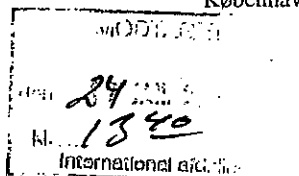


EU 532

GREENPEACE

Europaudvalget  
(Alm. del - bilag 532)  
økonomi- og finansministerråd  
(Offentligt)

København d. 24. januar 2003



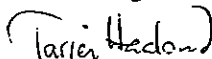
Til medlemmerne af  
Folketingets Europaudvalg og  
Folketingets miljø- og planlægningsudvalg

Vedrørende EU Kommissionens forslag om at hæve Euroatoms låneramme fra 4 til 6 mia. ecu.

I forlængelse af Finansministeriets besvarelse af 15. januar 2003 af spørgsmål 30, 31, 32 og 33 (Alm. Del – bilag 394) af 16. december 2002 fremsendes til udvalgsmedlemmernes orientering:

- "Reaktor af Tjernobył-type kan få EU-penge", "Information", 24. januar 2003.
- EU-Kommissionens såkaldte "non-paper" fra januar 2003 ("*Response of questions raised in the Meeting of Financial Counsellors of Permanent Representations of 10 December 2002*").
- Briefing paper herom ("*Further Information on the Non-Paper by Cion, January 2003, in Response to questions raised in the Meeting of Financial Counsellors of Permanent Representations of 10 December 2002*") udarbejdet af Antony Froggatt, EU Enlargement Watch.

Med venlig hilsen

  
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## Non-Paper

### Responses to questions raised in the Meeting of Financial Counsellors of Permanent Representations of 10 December 2002

#### **Euratom Loans in Member States**

See data in annex. This clearly shows the two periods of Euratom activity: (a) for Member States from 1977 to 1987 and (b) for non-member states from 1994 on. All loans in Member States were repaid by 2000.

#### **Potential Borrowers**

##### *In the pipeline*

- Continuation of disbursement of the loan for Kozloduy NPP 5&6 in Bulgaria.
- Potential disbursement of loan for K2R4 in Ukraine, already agreed (conditionally) by the Commission
- A potential loan for Cernavoda NPP 2 in Romania, if approved by the Commission

##### *For decommissioning projects*

- There are 8 nuclear power units in 3 candidate countries that give rise to safety concerns and for which the Commission has negotiated early closure:
  - Kozloduy 1-4 in Bulgaria,
  - Ignalina 1-2 in Lithuania and
  - Bohunice 1-2 in Slovakia.
- Euratom loans could be used to complement the grants already in place or envisaged.

##### *For completion projects*

- There are 6 units on 4 existing sites in Russia where construction is not progressing as planned due to a shortage of finance:
  - Kalinin NPP 3&4,
  - Balokovo NPP 5&6,
  - Kursk NPP 5 and
  - Rostov NPP 2.
- Discussions are ongoing with the Russians to explore the possibilities of providing Euratom loans.

##### *For safety upgrade projects*

- There are 14 units currently in operation in Ukraine where safety and efficiency upgrades could be required and therefore they are potential candidates for Euratom financing. The modernisation of these units is foreseen in the framework of conditions associated to the K2R4 Project.

### Potential Lenders

Euratom can only finance up to 50% of the investments, and therefore requires involvement of complementary financial sources, such as:

- In Member States: internal cash flow of the operator, financial market, banks, EIB, etc.
- In non-member states: the state concerned, EBRD<sup>1</sup>, internal cash-flow of the operator, financial market, banks, export credit agencies, etc

Note that Euratom is the only international financial institute providing "unrestricted" (see EBRD footnote) long-term funds for nuclear projects.

PHARE and TACIS provide grants and assistance, not loans.

### EU Budget and Guarantee Fund for External Action

Neither the raising of the Euratom borrowing ceiling nor the alignment of the scope of eligibility of projects for Euratom financing has an impact on the **EU budget**. This is because the loans are not disbursed from budgetary funds but are funded on the financial market. There is no subsidy from the Commission or Euratom associated to Euratom loans either.

