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Stichting Laka: Documentatie- en onderzoekscentrum kernenergie

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Laka plays with, amongst others things, its information services, an important role in the Dutch anti-nuclear movement.

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EURATOM Loans:

Supporting Safety Improvement in Eastern Europe

Or

A Trojan Horse for the Survival the Europe's Nuclear Industry

Background Paper for COREPER

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The Euratom Loan facility has awarded 90 loans in 25 years of operation for a total amount of €082.5 million. Of these, 90% have been used to *expand* the EU's nuclear power industry. So as this pattern may not continue under future funding (should this be agreed), it is clear that regulatory action needs to be taken to direct funds only for safety improvements in already operating nuclear power stations and so prevent them going elsewhere. The Commission's current offer to prioritise safety improvements is meaningless in law, as there are presently no means to enforce such a gesture after a new directive is agreed.

We believe firmly that

- The Decisions on increasing the Euratom Loans ceiling is premature;
- The use of Euratom Loans is contrary to the development of a sustainable energy system and to the development of an electricity market free of distortion.
- The adoption of both proposals must fall under Article 203 and therefore require unanimous support from Member States.

Introduction

In November 2002, the European Commission proposed to extend the Euratom Loan facility by €2 billion. Simultaneously, the Commission have proposed to change the scope – the conditions for the loans and the type of project that can be funded – in light of the forthcoming enlargement of the European Union.

The Euratom Loan facility was established in 1977 and has to date been increased on five separate occasions. To date, ninety loans have been granted to nuclear facilities in Belgium, Bulgaria France, Germany, Italy and the UK, with a total value of approximately €3 billion.

Since November 2002, the proposal has been discussed by a number of EU Institutions, including the Environment Council, the Finance Councillors Working Group and by the Environment Committee of the European Parliament. In an attempt to move ahead the Presidency have proposed discussions in COREPER.

Voting Structure

The November 2002 draft proposal from the Commission states that, the adoption of the increase in the loan ceiling needs to have the unanimous support of Member States: -

*Council Decision 77/271/Euratom¹ provides that when the total value of the transactions effected reaches EUR 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.*

This is the same language that has been used on each of the **five occasions** that the Euratom Loan ceiling was increased. Despite this some Member States suggested that the increase in the Loan Ceiling should be adopted by majority voting. This would have required a different mechanism than to change the scope of the loans, this makes no sense and must be rejected, it is logical to merge the two decisions as no increase in the loan ceiling could be justified without clarification of its use, e.g. its change in scope.

Therefore the suggestion from the Presidency to merge the proposals to change the scope and increase the ceiling under Article 203 should be accepted by Member States.

¹ OJ L 88, 6.4.1977, p. 11. Decision as last amended by Decision 90/212/Euratom (OJ L 112, 3.5.1990, p. 26)

