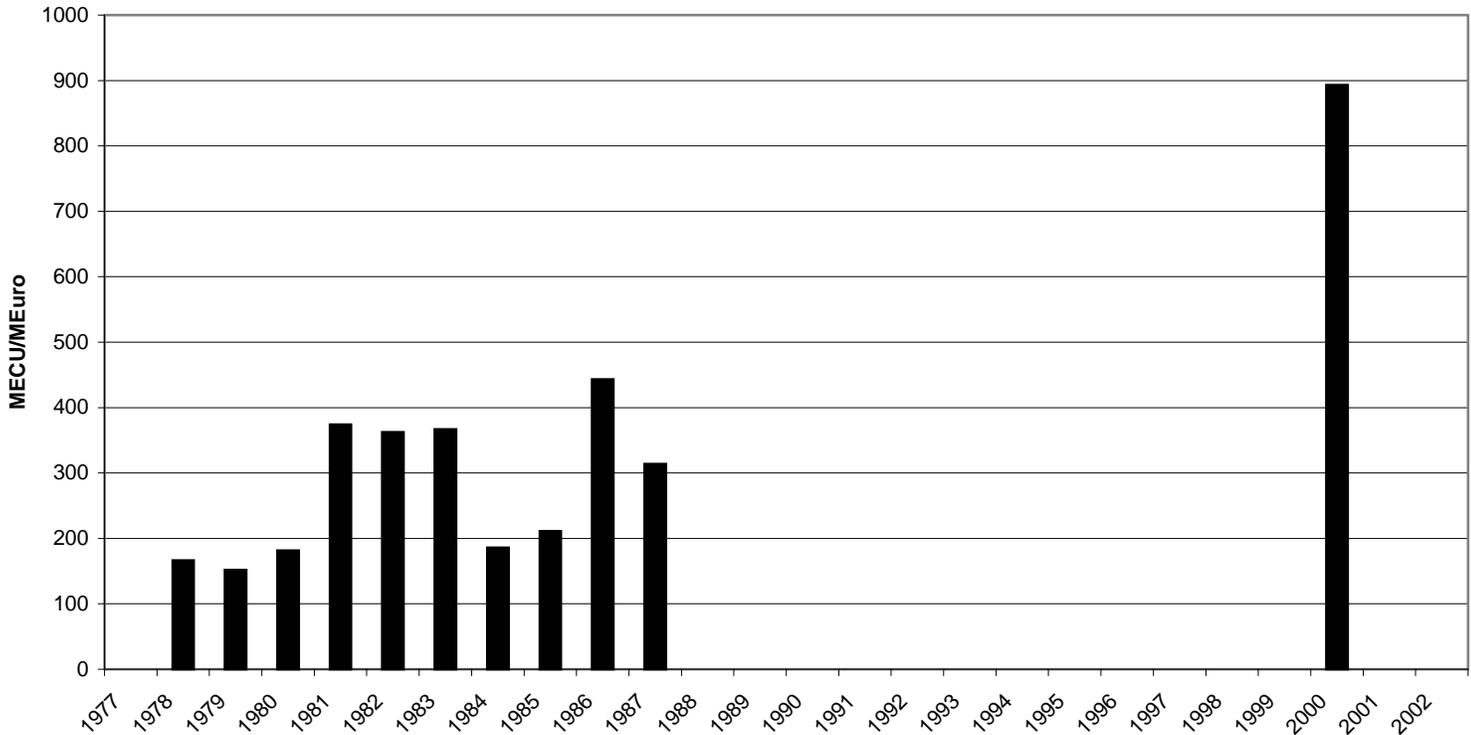
The chart below shows the history of Euratom Loans granted from 1977 to the present day.

---

<sup>2</sup> Council Decision, 77/270/Euratom, Official Journal of the European Communities, No L 88/9, 6th April, 1977.

<sup>3</sup> Council Decision, 90/212 Euratom, Official Journal of the European Communities, No L 112, 3<sup>rd</sup> May 1990.

### History of Euratom Loans 1977-2002



Source: Euratom Annual Reports

### Eastern Europe

In March 1994 the remit of the fund was changed *"to authorise the Commission to contract Euratom borrowings in order to contribute to the financing required for improving the degree of safety and efficiency of nuclear power stations in certain non-member states"*<sup>4</sup> The Council was quite clear for one reason for this change, *"Whereas, following the slowdown in the nuclear energy sector and the changes in nuclear energy policy by some Member States, there will not be a strong demand for the remaining finance from nuclear energy projects in the Community over the next few years"*.

In order to guarantee that EU firms would benefit the Council decision insisted that Euratom could only fund projects where *"a major proportion of the capital goods item or service, which is to be financed"* be provided by a Community enterprise. The criteria for projects eligible for loans were very broad requiring only that the projects had *"received a favourable opinion from the Commission in technical and economic terms"*. Euratom loans cannot be used as the sole source of finance for any project and can only fund a maximum of 50% (which is higher than in Member States where a ceiling of 20% is in place). If

<sup>4</sup> Council Decision, 94/179/Euratom, Official Journal of the European Communities, No L 84/41, 21st March 1994.

