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REPORT

on the 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 (COM(2002) 456 – C5-0570/2002 – 2002/0246(CNS))

Committee on Industry, External Trade, Research and Energy

Rapporteur: Hiltrud Breyer

Symbols for procedures

- * Consultation procedure
majority of the votes cast
- **I Cooperation procedure (first reading)
majority of the votes cast
- **II Cooperation procedure (second reading)
*majority of the votes cast, to approve the common position
majority of Parliament's component Members, to reject or amend
the common position*
- *** Assent procedure
*majority of Parliament's component Members except in cases
covered by Articles 105, 107, 161 and 300 of the EC Treaty and
Article 7 of the EU Treaty*
- ***I Codecision procedure (first reading)
majority of the votes cast
- ***II Codecision procedure (second reading)
*majority of the votes cast, to approve the common position
majority of Parliament's component Members, to reject or amend
the common position*
- ***III Codecision procedure (third reading)
majority of the votes cast, to approve the joint text

(The type of procedure depends on the legal basis proposed by the Commission)

Amendments to a legislative text

In amendments by Parliament, amended text is highlighted in ***bold italics***. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the legislative text for which a correction is proposed, to assist preparation of the final text (for instance, obvious errors or omissions in a given language version). These suggested corrections are subject to the agreement of the departments concerned.

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PROCEDURAL PAGE

By letter of 28 November 2002 the Council consulted Parliament, pursuant to Articles 1, 2, 172 and 203 of the Euratom Treaty, on the proposal for a Council decision on amending 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) 456 – 2002/0246(CNS)).

At the sitting of 4 December 2002 the President of Parliament announced that he had referred the proposal to the Committee on Industry, External Trade, Research and Energy as the committee responsible and the Committee on Budgets and to the Committee on the Environment, Public Health and Consumer Policy for their opinions (C5-0570/2002).

The Committee on Industry, External Trade, Research and Energy appointed Hiltrud Breyer rapporteur at its meeting of 26 November 2002.

The committee considered the Commission proposal and draft report at its meetings of 9 July, 9 September, 6 October, 3 November and 27 November 2003.

At the last meeting it adopted the draft legislative resolution by 22 votes to 11, with 11 abstentions.

The following were present for the vote: Luis Berenguer Fuster (chairman), Hiltrud Breyer (rapporteur), Gordon J. Adam (for Massimo Carraro), Konstantinos Alyssandrakis, Per-Arne Arvidsson (for Guido Bodrato), Sir Robert Atkins, Gérard Caudron, Chantal Cauquil, Giles Bryan Chichester, Marie-Hélène Descamps (for Jaime Valdivielso de Cué), Harlem Désir, Concepció Ferrer, Christos Folias (for Peter Michael Mombaur), Norbert Glante, Michel Hansenne, Elisabeth Jeggle (for W.G. van Velzen pursuant to Rule 153(2)), Hans Karlsson, Werner Langen, Paul A.A.J.G. Lannoye (for Nuala Ahern pursuant to Rule 153(2)), Rolf Linkohr, Eryl Margaret McNally, Hans-Peter Martin (for Reino Paasilinna), Marjo Matikainen-Kallström, Ana Miranda de Lage, Elizabeth Montfort, Bill Newton Dunn (for Nicholas Clegg), Seán Ó Neachtain, Paolo Pastorelli, Hubert Pirker (for Dominique Vlasto pursuant to Rule 153(2)), Elly Plooij-van Gorsel, Samuli Pohjamo (for Colette Flesch), John Purvis, Godelieve Quisthoudt-Rowohl, Daniela Raschhofer, Imelda Mary Read, Christian Foldberg Rovsing, Paul Rübig, Umberto Scapagnini, Konrad K. Schwaiger, Esko Olavi Seppänen, Claude Turmes, Alejo Vidal-Quadras Roca, Myrsini Zorba, Olga Zrihen Zaari.

The opinion of the Committee on the Environment, Public Health and Consumer Policy is attached. The Committee on Budgets decided on 10 December 2002 not to deliver an opinion.

The report was tabled on 1 December 2003.

DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a Council decision on amending 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) 456 – C5-0570/2002 – 2002/0246(CNS))

(Consultation procedure)

The European Parliament,

- having regard to the Commission proposal to the Council (COM(2002) 456)¹,
 - having regard to Articles 1, 2, 172 and 203 of the Euratom Treaty, pursuant to which the Council consulted Parliament (C5-0570/2002),
 - having regard to Rule 67 of its Rules of Procedure,
 - having regard to the report of the Committee on Industry, External Trade, Research and Energy and the opinion of the Committee on the Environment, Public Health and Consumer Policy (A5-0443/2003),
1. Approves the Commission proposal as amended;
 2. Regrets not being consulted on Commission's proposal COM(2002) 457
 3. Calls on the Commission to alter its proposal accordingly, pursuant to Article 119, second paragraph, of the Euratom Treaty;
 4. Calls on the Council to notify Parliament if it intends to depart from the text approved by Parliament;
 5. Asks the Council to consult Parliament again if it intends to amend the Commission proposal substantially, particularly if Commission proposals are to be merged to form a single document (COM(2002)-456 and COM(2002)-457);
 6. Instructs its President to forward its position to the Council and Commission.

Text proposed by the Commission

Amendments by Parliament

Amendment 1 RECITAL 6

(6) Priority should be given to projects related to ***nuclear safety and efficiency of installations*** in service or under construction, ***as well as*** to the decommissioning of installations.

(6) Priority should be given to projects related to ***improving the*** safety of ***nuclear power plants*** in service or under construction, ***to installations in the nuclear fuel cycle***, to the decommissioning of

¹ OJ C 045, 25.2.2003, p. 200.

installations, as well as to the establishing facilities for storage and disposal of radioactive waste and spent fuel.

Justification

Euratom loans should be given for improvement of safety, decommissioning of installations, as well as to establishing facilities for storage and disposal of radioactive waste and spent fuel.

Amendment 2
RECITAL 6 A (new)

(6a) Research projects and pilot installations for the safe final storage of nuclear waste should be supported.

Justification

Safety and public health are priorities in regard to nuclear waste; it is therefore a matter of urgency to finance projects and installations for the safe final storage of nuclear waste.

Amendment 3
RECITAL 6 B (new)

(6b) These standards should reflect the state of the art.

Justification

Uniform mandatory safety standards for installations must guarantee the highest possible level of safety.

Amendment 4
RECITAL 6 C(new)

(6c) Transitional provisions should be drawn up laying down deadlines for the decommissioning of existing nuclear power stations which cannot be upgraded cost-effectively.

Justification

Under certain circumstances, the introduction of uniform mandatory safety standards may mean the installations in the Member States, as well as those in the candidate countries, will have to be upgraded. As this is not always cost-effective, provision should be made for

decommissioning deadlines within a transitional phase.

Amendment 5
RECITAL 6 D (new)

(6d) The same conditions should apply to all forms of energy (e.g. renewable energy) and an end put to the distortions of competition ensuing from support for nuclear energy.

Justification

Supporting nuclear energy inevitably results in distortion of competition on the energy market; this is particularly unwelcome in regard to forms of energy such as renewable energy and must be stopped.

Amendment 6
RECITAL 6 E (new)

(6e) Funding of projects for reactors which cannot be upgraded to internationally acceptable safety standards at reasonable cost should be confined to short-term safety improvements which prove necessary in order to maintain them in operation.

Justification

Self-explanatory.

Amendment 7
RECITAL 6 F (new)

(6f) Funding should not be provided for reactors which cannot be upgraded to internationally acceptable safety standards at reasonable cost and in respect of which a timetable has been set for the definitive cessation of operations.

Justification

Self-explanatory.

Amendment 8
RECITAL 6 G (new)

(6 g) Funding should not be granted for

projects in third countries which are in breach of or fail to comply with their international commitments to strengthen nuclear safety and decommission their reactors which cannot be upgraded to internationally acceptable safety standards at reasonable cost.

Justification

Self-explanatory.