Council Decision 2728/94 of 31.10.1994 establishing the Guarantee Fund for External Action defines different provisioning procedures for macro-financial assistance loans, Euratom loans to non-member states and loans provided by the EIB under the guarantee of the EC. The purpose of the Guarantee Fund is to avoid a financial shock on the EC budget in the event that a (significant) loan is not repaid in time. (NB. Euratom loans to non-member states require a Guarantee from the state concerned.) In the event of default, the EC budget would have to repay, timely, the back-to-back funding (the borrowing) that financed the loan. By correctly servicing the borrowings, the EC and Euratom ensure that their excellent public rating levels are preserved (AAA from Standard and Poor's and Aaa from Moody's).

The approval by the Council of the two Proposals for Decision would not have an impact on the **Guarantee Fund**. For Euratom loans, the provisioning from the budget normally occurs when Euratom loan contracts with non-member states are signed (after the Commission has given approval for a specific loan). At the beginning of each calendar year, provisioning is made for the amounts of Euratom loans for which signatures are expected. (A correcting provisioning or de-provisioning at the end of that year would handle any change in the loan amount.) Such a provision is made independently of the pattern of disbursement.

Adjustments will be made to the provisions depending on the evolution of the projects in the pipeline.

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<sup>1</sup> It should however be mentioned that EBRD policy for nuclear lending is restricted to projects linked to the closure of nuclear plants, which significantly reduces the scope for eligibility.

Further provisions would be made as new loan applications are received (taking into account that the examination phase of a project leading to Commission approval takes normally more than one year from receipt of an application).

#### **Fuel and Material Testing Reactors**

As safety and efficiency of nuclear power plants are major criteria for the eligibility of projects for Euratom loans, it is considered logical that "Fuel and Material Testing Reactors" should also be eligible. These reactors are irradiation tools that are essential to test any new material or fuel that may be used in a nuclear plant and to ensure safety, reliability and a contribution to efficiency.

They have been identified in Sweden, the Czech Republic, Hungary and Russia. All these reactors have been built in the late 50s or early 60s. They will all be subject to safety improvements. Some of them have been refurbished, but their life term is now limited. Therefore several FMTR will be decommissioned in the coming years. Their decommissioning is very similar to that of nuclear power plants. Further, new irradiation capabilities, which would lead to new FMTR, are likely to appear in the next few years.

Summary of Euratom Loans 1977-2002

Year	Numbers of Loans										Amounts approved (€) (*)								
	Member States (Decision 1977)					Non Member States (decision 1994)					Total	Belgium	Germany	France	Italy	UK	Bulgaria	Ukraine	Total
	Belgium	Germany	France	Italy	UK	Bulgaria	Ukraine	Total											
1977																		97.83	
1978			2	1														100.12	
1979			6	1														157.90	
1980			5	1														254.35	
1981			5	1														326.72	
1982			8	1														378.01	
1983			6	2	2													392.06	
1984			3															182.38	
1985			2	2														204.63	
1986			3	1	1													414.73	
1987			1	2	1													364.30	
1988																		0.00	
1989																		0.00	
1990																		0.00	
1991																		0.00	
1992																		0.00	
1993																		0.00	
1994																		0.00	
1995																		0.00	
1996																		0.00	
1997																		0.00	
1998																		0.00	
1999																		0.00	
2000																		212.50	
2001																		688.24	
2002																		0.00	
TOTAL	27	9	39	11	4	1	1	1	1	92	584.41	362.40	1141.91	532.91	251.39	212.50	688.24	3773.75	



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### Further Information on the

#### **Non-Paper by Cion, January 2003, in Response to questions raised in the Meeting of Financial Counsellors of Permanent Representations of 10 December 2002**

##### Summary

The Cion paper distributed to Member States lets slip the real objective for Euratom, the expansion of nuclear power in Eastern Europe. Previously, the Commission has stated that Euratom loans are to be used to increase the safety of reactors to Western standards and only used in Russia when agreements on the closure of other older reactors have been reached. However, this document shows that these stated objectives are not real and it is even suggested that Euratom loans should be used to complete an RBMK reactor in Russia –the same design as that deployed at Chernobyl. This totally destroys the credibility of the European Commission and the Euratom agencies when they say that they treat nuclear safety as a priority. What is now crystal clear is that commercial and political interests take precedence over environmental and public security.