European Bank for Reconstruction and Development (EBRD) co-financing is involved the two institutions can only fund up to 70%. Any Euratom loan will require a Government guarantee by the recipient state.

The Commission has to undertake both a technical (safety) and economic review of the projects. The Phare/Tacis Nuclear Safety Expert Group (NSEG) undertakes the Safety analysis. This body is comprised of representatives of Member States. The economic analysis is undertaken by the Commission taking into account a specific recommendation from the European Investment Bank (EIB) on the economic and financial aspects.

The full Cabinet of Commissioners makes the final decision, there is no formal involvement of either Member States or the European Parliament in the decision. Although prior to the Commission's decisions on both the Kozloduy and Khmelnytsky/Rovno (provisional approval) loans the Commission presented material to the relevant Parliamentary Committees in the days preceding the final decision.

The table on the next page summarises the status of the major projects considered or under consideration for a Euratom Loan. Since the rules were changed in 1994 to allow lending outside Member States in only one loan – for Kozloduy 5 and 6 – have funds actually been dispersed. In two other cases - Mochovce and Khmelnytsky 2/Rovno 4 - the applicant countries have effectively withdrawn the projects at the last minute due to the financial conditionalities of the projects – notably the rapid increase in electricity prices required by the financial institutions involved. The Kalinin 3 project is Russia, although still officially under consideration, cannot be considered as active. Therefore the only loan actively under preparation is for a Canadian licensed reactor in Romania at Cernavoda. Due to the lack of construction, this reactor is the only 'western' designed reactor under active construction in continental Europe. If finally approved it will be completed by firms from Canada, France, Italy, the US and Romania, using funding from the Export Credit Agencies (ECAs) from these countries, domestic resources and a Euratom Loan. There are three additional part build reactors on site which the Romania Government hopes to complete.

Table 1: Summary of Projects Considered for Euratom Loans in CEE and CIS

	Date Proposed	Date Finalised	Amount - Million	%	Co-financiers	Current Status
Mochovce 1 and 2 (Slovakia)	1994		DM 363 (C 200)	25	EBRD ECA, France, Germany, Russia, Slovak Sources	Prior to a final decision in the EBRD, the project was withdrawn at the request of the Slovak Government. Project completed without Euratom involvement, in spring 1995
Khmelnitsky2/ Rovno 4 (Ukraine)	July 1995	-	\$585	40	EBRD ECAs from Czech Republic, France, Spain, Switzerland, UK and US, Ukrainian Sources	Prior to final approval in December 2001, the project was withdrawn from the EBRD and subsequently Euratom. Currently the project is suspended.
Kozloduy 5 and 6 (Bulgaria)	August 1995	April 2000	212.5	43	Bulgarian Source US EX-IM Russia Export Credit Agency	Actively Underway
Kalinin 3 (Russia)	December 1995		\$335	50	Unknown	According to the Court of Auditors consideration for the project was slowed down due to the failure of the Russian authorities to supply all the financial information necessary for project evaluation.
Cernavoda 2 (Romania)	2001		375	50	ECAs from Canada, Italy, France and US Romania Sources	The project is still actively under development

## **Inherent Problems of Euratom Loan**

### ***Lack of Definitive Safety Standard and its Implementation***

One of the supposed advantages of Euratom involvement is that it will lead to an increase in nuclear safety standards. However, this is hard to quantify and difficult to enforce as even within the EU there is currently no safety standard to which nuclear reactors receiving funds from Euratom must comply to.

The lack of adequate safety standard has been compounded in the past by rushing through safety approval, prior to the completion of key documentation. The safety requirement is that the projects receive a favourable opinion from the Commission in technical terms. In the case of K2R4 the NSEG gave their technical approval for the completion of K2R4 on the 2<sup>nd</sup> December 1996, based only on partial information. In particular, at the time of the decision no detailed information was available on the status and quality of past construction. In fact the report which analysed this was not completed until 1997, with further analysis undertaken in 1998, 1999 and 2000. Despite this additional data, no subsequent review of the K2R4 project was made by the NSEG.

### ***Inadequate Public Scrutiny***

Unlike International Financial Institutions (IFIs) like the EBRD or World Bank, Euratom loans have no specific public consultation process associated with them. Rather the loan conditions rely on the national procedures or those associated with other co-financiers. This haphazard approach either gives the impression or actually undermines the importance of public scrutiny in the procedure.

Furthermore, and in many ways as important, the decision on whether or not to award a loan to particular project rests solely with the Commission, neither Member States nor the European Parliament play any formal role in the loan decision.

### ***Accusations of Data-Manipulation***

The political pressure to fund these large projects is enormous and undue influence has been shown to have been exerted to enable the projects to meet the lending conditions of the institutions involved. This highlights the need for greater public and political involvement in nuclear projects.