Amendment 9

SOLE ARTICLE

Article 1 (Decision 77/270/Euratom)

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*** within the Member States ***or the non-member countries listed in the Annex to Decision 94/179/Euratom. For these projects to be eligible they must:***

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 ***projects to increase the nuclear safety*** within the Member States, ***Central and Eastern European countries, Russian Federation, Republic of Armenia and Ukraine.***

Justification

The loans have to be given to projects in order to increase the nuclear safety, not only within the EU Member States, Central and Eastern European countries but also in other countries such as Russian Federation, Republic of Armenia and Ukraine.

Amendment 10

SOLE ARTICLE

Article 1, subparagraph 1, indent 2 a (new) (Decision 77/270/Euratom)

- not be related to third countries which are in breach of or fail to comply with their international commitments to strengthen nuclear safety and decommission their reactors which cannot be upgraded to internationally acceptable safety standards at reasonable cost.

Justification

Self-explanatory.

Amendment 11

ANNEX

Paragraph 2.4.1.1, second subparagraph a) (new) (Decision 77/270/Euratom)

a) Funding of projects for reactors which cannot be upgraded to internationally acceptable safety standards at reasonable cost should be confined to short-term safety improvements which prove necessary in order to maintain them in operation.

Justification

Self-explanatory.

Amendment 12

ANNEX

Paragraph 2.4.1.1, second subparagraph b) (new) (Decision 77/270/Euratom)

b) Funding should not be provided for reactors which cannot be upgraded to internationally acceptable safety standards at reasonable cost and in respect of which a timetable has been set for the definitive cessation of operations.

Justification

Self-explanatory.

Amendment 13

ANNEX

Paragraph 2.4.1.1, second subparagraph c) (new) (Decision 77/270/Euratom)

c) Funding will not be granted for projects in third countries which are in breach of or fail to comply with their international commitments to strengthen nuclear safety

and decommission their reactors which cannot be upgraded to internationally acceptable safety standards at reasonable cost.

Justification

Self-explanatory.

EXPLANATORY STATEMENT

The Euratom Loan facility was established in 1977. The fund was initially to be restricted to Member States of the Treaty and with a ceiling of 500 ECU. Since then the ceiling has been increased on various occasions and currently stands at Euro 4000 million. In 1994, the loan scope was changed to allow Euratom Loans to be awarded to certain non-member countries, namely, Bulgaria, Hungary, Lithuania, Romania, Slovenia, Czech Republic, Slovak Republic, Russia, Armenia and Ukraine¹.

The Role of the Euratom Treaty

With the expiry of the European Coal and Steel Community in July 2002, the Euratom Treaty remains the only European Union Treaty established to promote and regulate activities of a particular technology. Despite numerous changes in the EU Treaties in the last decades, the Euratom Treaty has remained largely unreformed, since its foundation in 1957, for example the European Parliament does not have co-decision Euratom legislation. Due to this situation the European Parliament has called for the expiry of the Euratom Treaty in 2007², to mirror the termination of the European Coal and Steel Treaty after 50 years and has called for the establishment of a special conference to overhaul to Treaty following the current Inter-Governmental Conference.

Euratom Loans and the Electricity Market

The Euratom Loan facility contradicts the requirements of the Electricity Market Directive (96/92/EC) and the soon to be implemented revised Directive. In particular the latter states: - *'Experience in implementing this Directive shows the benefits that may result from the internal market in electricity, in terms of efficiency gains, price reductions, higher reductions, higher standards of service and increased competitiveness. However, important shortcomings and possibilities for improving the functioning of the market remain, notably in ensuring a level playing field in generation.'*(emphasis added)³

The Euratom Loan facility is both against a level playing field and discriminates in favour of nuclear technology over other electricity generators. In particular because:

- Euratom loans can only be used for nuclear reactors and nuclear facilities, the loans may not be used for other electricity generators.
- No similar technology specific loan facility exists for other generators.
- The European Commission awards grants for the development of the loan. In the case of the proposed loan for the Khmelnytsky 2 and Rovno 4 reactors in Ukraine over €30 million has been allocated for project development.
- The Euratom Loan facility has a higher credit rating than most utilities and thus

¹ Council Decision of 21st March 1994 , amending 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 non-member countries (94/179/Euratom)

² European Parliament resolution on the Commission Green Paper Towards a European strategy for the security of energy supply (COM(2000) 769 - C5-0145/2001 - 2001/2071(COS))

³ Directive 2003/54/EC of the European Parliament and Council, 26th June 2003 Concerning Common Rules for the internal market in electricity and repealing Directive 96/92/EC, recital 2.

the involvement of Euratom will bring the clear economic advantages (by having cheaper loans) for the utility concerned.