Furthermore, this document highlights and confirms the procedural errors that the Commission have made in presenting the proposal to extend the Euratom ceiling to the Council. This document states that the loan for the Khmelnytsky 2 and Rovno 4 reactors in Ukraine, has not proceeded and only a conditional approval has been made. Therefore the categorisation of the K2R4 potential loans as a transaction is incorrect and thus the activation level for the Commission submitting the proposal to the Council has not been reached. Therefore the proposal must be rejected by the Council.

This 'non-paper' highlights the serious problems that Euratom raises. While Member States are actively pursuing policies to reduce nuclear risk in CEE and CIS, Euratom officials are secretly negotiating to build more reactors of a design which are deemed as unacceptably dangerous by the international community. If the proposal to increase the loan ceiling is approved, then there is nothing that Member States or the European Parliament can do to stop Euratom loans being awarded as are currently proposed. The decision by the Council is the only opportunity to stop such developments.

<sup>1</sup> Antony Froggatt is a freelance researcher. The work on Euratom reform is made possible by the financial assistance of the Grassroots Foundation in Germany and the Überparteiliche Plattform gegen Atomgefahren (PLAGE) in Salzburg, Austria

The outrageous proposals put forward in the non-paper add weight to the calls for the abolishment of Euratom. The agency is clearly out of control and developing its own agenda to help expand nuclear power in the CIS at any price.

#### A) Activation level

In November 2002, the European Commission approved a proposal for the European Council to extend the Euratom Loan ceiling by a further €2billion. The proposed decision is based on the Council decision of 1990 which states that.

*'When the total value of the transactions effected reaches EU 3800 million, the Commission shall inform the Council?'*..

The proposal for a Council decision, published by the Commission on the 6<sup>th</sup> November states<sup>2</sup>: -

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

However, the total value of transactions affected by Euratom Loans is actually, EUR 3085.5 million. The Commission includes within its analysis, approximately \$585 million (EUR 688 million) which has been earmarked or 'allocated' for the completion of Khmelnitsky 2 and Rovno 4 (K2R4). In December 2000 only preliminary approval was given for a Euratom Loan for the K2R4 project in Ukraine by the major funders, Euratom and the European Bank for Reconstruction and Development (EBRD). Within 12 months, a final decision was supposed to be taken. However, in November 2001, just prior to the final decision in the EBRD the project was suspended at the request of the Ukrainian Government and therefore no final decision by the European Commission. Since then no final decision has been taken and although the project remains officially under preparation there is little or no indication that it will proceed. However, should the Ukrainian authorities ever re-submit the project it will require re-evaluation. This situation is confirmed by the Cion document which states that K2R4 is a project in the pipeline and that this is only a potential project by stating:-

*'Potential disbursement of loan for K2R4 in Ukraine, already agreed (conditionally) by the Commission'*

**Consequently, the K2R4 project is not a transaction and thus any funds allocated for a future loan on K2R4 cannot be included in the totals put forward. In the light of this the timing of the Commission's proposal is procedurally incorrect and thus must be withdrawn, until additional loans agreements have actually been signed.**

<sup>2</sup> Council Decision, 23<sup>rd</sup> 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. Official Journal of the European Commission, L112/26

<sup>3</sup> Proposal for 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 the financing of nuclear power stations, Com(2002) 457 final, 6<sup>th</sup> November 2002

## B) Completion Projects

The document states that there are six reactors at four sites in Russia that are part built and that discussions are taking place with the Russian authorities to assess the possibility of granting Euratom loans to enable them to be completed. The table below gives more information about the reactors mentioned in the document.