Mochovce: In 1995 the EBRD and Euratom proposed to co-fund the completion of two VVER 440 reactors in Slovakia. During the due diligence process data used to justify the economic case for the project was manipulated. This was revealed by the former head of the project within the EBRD who stated: -

*“The first phase of the independent Least-Cost Study was completed by Putnam Hayes in early August 1994, accepted and paid for by the Bank. This showed that the nuclear and conventional options, namely combined cycle gas, were in the balance.... Unbelievably, the consultants were then instructed to rewrite the Least-Cost*

*Study according to assumptions given by this residual Project Team, resulting in the nuclear option being seen in a more favourable light”<sup>5</sup>.*

**K2R4:** In 2000 the Commission and EBRD gave preliminary approval for the funding of the completion of two VVER 1000 reactors in Ukraine, Khmelnytsky 2 and Rovno 4. Approval was given despite the conclusions of an independent – funded in part by the European Commission – panel of experts that it was not economic. Furthermore, the subsequent economic analysis commissioned to discredit the independent panel contained methodological errors that skewed the final conclusions in favour of the nuclear option. One analysis undertaken by the German Consultancy FITCHNER concluded that there were serious “discrepancies and unresolved questions” in the revised least cost assessment<sup>6</sup>. Following these criticisms a further economic analysis was undertaken, which only compounded the errors noted by FITCHNER, thus invalidating the final economic conclusion on which the EBRD and Euratom based their decisions.<sup>7</sup>

### *Economic Due Diligence Beyond the Experience of EIB*

Under the terms of article establishing Euratom Loans, the EIB is responsible for assessing the projects in economic terms. However, the EIB does not lend outside the EU or Accession countries. The EIB is therefore being asked to advise on the economics of a project, in which it may not have any operational experience. This has already occurred for the completion of K2R4 in Ukraine and could occur in other projects.

Furthermore, the EIB, as it doesn't lend for nuclear project itself doesn't have the necessary experience in dealing with nuclear power construction projects, with their complex engineering and consequential cost over-runs and delays. This is one of the reasons why the World Bank does not finance nuclear power plants. They cite some of the problems of funding nuclear power as<sup>8</sup>:-

- *There is also evidence that the cost figures usually cited by suppliers are substantial underestimated.*
- *Delays of several years (on construction) are not unusual... Each plant represents an investment of US\$1.5-2.0 billion. Failure to complete a plant on time involves added costs of between US\$150 and US\$200 million per year in financial charges*
- *The issue of safety construction and operation of a plant cannot be separated from its economic analysis, and the Bank would need to ensure that the institutional structure exists to support the safety operation of the plant. The Bank is not in a position to advise independently on the safety of nuclear.*
- *Nuclear plants in the power sector would not be economic; they are likely to be large ‘White elephants’.*

### **Technological Bias**

The existence of a loan facility for the development of nuclear power goes against the principals of the free market and actively discriminates other technologies. The consequences of this can especially be seen in Ukraine, where proposals for the funding of the K2R4 reactors have been under development for over seven years, but no funds have been dispersed. The completion of K2R4 was

<sup>5</sup> Financing Nuclear Power in Central Europe, T. Martin Blaiklock, presented at the Changing Politics of International Energy Investments Conference, organised by the Royal Institute for International Affairs, London, UK, 4<sup>th</sup> December 1995

<sup>6</sup> FITCHNER, Critique of the Economic Due Diligence for K2R4, commissioned by Greenpeace International 2000

<sup>7</sup> Financial and Economic Alchemy, November 2000, published by Greenpeace International.

<sup>8</sup> Environmental Assessment Sourcebook, Volume III, Guidelines for Environmental Assessment of Energy and Industry Projects, Environmental Department, WorldBank Technical Paper Number 154, 1991, ISBN: -0253-7494

originally proposed as a replacement of the Chernobyl nuclear power plant as it was said to be the only option available to Ukraine to replace the 2000 MW of the operating reactors at Chernobyl by the 2000 closure date embodied in the 1995 Memorandum of Understanding. However, nearly 2 years after the closure of the reactors the project has still not even been finally approved. Furthermore, over 40 million in grants have been allocated to prepare the project via the TACIS programme and other bilateral assistance programs, funds which could have been used to fund extensive energy efficiency for supply or demand side projects. Furthermore, due to the limited availability of Government credit guarantees, which have been earmarked for K2R4, the development of other state sector loans have not proceeded.