Transaction Level

In November 2002, the European Commission approved a proposal for the European Council to extend the Euratom Loan ceiling by a further €2 billion. 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’¹.

The proposal for a Council decision states²: -

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 includes within its analysis, approximately \$585 million (€688.24 million) which has been earmarked or ‘allocated’ for the completion of Khmelnytsky 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. Furthermore, in August 2003 President Kuchma stated that K2R4 would be completed without western funding. A statement which was confirmed at the recent EU-Ukraine Summit, Yalta, 7 October 2003 by the Commission who finally stated that the Ukrainian Government had abandoned “*the international project for the completion of the two reactor units K2R4*”³.

Consequently, this means that there will be no call on the Euratom Loan funds allocated for the current plans to complete K2R4. In the light of this the timing of the Commission’s proposal to extend the loan facility by a further €2 billion is procedurally incorrect and thus must be withdrawn, until additional loans agreements have actually been signed.

Future Projects: Cernavoda 2 in Romania

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 that is being built to Canadian Government safety standards using Canadian, French, Italian and US 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

¹ Council Decision, 23rd 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, L.112/26

² 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, 6th November 2002

³ EU/Ukraine Summit, Yalta, 7 October IP/03/1343 - Brussels

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.

Fuel and Material Testing Reactors

The Commission proposal stated that Euratom Loans should be made available for the construction of new Fuel and Material Testing Reactors, noting that those in Czech Republic, Hungary, Russia and Sweden are likely to only have a limited operation life remaining. However, the proposal does not give details on the actual use of these reactors, which can be used for safety enhancement operations as easily as those for developing new types of fuel (including plutonium or thorium fuels) or new reactor designs. Furthermore, no details have been forthcoming as to the economics of such proposals.

Decommissioning

The Commission proposals states *'The Euratom loan facility will be instrumental in assisting these countries to launch decommissioning programmes'* and *'that the Guidelines be modified to make clear that such projects within the Community be eligible for Euratom finance'*. Such proposals make little or no sense in the context of assisting accession countries with funding the decommissioning of reactors or in the framework of the single electricity market.

Decommissioning programmes for reactors in 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. In total the Commission and other international donors have awarded or pledged over €750 million in grants to finance the decommissioning of these reactors. 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'*.

Conclusion and Recommendations

There is growing concern over the proposed increase in the ceiling and the scope change for the Euratom Loans. In March 2003, the Bundestag passed a resolution that demands that the German Government block the proposed increase in the loan ceiling¹ and taking into account the recent development to abandon the €688 million Euratom project in Ukraine (K2R4). Given that the Commission's draft proposal requires that the Council shall act unanimously, it appears unlikely that the Council will approve the ceiling increase. The Parliament should adopt a similar proposal as: -

¹ Urging the German government to veto against the EU Commission's proposal on the extension of the EURATOM Loan Facility (from actually 4 billion to 6 billion Euro) in the next ECOFIN meeting, 13th March 2003.

- The procedures for increasing the loan ceiling have not been met as the required transaction level has not been met.
- The use of the Euratom Loan facility is against the requirements of a liberalised electricity market.
- The Euratom Treaty should be phased out by 2007.

The modifications in the scope of the loan facility should proceed using the remaining funds at the disposal of the facility. However, it should be modified to ensure: -

- Funds are only awarded to improved the safety in already operating Soviet designed reactors in non-member States, where the involved of Euratom Loans results in a measurable increase in safety standards.
- Loans should not be awarded to fund the construction of new Fuel and Material Testing reactors.
- The use of funds for decommissioning nuclear facilities cannot be justified in Member States as utilities are already required to set aside the necessary funds and in accession countries grants have already been awarded to facilitate closure.