Reactor	Design	Start Date of Construction
Kalinin 3	VVER 1000-320	1985
Kalinin 4	VVER 1000-320	1986
Balokovo 5	VVER 1000-320	1987
Balokovo 6	VVER 1000-320	1988
Kursk 5	RBMK	1985
Rostov 2	VVER 440-213	1980

Source: *International Atomic Energy Agency/Nuclear Engineering International Handbook*

As can be seen the Commission is negotiating with the Russian authorities to fund the completion of an RBMK design of reactor. This is the same design as at the Chernobyl nuclear power plant in Ukraine. Over the last decade the Commission has been leading efforts to secure the early closure of the remaining operating reactors at Chernobyl and the RBMK reactors at the Ignalina nuclear power plant in Lithuania. In the case of Ignalina as part of the accession partnership agreements unit 1 must be closed in 2005 and unit 2 in 2009, as the Commission have stated on numerous occasions that these reactors are 'non-upgradable'. This means that minor design and operation changes will not offset the fundamental safety problems of the reactor design.

What is more remarkable is that the Commission have declared in their 2000 Communication on nuclear safety in Eastern Europe that the purpose of Euratom loans is 'for significant safety upgrading investments as well as for the completion of reactors up to Western safety levels<sup>4</sup>'. It is clear that RBMKs cannot meet Western standards and given that they are deemed 'non-upgradable' significant safety improvements cannot be made.

Therefore in Lithuania and Ukraine the RBMK reactors are rightly considered as non-upgradable and considerable international financial assistance has been made available to assist their closure. However, behind the scenes the Commission have been negotiating to complete a similar reactor design in Russia using a Euratom loan. Such a position is clearly unjustifiable and undermines the efforts of the international community to increase safety in Central and Eastern Europe. Given the decision on specific projects is undertaken solely by the Commission, the only way to ensure that such projects do not receive Euratom loans is for the increase in the loan ceiling to be rejected by the Council.

<sup>4</sup> Communication From The Commission To The Council And The European Parliament Commission Support To Nuclear Safety In The Newly Independent States And Central And Eastern Europe Commission Of The European Communities Brussels, 6.9.2000 COM(2000) 493 final, page 10

### C) Decommissioning

The document states that Euratom loans might be used to financially assist with the decommissioning of reactors, especially those scheduled for closure as part of the accession agreements.

1) Decommissioning programmes for these countries – Bulgaria, Lithuania and Slovakia – have already been launched. 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 their decommissioning funds are shown 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. 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.

**EBRD Administered International Decommissioning Funds**

Country	Reactors	Decommissioning Fund – March 2002	Current Commission contribution –to March 2002	Additional Commission Commitment - 2006
Bulgaria	Kozloduy 1-4	€96 million	€85 million	€105 million
Lithuania	Ignalina 1 and 2	€145 million,	€115 million	€260 million
Slovakia	Bohunice-V-1	€116 million	€110 million	€40 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 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 involve 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 must therefore be proposed to fund stage three decommissioning, but this will not occur for at least 50 years after closure of the facility. This will therefore exclude the use of Euratom Loans for decades.

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

#### D) Loan Conditionalities

The document states that 'Euratom is the only international financial institute providing "unrestricted" long-term funds for nuclear projects'. The non-paper further explains, in a footnote that the 'EBRD policy for nuclear lending is restricted to projects linked to the closure of nuclear plants, which significantly reduces the scope for eligibility'. However, the document fails to mention that the European Commission also has stated similar conditionalities for Euratom loans.

*'Euratom loan financing for the completion and safety upgrading of the Kalinin 3 reactor (VVER-1000 type). This should be linked to the phasing out of at least one of the first generation VVER 440-230 reactors'<sup>5</sup>.*

This was further repeated in a Commission strategy paper in 2002 which stated<sup>6</sup>:

*'In its communication of September 2000, the Commission has indicated that the possibility of helping Russia replace first generation reactors by completing reactors of modern design which are under construction should be considered'.*

#### E) Cernavoda 2<sup>7</sup>

The only loan under active development for a Euratom Loan is for the completion of a Canadian designed and built reactor in Romania – Cernavoda 2-. If completed it will be a Western reactor design which is built to Canadian Government safety standards using Canadian and Italian companies. There is no indication that the involvement of Euratom in the funding of the reactor will have any impact on the final safety standard of the reactor. The proposal therefore breaks Commission policy that Euratom loans will be used to fund 'significant safety upgrading investments'. Furthermore, the reactor's completion will not have any accompanying requirements to close any other reactors and is in fact being used to justify the completion of reactors 3, 4 and 5 at Cernavoda.