## **Increasing the Loan Ceiling**

At the last increase in the loan ceiling was approved in 1990 it was stated that : -

*When the total value of the transactions effected reaches ECU 3 800 million, the Commission shall inform the Council, which, acting unanimously on a proposal from the Commission, shall decide on the fixing of a new amount as soon as possible<sup>9</sup>.*

Following the preliminary approval by the Commission of the loan for K2R4, the total value of the loans awarded or earmarked reached approximately EUR 3 776 million. This is approaching the reporting level of EUR 3 800 million required by the Council. Furthermore, according to a draft proposal for a decision, obtained by Friends of the Earth Europe in 2001: -

*'There are a number of Euratom loan applications being processed, any of which may possibly exceed the balance of the lending limit (EUR 224 million). Each of these loan applications will be presented individually to the Commission for decision, if appropriate. To ensure that the borrowing ceiling is not a constraint, the Commission considers it prudent to inform the Council before the formal reporting limit is reached and to propose an increase in the limit.'*

In the leaked document referred to above, the Commission states that it is proposing to increase the ceiling by a further 2 billion.

## **Growing Opposition**

Despite the clear requirement for unanimity approval within the Council of Ministers – probably ECOFIN - it is unlikely, due to political pressure – that a smaller EU country will be able to block any proposal from the Commission to increase the loan ceiling. However, there are already clear signs that a number of Member States have at minimum reservations about some uses of Euratom loans. The table below summarises the Parliamentary statements from a number of countries on this issue.

---

<sup>9</sup> COUNCIL DECISION of 23 April 1990 Amending Decision 77/271/Euratom on the implementation of Decision 77/270/Euratom empowering the Commission to issue Euratom loans for the purpose of contributing to the financing of nuclear power stations (90/212/Euratom)

Table 2: Summary of Recent Governmental Statements on the intension by the Commission to extend the Euratom Loan Ceiling.

Austria <sup>10</sup>	Considering the always-critical attitude of the Austrian government against promoting the nuclear energy, it has to be stated that a extension of the EURATOM loan framework is not in the Austrian interest. Therefore I will have a critical attitude, whenever a decision will have to be made within an ECOFIN-meeting
Denmark <sup>11</sup>	The attitude of the government is, that the increase of electricity production at nuclear power plants in Eastern Europe or other European countries should not receive bilateral aid or support through international organisations
Ireland <sup>12</sup>	The Irish Government's policy is to ensure that Euratom's activities in regard to the nuclear industry are directed towards nuclear safety and radiological protection, rather than towards the expansion of the nuclear energy sector
Luxembourg <sup>13</sup>	"The increase in line of credit granted under the auspices of Euratom would only be acceptable to the extent that these credits would be used to increase safety of nuclear reactors in Eastern Countries".

More recently in July 2002 the Austrian Parliament passed a resolution calling upon their Government to oppose any proposals to extend the Euratom Loan facility.

### ***Next Steps***

Since giving its preliminary approval of the K2R4 loan in December 2000 the European Commission have '*close to finalising*' its proposal to raise the loan ceiling. The Commission now state that a decision in its full Cabinet will be made within the next weeks.

If the Commission does ask the Council of Ministers to increase the loan ceiling, then it is highly unlikely that it will gain approval for the following reasons: -

- The increase in the loan ceiling requires the Council to '*act unanimously*' to approve the proposal.
- Already the Austrian Parliament has requested that its Government oppose the proposal.
- A number of other countries have already expressed reservations about the process and the conditions that some of them have placed upon their support of Euratom loans cannot be met. In particular the requirement that Euratom loans do not result in an increase in the nuclear sector (Denmark and Ireland) cannot be met as the only loan under active consideration is for the completion of Cernavoda 2 in Romania and there is no requirement to close a nuclear reactor of similar size.
- There is a growing realisation that Euratom loans are not essential to carry out proposed '*safety upgrades*' in reactors in Eastern Europe. The Mochovce reactors were completed

<sup>10</sup> The reply of the Austrian Minister for Finance (dated 23.5.01), Karl-Heinz Grasser, to the parliamentary questions about EURATOM asked by the Social democratic Party (dated 30.3.01).

<sup>11</sup> Prime Minister Poul Nyrup Rasmussen, June 20, 2001

<sup>12</sup> Written answer to question 147 on Tuesday, 1st May, 2001

<sup>13</sup> Response of Minister of Finance and Minister of Environment to the Parliamentary Question number 1123 of 26<sup>th</sup> April 2001 by the Honorable deputy Camille Gira, concerning the capacities of Euratom.

without Euratom funding and according to the IAEA to acceptable standards, by firms from Member States using funding their Governments ECAs. Furthermore, in the only project to receiving Euratom funding – Kozloduy 5 and 6 – the French and German ECAs had proposed to co-fund the project, but their financial assistance was not needed and in many ways were replaced by Euratom. Therefore the project could have probably proceeded without Euratom funding and if Western European companies wish to undertaken projects in CEE or CIS, then this should be funded by the ECAs of their Governments.

- This issue of Euratom Loans is already regarded by NGOs an important issue to win and many national and international organisation will focus their resources to stop the increase in the ceiling as it symbolises the pro-nuclear bias within parts of the EU institutions.