16 June 2003

OPINION OF THE COMMITTEE ON THE ENVIRONMENT, PUBLIC HEALTH AND CONSUMER POLICY

for the Committee on Industry, External Trade, Research and Energy

on the 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
(COM(2002) 456 – C5-0570/2002 – 2002/0246(CNS))

Draftsman: Marialiese Flemming

PROCEDURE

The Committee on the Environment, Public Health and Consumer Policy appointed Marialiese Flemming draftsman at its meeting of 27 November 2002.

It considered the draft opinion at its meetings of 18 March and 11 June 2003.

At the latter meeting it adopted the following amendments by 30 votes to 10 with 3 abstentions.

The following were present for the vote Caroline F. Jackson(chairman), Alexander de Roo, Mauro Nobilia and Guido Sacconi (vice-chairmen), Marialiese Flemming (draftsman), María del Pilar Ayuso González, Jean-Louis Bernié, Hans Blokland, John Bowis, Hiltrud Breyer, Dorette Corbey, Chris Davies, Avril Doyle, Anne Ferreira, Karl-Heinz Florenz, Cristina García-Orcoyen Tormo, Laura González Álvarez, Robert Goodwill, Françoise Grossetête, Cristina Gutiérrez Cortines, Jutta D. Haug, Marie Anne Isler Béguin, Christa Klaß, Bernd Lange, Peter Liese, Giorgio Lisi, Torben Lund, Jules Maaten, Minerva Melpomeni Malliori, Jorge Moreira da Silva, Emilia Franziska Müller, Rosemarie Müller, Riitta Myller, Ria G.H.C. Oomen-Ruijten, Marit Paulsen, Frédérique Ries, Yvonne Sandberg-Fries, Karin Scheele, Ursula Schleicher, Inger Schörling, Astrid Thors, Antonios Trakatellis and Peder Wachtmeister.

SHORT JUSTIFICATION

On 6 November 2002, the Commission adopted the following proposals:

- 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 (RD 14179/02; COM(2002) 457 final);
- 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 (RD 14174/02; COM(2002) 456 final).

These proposals provide for the following amendments:

- An increase in the ceiling for borrowing to fund Euratom lending from the current EUR 4000 million to EUR 6000 million (COM(2002) 457 final);
- Extending Euratom lending guarantees to projects for the improvement of safety and efficiency, and decommissioning projects in Member States; an increase in the contribution to projects for the improvement of safety and efficiency; contribution to the funding of a fuel and material testing reactor (COM(2002) 456 final).

From your draftsman's point of view, it is inconceivable for the European Parliament to approve the proposals in their current form. Under no circumstances can the granting of Euratom loans for new nuclear power stations be accepted. At the Environment Ministers Council meeting on 9 December 2002, Germany, Belgium and Austria made a statement rejecting an increase in the Euratom borrowing ceiling.

Essentially, Euratom lending is support for the nuclear industry which distorts competition, as, in particular:

- it offers more favourable interest rates than under free market conditions¹,
- it covers high political risks which would rule out finance on a purely commercial basis, and
- there is no comparable instrument for any other form of investment in the whole of the energy sector.

Interventions in liberalised markets are justified only under quite exceptional circumstances. Even when there is such justification, intervention must be clearly defined and precisely circumscribed. The circumstances outlined in the proposals under review do not justify any such intervention in any way, as illustrated by the following examples:

- In most cases, the financial precautions (taken by the operators) for

¹ According to both Commission documents 'Euratom Loans in EU Member States' and 'Euratom Loans in Certain Non-Member States', Version 08/2002, Euratom's credit standing was valued as Aaa (Moody's) and AAA (Standard & Poor's).

dismantling nuclear installations are inadequate. Preferential loans for dismantling nuclear installations would be unjustified support for the operators of those installations and would entail society bearing the cost of nuclear energy. In addition, financing loans for projects which do not produce a profit would seem questionable from an economic point of view.