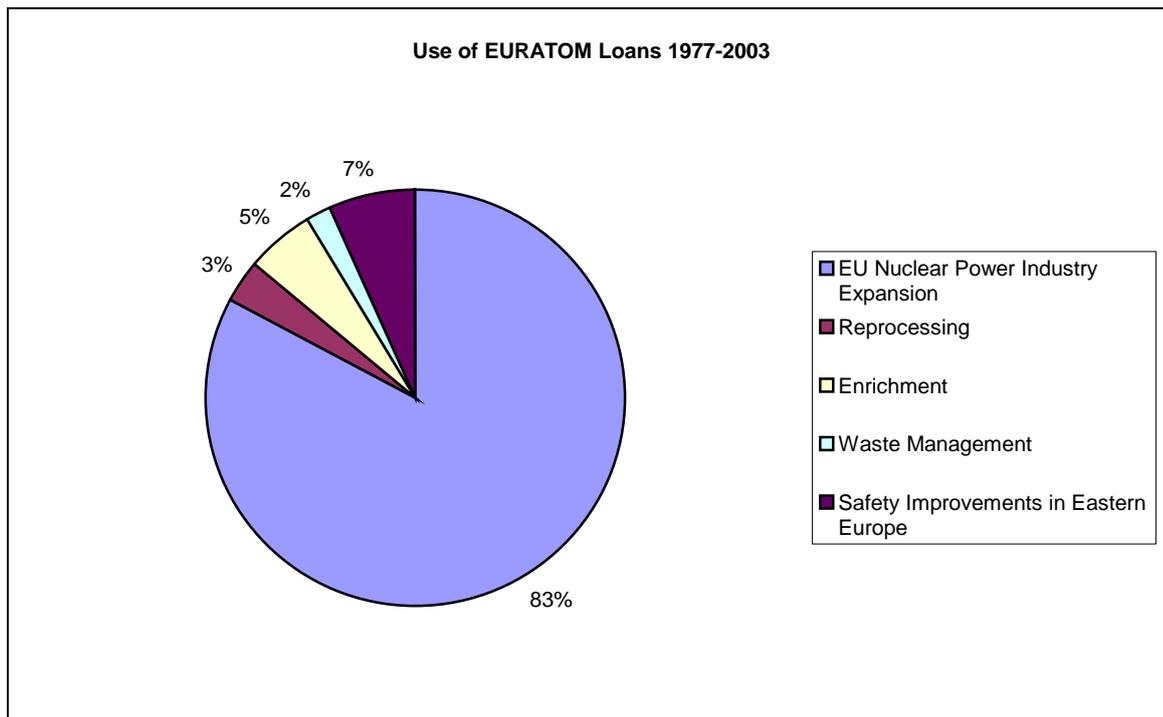
Targeted Use of Euratom Loans

The original proposal to change the scope of the Euratom Loans from the Commission to place no restrictions on the use Euratom Loans and therefore if **the change in the scope is adopted as proposed by the Commission it would allow accession countries for the first time to use Euratom Loans for the construction of new reactors**, as they are currently excluded from doing so under the terms of the 1994 Council Decision². This is in contradiction to the stated object of the Commission to see priority given to safety improvement measures³.

Furthermore, it is clear from data on the past use of Euratom Loans that suggesting prioritisation is insufficient and that specific action must be taken if loans are to be targeted towards attempting to improve nuclear safety. It is possible to see that of the ninety loans awarded to date:

- Loans totalling €2.68 billion have been awarded for expanding the EU's nuclear power sector
- A loan of €108.9 million was awarded to a reprocessing facility in the UK.
- Five loans worth €170 million have been awarded in France for enrichment of fuel.
- Only one loan, worth €70 million has ever been given for waste management.
- Only one loan, worth €12 million has been given for safety improvements in an operating reactors in Eastern Europe.

The extent of this domination can be seen below.



² Council Decision of 21st 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, Article 1.

³ Proposal for a COUNCIL DECISION amending Decision 77/270/Euratom empowering the Commission to issue Euratom loans for the purpose of contributing to the financing of nuclear power stations Brussels, 6.11.2002 COM(2002) 456 final, page 2, point 3.

Unless restrictions are placed in the Council Proposal then this bias in favour of using Euratom loans to expand the industry, rather than safety improvements, is likely to continue.

The Presidency text suggests limiting Euratom Loans to *'upgrading measures for existing nuclear plants'*. This proposal must be modified to ensure that it restricts the loans only for operating or in service reactors. Proposals to allow funding for reactors under construction must be rejected, as this is likely to be misused. Currently throughout the EU, accession countries and the CIS **there are approximately 40 reactors in which construction has already started⁴ and thus might be eligible under the proposed criteria of 'existing nuclear power station'**.

In June 2003 the Environment Committee of the European Parliament adopted language to change the scope to only allow funding of operating reactors *'relate to measures for improving the safety of existing in-service nuclear power stations, the further operation of which is essential for a strictly limited period of time in order to maintain the supply of electricity, taking account of the overall economic and energy context and possible alternatives'*. This language could be adopted by the Presidency.

Euratom Loans must be reserved strictly for projects to improve nuclear safety, other new build and completion projects should not be supported directly by EU funds and should be open to the regular financing criteria of private Banks or International Financial Institutions as are other electricity generators. Therefore, the Presidency's proposal must be altered to ensure that only in service or operating reactors are potentially eligible for Euratom Loans.

Need to Increase the Loan Ceiling

The justification for increasing the Loan ceiling by a further €2 billion is incorrect. The Commission proposal states: -

(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.

However, the total value of transactions affected by Euratom Loans is actually, EUR 3082.5 million. The Commission include within its analysis, approximately, €88 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.

In the light of this the proposal to increase the loan ceiling to €6 or even €5 billion is unnecessary at the present time and thus must be deferred.

⁴ Nuclear Engineering International Handbook.