## **Euratom Reform**

Euratom needs to be reformed, as it is anachronistic to believe that nuclear power is essential for the functioning and well being of the EU. A launch of the larger reform of Euratom should begin now for three main reasons: -

- 1) The EU is currently reviewing its Treaties and bodies through the Convention, which is designed to streamline the institutions and develop greater public involvement and trust in the EU institutions. The exclusion of a review of the role of Euratom from the Convention would miss a key opportunity to increase the accountability of all parts of the EU institutions.
- 2) The EU is developing a single electricity market. Part of this process must be developing a level playing field for electricity generators. This market must not be established to create *'the conditions necessary for the speedy establishment and growth of nuclear industries'* as required by Article 1 of the Euratom Treaty.
- 3) The proposal by the Commission to develop EU nuclear safety standards increases the contradiction in Euratom, in that the body should not both promote and effectively regulate the technology.

Time will tell whether or not a more general overhaul of Euratom take place, many believe that this is unlikely as it will require the unanimous support of Member States to occur, and those States that are more pro-nuclear do not wish to see it reformed. However, on the much shorter term Euratom loans will both test the resolve of the European Commission and Member States. The European Commission still has the opportunity to accept that the roles given to Euratom decades ago are now outdated and they can make a proposal to abandon the Loan facility. If this were not to occur, then Member States must send a clear message that Euratom reform must begin, either piece by piece, as decision arise, and/or in a more planned and almost certainly coherent way through a general reform of Euratom. The way to begin this is to block the extension of the Euratom Loan facility.

## **Annex**

### **A) Council Decision of 29 March 1977**

#### **empowering the Commission to issue Euratom loans for the purpose of contributing to the financing of nuclear power stations**

(77/270/Euratom)

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Atomic Energy Community, and in particular Articles 2, 172 and 203 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament <sup>(1)</sup>,

Having regard to the opinion of the Economic and Social Committee <sup>(2)</sup>,

Whereas the use of nuclear energy can reduce the Community's excessive dependence on external sources of energy and thus improve the terms on which energy is imported;

Whereas, under present technical and economic conditions, the use of nuclear energy for the production of electricity is economically advantageous and more satisfactory than the use of petroleum products;

Whereas the additional investment required for nuclear plant by comparison with conventional plant, combined with the costs arising out of the increase in the price of petroleum products which affect the operating costs of existing conventional power stations, means that electricity producers are being forced to borrow more;

Whereas Article 2 (c) of the Treaty gives the Community the task of facilitating investment and ensuring, particularly by encouraging ventures on the part of undertakings, the establishment of the basic installations necessary for the development of nuclear energy in the Community ; whereas, if a contribution is to be made to the financing of nuclear power stations, arrangements must be made for borrowing and lending ; whereas such action appears to be necessary if the objective set out in Article 2 (c) of the Treaty is to be attained, although the Treaty does not provide for the powers necessary for that purpose;

Whereas in view of the large amount of capital required the financing potential should be increased; whereas it appears that the Community can provide a substantial amount of aid in this field;

---

<sup>(1)</sup> OJ No C 157, 14.7.1975, p. 35.

<sup>(2)</sup> OJ No C 248, 29.10.1975, p. 8.

Whereas the Community has a duty to employ all the means at its disposal to facilitate the attainment of the aims adopted under the new common energy policy strategy,

HAS DECIDED AS FOLLOWS:

Article 1

The Commission is hereby empowered to issue loans, on behalf of the European Atomic Energy Community (Euratom) and within amounts fixed by the Council, the proceeds of which will be lent for the purpose of financing investment projects relating to the industrial production of electricity in nuclear power stations and to industrial fuel cycle installations.

The Commission shall borrow no more than the amounts of the loans for which it has received applications.

Borrowing transactions and the lending transactions related thereto shall be expressed in the same currency and carried out on the same terms as regards the repayment of principal and the payment of interest. The costs incurred by the Community in concluding and carrying out each transaction shall be borne by the beneficiary undertakings concerned.

Article 2

The terms of loans to be issued shall be negotiated by the Commission in the best interests of the Community having regard to the conditions on capital markets and in accordance with the constraints imposed by the duration of the loans to be granted.

Article 3

The Commission shall decide on the grant of each loan. Its decisions shall be based in particular on the principle that preference will be given to the use of resources under the most profitable conditions in installations of optimum size.

Loans shall be guaranteed in the manner customary in banking practice.

Article 4

The Commission shall inform the Council and the European Parliament at regular intervals of the revenue and expenditure transactions arising out of the contracting and servicing of Euratom loans issued and granted. Each year it shall submit a review of its borrowing policy together with the budget estimates.

Article 5

Financial control and auditing shall be carried out in accordance with the Financial Regulation of 25 April 1973 applicable to the general budget of the European Communities (OJ No L 116, 1.5.1973, p. 1.)

Done at Brussels, 29 March 1977.