- Upgrading nuclear power stations or installations in the nuclear fuel cycle in order to fulfil the conditions for authorisation or to keep pace with an emerging consensus concerning a high level of nuclear safety is a matter for the operator and the responsible supervisory authority. The operator has to decide whether upgrading is cost-effective or not. Every measure taken to reduce the financial burden on the operator must have its counterpart in an appropriate benefit for public health and environmental protection, i.e. a clear and achievable commitment to early shutdown in return for 'financial' support.
- The contribution to funding a fuel and material testing reactor is not justified whatsoever. This is a task for the highly developed nuclear industry. In particular, it should be pointed out that such support is not provided in the sixth research framework programme recently adopted by the Council and is obviously contrary to the spirit of that programme.

The current situation regarding the granting of Euratom loans is as follows:

- The modernisation of units 5 and 6 of the nuclear power station at Kozloduy: in April 2002 it was decided to grant a Euratom loan of EUR 215.5 million. The Commission's progress report on Bulgaria for 2002 indicates that EUR 55 million have already been paid out. At the time, the Euratom loan for units 5 and 6 was granted on condition that Bulgaria closed down units 1-4.
- K2/R4 project: in December 2000, it was decided to grant a Euratom loan of USD 585 million (EUR 680.5 million). Following Ukraine's statement that it was not prepared to accept the conditions attached by Euratom and the European Bank for Reconstruction and Development to the loan, the European Bank for Reconstruction and Development indicated in late November last year that it might withdraw from the K2/R4 project. Negotiations are currently under way within a working party on the conditions attached to the loan. The Commission's proposal assumes in respect of the third tranche of the TACIS – fuel gap programme – that the negotiations between the European Bank for Reconstruction and Development, the Commission and Ukraine on the K2/R4 project might be concluded by autumn 2003, though this seems extremely optimistic given the political instability in Ukraine and the constant difficulties ensuing from that situation.

Outstanding projects (for which there is now a freely available budget of just over EUR 200 million) are the following:

- Completion of Unit 3 of the nuclear power station at Kalinin in the Russian Federation: Reactor type VVER-1000, possible Euratom loan of some EUR 300

million, preparations for the Euratom loan are relatively advanced but are now apparently delayed however.

- Completion of Unit 2 of the nuclear power station at Cernavoda in Romania: possible Euratom loan of some EUR 250 million; there was a technical presentation in the group of experts 'Nuclear Energy Issues' in December 2000 and in 2002 there was a presentation to the same group of safety evaluation reports divided into 10 sub-projects concerning the technical evaluation of the project by the Commission. In the light of the detailed presentation by the Romanian promoter, whose intention was to convince the experts that the CANDU reactor type is a highly modern and safe nuclear power reactor, it appears that the granting of a Euratom loan would be even contrary to the guidelines for allocating funding.

Last but not least, since it is hardly conceivable in legal terms to use the Euratom lending instrument for non-nuclear projects on the basis of Article 172, paragraph 4 of the EAEC Treaty, this instrument must be subject to particularly stringent criteria in order to ensure fair competition.

AMENDMENTS

The Committee on the Environment, Public Health and Consumer Policy requests the Committee on Industry, External Trade, Research and Energy, as the committee responsible, to incorporate the following amendments in its report:

Text proposed by the Commission¹

Amendments by Parliament

Amendment 1 RECITAL 2

(2) Nuclear energy has to be seen as part of overall energy options within the Community as well as outside.

(2) Within the European Union, 6 of 15 Member States have never embarked upon the production of nuclear energy, another 6 have already decided to stop production so that only three Member States within the Community regard nuclear energy as part of their general options.

Justification

To describe nuclear energy within the Community as a general energy option is a distortion of the facts given that 6 Member States produce no nuclear energy and a further 6 have already decided to stop production.

¹ ABI. C 45, 25.2.2003, pp. 194-200.

Amendment 2
RECITAL 2 A (new)

(2a) The issue of final storage of nuclear waste worldwide is still unresolved, and the construction of new nuclear power stations is not logical at the present time.

Justification

Self-explanatory.

Amendment 3
RECITAL 6

(6) Priority should be given to projects related to nuclear safety and efficiency of installations in service or under construction, as well as to the decommissioning of installations.