The involvement of Euratom has not increased the level of public participation. Since 1999 Euratom commissioned through the PHARE programme four studies concerning environmental, safety, economic and financial aspects of the Cernavoda 2 project. None of these studies has been made public so far, despite the requests of civil society in European countries and Romania and DG Enlargement's commitment to make public at least the environmental study and relevant parts of the safety study at beginning of 2002. The European Commission has made clear to NGOs that the economic and financial documents cannot be made public because of their commercial confidentiality, even though the

<sup>5</sup> Communication From The Commission To The Council And The European Parliament Commission Support To Nuclear Safety In The Newly Independent States And Central And Eastern Europe Commission Of The European Communities Brussels, 6.9.2000 COM(2000) 493 final, page 12

<sup>6</sup> Nuclear Strategy Paper 2002-6 and Indicative Programme, 2002-3, European Commission, 17<sup>th</sup> January 2002, page 15

<sup>7</sup> Antonio Tricarico, Campagna per la riforma della banca mondiale: "Cernavoda II - A new reactor for Romania?", EURATOM conference "After 45 years of nuclear promotion: time for change", Friends of the Earth Europe Conference, September 2002

economic study is currently under review by the European Investment Bank which manages European taxpayers' money.

The publication of Euratom-funded studies is quite crucial since these are complementary to the fully inadequate Environmental Assessment Summary which has been produced by AECL of Canada, one of the foreign sponsor of the project, and made public only as a summary and not as a full document by the Export Credit Agencies involved in project financing as the main environmental document for the project. The AECL study fails to consider alternatives to completing the Cernavoda 2 reactor, to assess the consequences of a catastrophic nuclear accident and the security provisions, to disclose details of the nuclear emergency plan and the complete nature of the seismic risks, and to conduct an adequate Probabilistic Risk Assessment.

In any case, the publication of and public consultation about the Euratom project studies will not be able to guarantee the safety of the projects and that the Romanian government will properly implement and manage the project in its entire lifetime. As a matter of fact, the lead local sponsor and operator of the project, the State-owned Romanian nuclear agency, SNN, has not made public the official EIA of the project yet, which should be finalised by the Romanian Institute ICIM. The completion and publication of this final study has been delayed for years. The Romanian nuclear Regulator recently told NGOs that a new EIA is not mandatory for C2 since the whole plan of construction of the Cernavoda NPP, consisting of 5 nuclear reactors, was licensed at the beginning of the 90s.

Furthermore, the financing of Cernavoda 2 under current circumstances would be in violation not only of the Romanian Environmental Protection Law, but also of international environmental law. In particular, Romania and all its neighbouring countries, apart from the Serbian federation, have all signed and ratified the ESPOO Convention on EIA in a transboundary context, which came into force in 1997. It should be noted that the Cernavoda plant is located less than 100 km away from the Romanian border with Bulgaria and that this country has been insistently requested by the European Union to phase out nuclear production at the Kozloduy nuclear plant on safety grounds. As reported in a letter to Bulgarian NGO dated 27<sup>th</sup> June 2002, the Bulgarian government has never been notified by the Romanian government about its intention to go ahead with the project and the preparation of its EIA study, as requested under article 3 of the Convention.

#### F) Fuel and Material Testing Reactors.

The document states that Fuel and Material Testing Reactor (FMTR) are '*essential to test any new material or fuel that may be used in a nuclear plant and to ensure safety, reliability and a contribution to efficiency*'. However, there is no indication as to the scope of use for these reactors. In particular FMTR are essential for the development of new reactor designs, for the future development of Mixed Oxide (Mox) or plutonium fuels and for fusion reactors. Consequently, FMTR are vital for the development of the next generation of nuclear technology and are thus not purely a safety tool, but one to expand the nuclear sector.