*For the Council*  
*The President*  
T. BENN

**B) Council Decision of 23 April 1990**

**amending Decision 77/271/Euratom on the implementation of Decision 77/270/Euratom empowering the Commission to issue Euratom loans for the purpose of contributing to the financing of nuclear power stations**

(90/212/Euratom)

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Atomic Energy Community,

Having regard to Council Decision 77/270/Euratom of 29 March 1977 empowering the Commission to issue Euratom loans for the purpose of contributing to the financing of nuclear power stations <sup>(1)</sup>, and in particular Article 1 thereof,

Having regard to the proposal from the Commission,

Whereas the total value of transactions effected has reached the figure of ECU 2 800 million, provided for in Decision 77/271/Euratom<sup>(2)</sup>, as last amended by Decision 85/537/Euratom <sup>(3)</sup>;

Whereas nuclear energy accounts for a major part of the Community's total energy supplies and considerable investment ought to be made in this sector both at the production stage, in view of the safety and security requirements, and downstream of production, particularly with regard to the reprocessing and storage of waste;

Whereas experience indicated that it is desirable to raise, by ECU 1 000 million, the total amount of borrowings which the Commission is empowered to contract on behalf of the European Atomic Energy Community;

Whereas Decision 77/271 should therefore be amended,

HAS DECIDED AS FOLLOWS:

*Sole Article*

The Sole Article of Decision 77/271/Euratom shall be replaced by the following:

---

<sup>(1)</sup> OJ No L 88, 6. 4. 1977, p. 9.

<sup>(2)</sup> OJ No L 88, 6. 4. 1977, p. 11.

<sup>(3)</sup> OJ No L 334, 12. 12. 1985, p. 23.

'Sole Article

Loans as provided for in Article 1 of Decision 77/270/Euratom may be contracted for amounts the total principal of which shall not exceed the equivalent of ECU 4 000 million.

When the total value of the transactions effected reaches ECU 3 800 million, the Commission shall inform the Council, which, acting unanimously on a proposal from the Commission, shall decide on the fixing of a new amount as soon as possible.'

Done at Luxembourg, 23 April 1990.

*For the Council*  
*The President*  
A. REYNOLDS

### **C) Council Decision of 21 March 1994**

**amending Decision 77/270/Euratom, to authorize the Commission to contract Euratom borrowings in order to contribute to the financing required for improving the degree of safety and efficiency of nuclear power stations in certain non-member countries**

(94/179/Euratom)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Atomic Energy Community, and in particular Articles 1, 2, 172 and 203 thereof,

Having regard to the proposal from the Commission <sup>14</sup>,

Having regard to the opinion of the European Parliament <sup>15</sup>,

Whereas the European Atomic Energy Community was created to establish the conditions of safety necessary to eliminate hazards to the life and health of the public; whereas the Member States have expressed the desire to associate other countries with their work and to co-operate with the international organizations concerned with the peaceful development of atomic energy;

Whereas the Community and its Member States have decided to make a concerted effort at G-24 level to support the process of reform undertaken by the countries of central and eastern Europe and of the Commonwealth of Independent States (CIS) and have decided on measures to give economic aid to these countries; whereas it is appropriate, in order to make this concerted effort more effective, to call for the co-operation of other international bodies, committed to this goal, thus preventing the necessary manpower and resources from being dissipated;

Whereas, in respect of improvements to nuclear safety in central and Eastern Europe and the CIS, there is a need for a coherent strategy taking a long-term approach and taking into account the technological factors, safety 'culture' and practices and the overall energy balance of each country involved;

Whereas some of these countries have nuclear installations whose level of safety is inadequate and whose functioning could have repercussions on the entire continent; whereas these countries are committed to the continued use of nuclear energy;

---

<sup>14</sup> OJ No C 22, 26. 1. 1993, p. 11.

<sup>15</sup> OJ No C 44, 14. 2. 1994.

Whereas nuclear safety has to be seen as part of the problem of overall energy options in central and eastern Europe and the CIS, and having regard in this context to the report drawn up jointly in June 1993 by the World Bank, the International Energy Agency (IEA) and the European Bank for Reconstruction and Development;

Whereas it is appropriate to insist that all countries having nuclear power stations be required to ratify the international conventions on civil liability or, on a transitional basis, to adopt binding measures of equivalent force;

Whereas the Community is duty bound to commit the requisite resources to enable it to meet the expectations of the public in the Member States in terms of the safety and quality of the environment; whereas, in particular, action must be taken in some central and eastern European countries and some of the CIS States to modify certain existing nuclear installations or, if need be, to dismantle others which it would not be feasible in technical or economic terms to bring up to standards;

Whereas projects undertaken by the Community under the Phare and Tacis programmes to improve the level of safety of the nuclear installations comprise *inter alia* studies to identify areas of weakness and to put forward appropriate corrective measures; whereas the technical assistance will result in proposals for programmes to modify some of the nuclear installations in service or under construction and to shut down and dismantle others; whereas it is in the Community's interest that this work be carried out;

Whereas the investment required to bring up to standard the nuclear installations in some central and eastern European countries and some of the CIS States is on such a scale that these countries are unable to undertake it although the problems require urgent solutions;

