

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 the financing of nuclear power stations

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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 issue Euratom loans for the purpose of contributing to the financing of nuclear power stations (the Establishing Decision).

The ceiling for borrowings was originally fixed by Council Decision 77/271/Euratom of 29 March 1977 on the implementation of Council Decision 77/270/Euratom as follows:

'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 million 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 94/179/Euratom 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 (the Scope Extension Decision).

In particular, in Article 1 the Commission is

'... 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.'

The list of eligible non-member countries defined by the Annex to the above Decision is as follows: the Republic of Bulgaria, the Republic of Hungary, the Republic of Lithuania, Romania, the Republic of Slovenia, the Czech Republic, the Slovak Republic, the Russian Federation, the Republic of Armenia and Ukraine.

2. Consolidation of the decisions

The Commission will separately propose to the Council a consolidation of the Establishing Decision and the Scope Extension Decision, in particular:

- To ensure that there is equal treatment of current and future Member States after their accession;
- To ensure that safety and efficiency issues remain important criteria for the eligibility of projects;
- To ensure that decommissioning projects within the Community are explicitly eligible under certain conditions.

3. 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 plus EUR equivalent of USD 585 million⁽¹⁾). 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 (about EUR 224 million). Each of these loan applications will be presented individually to the Commission for decision, if and when ready. 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.

4. Justification for Raising the Borrowing and 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 Ukraine demonstrate that the instrument can be used as a support for Commission policy in the field. Our involvement in these projects ensures that they will be completed in line with western safety requirements and facilitate similar actions in the future. In both of the cases decided, commitments relating to the safety of older units have been agreed with the respective countries.

The Commission explicitly emphasises its support for the increase in the Euratom borrowing limit as it will provide, in synergetic combination with other financial instruments, e.g. Community grants, a positive contribution to the achievement of the Cologne European Council Decision of June 1999 with regard to nuclear safety in candidate countries and Eastern Europe. Although a detailed assessment of nuclear safety issues and levels is still in progress for candidate countries in the framework of the Atomic Questions Group of the Council, it is already clear that major investment efforts will be required to achieve high safety standards in these countries comparable to those in the EU.

⁽¹⁾ Exchange rate used was USD 0,85 for EUR 1 on 28.11.2000, i.e. USD 585 m equals EUR 688 m.

Further, the decommissioning of a number of plants that cannot be upgraded and other installations will require large volumes of investment. Contrary to the practice in the EU, funds to cover these investments are generally not available. The Euratom loan facility will be instrumental in assisting these countries to launch decommissioning programmes.

5. 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 OF THE EUROPEAN UNION,

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⁽¹⁾, and in particular Article 1 thereof,

Having regard to the proposal from the Commission,

Whereas:

- (1) Council Decision 77/271/Euratom⁽²⁾ 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.
- (2) The total value of transactions effected is approaching the figure of EUR 3 800 million, as provided for in Decision 90/212/Euratom.
- (3) Decision 94/179/Euratom, has extended the scope of the Euratom lending instrument to certain countries of central and eastern Europe and of the Commonwealth of Inde-

pendent States and such an instrument is still considered as relevant.

- (4) 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.
- (5) Decision 77/271/Euratom should therefore be amended accordingly.

HAS DECIDED AS FOLLOWS:

Sole Article

The sole Article of Decision 77/271/Euratom is 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.'

⁽¹⁾ OJ L 88, 6.4.1977, p. 9. Decision as amended by Decision 94/179/Euratom (OJ L 84, 29.3.1994, p. 41).

⁽²⁾ 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).