(6) Funding should be given solely to projects to improve nuclear safety, as well as to the decommissioning of installations.

Justification

Community support should be given only to projects to improve the safety of already existing installations or for decommissioning but not for new constructions or stepping up production at existing installations.

Amendment 4
RECITAL 6 A (new)

(6a) research projects and pilot installations for the safe final storage of nuclear waste should be supported.

Justification

Safety and public health are priorities in regard to nuclear waste; it is therefore a matter of urgency to finance projects and installations for the safe final storage of nuclear waste.

Amendment 5
RECITAL 6 B (new)

(6b) The introduction of uniform mandatory safety standards for nuclear power stations throughout the EU is welcome.

Justification

Self-explanatory.

Amendment 6
RECITAL 6 C (new)

(6c) These standards should reflect the state of the art.

Justification

Uniform mandatory safety standards for installations must guarantee the highest possible level of safety.

Amendment 7
RECITAL 6 D (new)

(6d) Transitional provisions should be drawn up laying down deadlines for the decommissioning of existing nuclear power stations which cannot be upgraded cost-effectively.

Justification

Under certain circumstances, the introduction of uniform mandatory safety standards may mean the installations in the Member States, as well as those in the candidate countries, will have to be upgraded. As this is not always cost-effective, provision should be made for decommissioning deadlines within a transitional phase.

Amendment 8
RECITAL 6 F (new)

(6f) The same conditions should apply to all forms of energy (e.g. renewable energy) and an end put to the distortions of competition ensuing from support for

nuclear energy.

Justification

Supporting nuclear energy inevitably results in distortion of competition on the energy market; this is particularly unwelcome in regard to forms of energy such as renewable energy and must be stopped.

Amendment 9

RECITAL 6 F (new)

(6f) The expiry of the ECSC leaves only Euratom as a stand-alone energy treaty; the Euratom Treaty should expire after 50 years of its existence in 2007.

Justification

The European Parliament in its report in 2001 on the Green Paper on Security of Supply called for the phase-out of the Euratom Treaty. This demand should be repeated, especially currently, when the Commission is proposing to transfer new powers under Euratom (e.g. the extension of the scope and ceiling of the loan facility).

Amendment 10

RECITAL 6 G (new)

(6g) Funding of projects for reactors which cannot be upgraded to internationally acceptable safety standards at reasonable cost should be confined to short-term safety improvements which prove necessary in order to maintain them in operation.

Justification

Self-explanatory.

Amendment 11

RECITAL 6 H (new)

(6h) Funding should not be provided for reactors which cannot be upgraded to internationally acceptable safety standards at reasonable cost and in respect of which a

timetable has been set for the definitive cessation of operations.

Justification

Self-explanatory.

Amendment 12

RECITAL 6 I (new)

(6i) Funding should not be granted for projects in third countries which are in breach of or fail to comply with their international commitments to strengthen nuclear safety and decommission their reactors which cannot be upgraded to internationally acceptable safety standards at reasonable cost.

Justification

Self-explanatory.

Amendment 13

SOLE ARTICLE

Article 1, introduction (Decision 77/270/Euratom)

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***

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 investment projects ***to increase the safety of the nuclear power stations within the non-member countries listed in the Annex to Decision 94/179/Euratom.***

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 ***research and pilot projects aimed at the***

efficiency of the nuclear power stations within the Member States or the non-member countries listed in the Annex to Decision 94/179/Euratom.

For these projects to be eligible they must:

safe final storage of nuclear waste.

For these projects to be eligible they must:

Justification

In the light of the as yet unresolved problem of safe final storage of nuclear waste, the priority allocation for loans should be to finance research and pilot projects focusing on safe final storage.

Amendment 14
SOLE ARTICLE

Article 1, Paragraph 1, indent 1 (Decision 77/270/Euratom)

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

- 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, or to measures which are necessary to improve the safety of installations disposing of spent fuel elements or radioactive waste***; or to the dismantling of installations where modification cannot be justified in technical or economic terms, ***if, for reasons for which the operator is not responsible, the resources available to close down the installation are not sufficient***;

Justification

Community support should be granted only to upgrade installations, the operation of which is for a strictly limited period of time and essential to maintain the supply of electricity. Safety at installations which are needed to dispose of spent fuel elements or radioactive waste should also be improved. In addition, it must be ensured that operators make financial provision so that, in the event of the installation closing down, the ensuing costs are not passed on to the Community.