Whereas a substantial proportion of available financial resources should be called up; whereas, to this end, Decision 77/270/Euratom<sup>16</sup>, which authorizes the Commission to contract Euratom borrowings to finance investment in the nuclear energy sector should be amended, in order to extend the scope of the Decision to cover some countries involved in the Phare programme and some members of the CIS so that the safety and efficiency of their nuclear power stations can be improved and protection of man and the environment be thereby improved;

Whereas Decision 77/271/Euratom<sup>17</sup> fixed the ceiling for Euratom borrowings at ECU 4 000 million and whereas at 31 December 1991 ECU 2 876 million of this limit had been taken up; whereas, following the slowdown in the nuclear energy sector and the changes in nuclear energy policy by some Member States, there will not be a strong demand for the remaining finance from nuclear energy projects in the Community over the next few years;

---

<sup>16</sup> OJ No L 88, 6. 4. 1977, p. 9.

<sup>17</sup> OJ No L 88, 6. 4. 1977, p. 11. Decision as last amended by Decision 90/212/Euratom (OJ No L 112, 3. 5. 190, p. 26).

Whereas the recipient countries will act as guarantors for the loans granted under this Decision and whereas, whenever it is appropriate, other first class securities will also be envisaged;

Whereas the question of providing finance for safety is inseparable from a coherent energy options strategy;

Whereas short-term measures must be supplemented by medium- and long-term loans in accordance with a coherent strategy providing for, in particular, the replacement and dismantling of the least reliable nuclear power stations,

HAS DECIDED AS FOLLOWS:

*Sole Article*

Article 1 of Decision 77/270/Euratom shall be replaced by the following:

*'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 finance projects to increase the safety and efficiency of the nuclear power stations of the non-member countries listed in the Annex. For these projects to be eligible they must:

- relate to nuclear power stations or installations in the nuclear fuel cycle which are in service, or under construction, 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 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.'

Done at Brussels, 21 March 1994.

*For the Council*  
*The President*  
Y. PAPANTONIOU

*ANNEX*

**List of eligible non-member countries**

- Republic of Bulgaria
- Republic of Hungary
- Republic of Lithuania
- Romania
- Republic of Slovenia
- Czech Republic
- Slovak Republic
- Russian Federation
- Republic of Armenia
- Ukraine

**D) Draft of Loan Extension Document – 2001**

COMMISSION OF THE European COMMUNITIES

Brussels, xxx final COM  
(2001) yyY

Proposal for a

COUNCIL DECISION'

amending Decision 77/271/Euratom on the implementation of Decision 77/270/Euratom  
empowering the Commission to issue Euratom loans for the purpose of contributing to

## EXPLANATORY MEMORANDUM

## 1. LEGAL FOUNDATION OF EURATOM LENDING

**The Euratom lending instrument was established by Council Decision 77/270/Euratom of 29**

March 1977 empowering the Commission to approve Euratom loans for the purpose of contributing to the financing of nuclear power stations.

The ceiling for borrowing was originally fixed by Council Decision 77/271/Euratom of 29 March 1977 on the implementation of Decision 77/270/Euratom.

"Sole Article:

Loans as provided for in Article 1 of Decision 77/270/Euratom may be contracted for amounts the total of which shall not exceed 500 million European units of account; the European unit of account is defined in Decision 75/250/EEC.

When the total value of the transactions effected reaches 300 million European units of account, the Commission shall inform the Council which, acting unanimously, shall decide on the fixing of a new amount as soon as possible."

The ceiling was raised by various amendments of Council Decision 77/271/Euratom, the latest of which (Council Decision 90/212/Euratom of 23 April 1990) increased it by 1 000 ECU to 4 000 million ECU (with reporting when 3 800 million ECU was reached).

The scope of the Euratom lending instrument was extended by Council Decision 9-1 179/Euratom of 21 March 1991 amending<sup>^</sup> Decision 77/270/Euratom, to authorise the Commission to contract Euratom borrowings in order to contribute to the financing required for improving the degree of safety and efficiency of nuclear power stations in certain nonmember countries.

In particular, the Commission was

"empowered to contract, within the same limits, borrowings, the proceeds of which will be allocated in the form of loans to finance projects to increase the safety and efficiency of the nuclear power stations of the non-member countries listed in the Annex. For these projects to be eligible they must:

- relate to nuclear power stations or installations in the nuclear fuel cycle which are in service, or under construction, or to the dismantling of installations where modification cannot be justified in technical or economic terms,
- have received all the necessary authorisation at national level and in particular the approval of the safety authorities,
- have received a favourable opinion from the Commission 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."**

The list of eligible non-member countries defined by the Annex to the above Decision was as follows:

- Republic of Bulgaria - Republic of Hungary - Republic of Lithuania - Romania - Republic of Slovenia - Czech Republic - Slovak Republic - Russian Federation - Republic of Armenia - Ukraine

**2. BORROWING AND LENDING CEILING**

The current borrowing ceiling is fixed at EUR 4 000 million. Of this amount, EUR 2 876 million has been used for borrowings related to loans granted to Member State beneficiaries. Loan approvals for certain non-member countries now amount to approximately EUR 900 million (EUR 212.5 million + EUR equivalent of USD 585 million). The total thus used and reserved is approximately EUR 3 776 million. This is approaching the reporting level of EUR 3 800 million required by the Council. There are a number of Euratom loan applications being processed, any of which may possibly exceed the balance of the lending limit (EUR 224 million). Each of these loan applications will be presented individually to the Commission for decision, if appropriate. To ensure that the borrowing ceiling is not a constraint, the Commission considers it prudent to inform the Council before the formal reporting limit is reached and to propose an increase in the limit.

**3. JUSTIFICATION FOR RAISING THE LENDING CEILING**

With the extension of the scope of Euratom lending to certain non member states in 1994, the Commission has a powerful financial tool that can be used to influence the nuclear safety beyond the Union borders in the east. The two recent decisions to grant loans for projects in Bulgaria and the Ukraine demonstrate that the instrument can be used as a support for Commission policy in the field. In both of the cases decided, commitments relating to the safety of older units have been agreed with the respective countries. With the loans being tied in to earlier closure of old units, there has been a marked improvement in the evaluation of risks associated with operating plants that are of older design. Further, our involvement in these projects ensures that they will be completed in line with western safety requirements and facilitate similar actions in the future.

Nuclear safety is an issue being more and more addressed throughout Europe and we expect the Euratom lending instrument to be of increasing interest to plant operators. Given that the instrument can also be applied to help finance the decommissioning of power plants, we expect the financing offered by Euratom to provide a positive contribution to the nuclear

Exchange rate was USD 0.85 for EUR 1 on 25.11.2000, i.e. USD 585m equals EUR 688m

safety culture. The Commission is **actively encouraging candidate countries** to consider decommissioning their older (and riskier) nuclear units, an action that requires resources far in excess of the funding available through Community grants.

4. CONCLUSION

The proposal is to raise the ceiling from EUR 4 000 million to EUR 6 000 million with an obligation on the Commission to report to the Council when the lending limit reaches EUR 5 500 million. These new limits would ensure that Euratom loan applications in the pipeline could continue to be examined and proposed for decision of the Commission if and when ready.

The Council is asked to agree to the attached proposal.



for a

COUNCIL- DECISION

amending Decision 77/271/Euratom on the implementation of Decision 77/270/Euratom  
empowering the Commission to issue Euroatom Implementation for the purpose of contributing to

the financing

**Euratom loans** of nuclear power stations

THE COUNCIL OF THE EUROPEAN UNION

Having regard to the Treaty establishing the European Atomic Energy Community,

Having regard to Council Decision 77/270/Euroatom of 29 March 1977<sup>1</sup> empowering the Commission to approve Euratom loans for the purpose of contributing to the financing of nuclear power stations, and in particular Article 1 thereof,

Having regard to Council Decision 77/271/Euratom on the implementation of Decision 77/270/Euratom, empowering the Commission to issue Euratom loans for the purpose of contributing to the financing of nuclear power stations, as last amended by Council Decision 90/212/Euratom of 23 April 1990<sup>2</sup>,

Having regard to the proposal from the Commission<sup>3</sup>

Whereas:

- (1) The total value of transactions approved is approaching the figure of EUR 3 800 million, provided for in Decision 77/271/Euratom<sup>4</sup>, as last amended by Decision 90/212/Euratom.
- (2) By Decision 94/179/Euratom<sup>5</sup>, the Council decided to extend the scope of the Euratom lending instrument to certain countries of central and eastern Europe and of the Commonwealth of Independent States and considers that such an instrument is still relevant.
- (3) Experience has shown that it is desirable to raise, by EUR 2 000 million, the total amount of borrowings which the Commission is empowered to contract on behalf of the European Atomic Energy Community.

Decision 77/271/Euratom should therefore be amended,

<sup>1</sup> OJ L 8S, 06.04.1977, p. 9

<sup>2</sup> OJ L 113, 03.05.1990, p. 26

<sup>3</sup> OJ L 8S, 06.01.1977, p. 11

<sup>5</sup> OJ L 84, 29.03.1994, p. 41

HAS ADOPTED THIS DECISION:

*Sole Article*

**The Sole Article of Decision 77/271/Euratom shall be replaced by the following:**

'Sole Article

Loans as provided for in Article 1 of Decision 77/270/Euratom may be contracted for amounts the total principal of which shall not exceed the equivalent of EUR 6 000 million.

When the total value of the transactions effected reaches EUR 5 500 million, the Commission shall inform the Council, which, acting unanimously on a proposal from the Commission, shall decide on the fixing of a new amount as soon as possible.'

Done at Brussels, [...]