Amendment 15
SOLE ARTICLE

Article 1, introductory part, indent 2 (Decision 77/270/Euratom)

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

- have received all the necessary authorisation at national level and ***have ensured that there has been national and international public scrutiny and comments in line with international requirements, such as the Espoo Convention including the approval of the safety authorities.***

Justification

It is essential that the use of Euratom loans brings added value to a project, and that public consultation is given a priority in the loan conditionalities. The Espoo International Convention grants potentially effected communities in neighbouring countries the same rights as citizens of the country in which the facility is located. Given the potential transboundary impact of nuclear facilities, the requirements of the Espoo Convention should be strictly applied.

Amendment 16
SOLE ARTICLE

Article 1, subparagraph 1, indent 3 a (new) (Decision 77/270/Euratom)

- not be related to third countries which are in breach of or fail to comply with their international commitments to strengthen nuclear safety and decommission their reactors which cannot be upgraded to internationally acceptable safety standards at reasonable cost.

Justification

Self-explanatory.

Amendment 17
SOLE ARTICLE

Article 1, introductory part, indent 3 (Decision 77/270/Euratom)

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

- have received a favourable opinion from the Commission in technical terms ***and have been shown to be clearly the least cost option.***

Justification

In order to reduce the market distortions created by the Euratom loan facility, similar economic conditions should be given to the loans, as for non-nuclear projects in the region. With this, each project should be required to show that it is clearly the least cost option available, thus increasing the efficiency of the loan facility.

Amendment 18

SOLE ARTICLE

Article 1, introductory part, indent 3 a (new) (Decision 77/270/Euratom)

- have received a favourable opinion from the European Parliament.

Or. en

Justification

The exclusion of the Parliament from co-decision of Euratom projects is no longer acceptable. This is particularly true of Euratom loans, where the Council is also excluded from decisions of project preparation and the final approval is taken solely by the European Commission. Co-decision with the Parliament should become a minimum requirement for the loan facility.

Amendment 19

SOLE ARTICLE

Article 1, subparagraph 2 (Decision 77/270/Euratom)

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

The Commission may borrow ***until at the latest 31 December 2006 and*** only within the limits of ***Decision 90/212/Euratom and*** loans requested of it.

Justification

An additional amount of EUR 700 million is still available under Decision 90/212/Euratom for Euratom loans. There is therefore no reason to give the Commission the right to exceed this limit.

In addition, the European Parliament has called for the phase-out of the Euratom Treaty. In 2007, the Euratom Treaty will be 50 years old and should expire by that date (like the ECSC expired after 50 years of existence).

Amendment 20

SOLE ARTICLE

Decision, last sentence

The provisions in the Annex form an integral part of this Decision.

The provisions in the Annex form an integral part of this Decision ***and shall be adapted accordingly.***

Amendment 21

ANNEX

Paragraph 2.4.1.1, second subparagraph a) (new) (Decision 77/270/Euratom)

a) Funding of projects for reactors which cannot be upgraded to internationally acceptable safety standards at reasonable cost should be confined to short-term safety improvements which prove necessary in order to maintain them in operation.

Amendment 22

ANNEX

Paragraph 2.4.1.1, second subparagraph b) (new) (Decision 77/270/Euratom)

b) Funding should not be provided for reactors which cannot be upgraded to internationally acceptable safety standards at reasonable cost and in respect of which a timetable has been set for the definitive cessation of operations.

Justification

Self-explanatory.

Amendment 23

ANNEX

Paragraph 2.4.1.1, second subparagraph c) (new) (Decision 77/270/Euratom)

c) Funding will not be granted for projects in third countries which are in breach of or fail to comply with their international commitments to strengthen nuclear safety and decommission their reactors which cannot be upgraded to internationally

acceptable safety standards at reasonable cost.

Justification

Self-explanatory.