

EREF

European Renewable Energies Federation

PRESS DECLARATION

13th of December 2004

EU investigation requested into illegal aid to Finnish nuclear plant

The European Renewable Energies Federation (EREF) will, represented by Kuhbier law firm sprl. Brussels, on the 14th of December initiate action before the European Commission in Brussels calling for an investigation on whether a mammoth planned project to construct the first nuclear power plant in Europe in decades has been made possible only with extensive state aid in violation of EU competition and other rules and regulations.

The action is aimed at the proposed construction of a nuclear power facility in Finland by the Teollisuuden Voima OY (TVO) group which has been claimed to cost a fixed price of €3.2 billion and involve a broad coalition of public and private financial and industrial participants, clients and supporters.

In an action filed with the EU Commission December 14, EREF, a non-profit industry organisation based in Brussels which represents small independent producers of renewable energy and other support groups throughout the EU, calls attention to what it regards as extensive non-compliance with EU law.

The letter filed by EREF calls attention to possible infraction of EU state aid, export credit, procurement, safety and other regulations and requests the European Commission to investigate. The document lists German, French, Swedish and Finnish entities in probable violation of EU laws and the Governments in those countries for having authorised such illegal transactions.

The widespread and complex transactions involve not only the Finnish power company, a Franco-German industrial enterprise and public and private financial or export credit guarantee institutions in both countries and probably Sweden. Specifically cited are TVO, AREVA, Framatome-ANP, Siemens, Bayerische Landesbank (German Public Bank), COFACE (French Export Agency) and SEK (Swedish Export Agency) in these countries. The Swedish involvement is especially noteworthy since Swedish Governments in the past decades and until today and the Swedish Parliament, like Germany, have decided to follow a policy of phasing out nuclear energy.

It also underlines that, contrary to EU law, none of these incidents of state aids in the form of low-interest loans, export credit and other advantages have been notified in advance to the EU authorities for their examination and not in connection with the authorisation procedure according to Article 41 Euratom Treaty.

The EREF complaint to the EU Commission charges “serious and orchestrated concertation and action” aiming “to reduce economic risks related to the projects...to a level which is unheard of in any power plant deal or any energy supply since liberalisation of the energy market in 1996.” Without the numerous acts of assistance to the project, the complaint continues, “which have to be seen in the overall context of discrimination and distortion of the European energy market, this project could not have happened at the guaranteed purchase price and TVO could not sell the future electricity at the envisaged and already subscribed low electricity price.”

The complaint by the renewable energy industry concludes that “structured energy distortions by the involvement of state authorities,” in this project, “undermine any level playing field and render access to the electricity market on the ground of fair market conditions for any other electricity supplier impossible, creating respectively maintaining a distorted market.” It reasons that the proposed price for the project’s electricity would amount to dumping.

It calls on the EU Commission authorities for competition, internal market and energy to open a formal investigation despite the fact that the previous Commissioner for energy had publicly referred to the project positively.

The action is aimed simultaneously at challenging perceived infractions to European and their rules and regulations which, if carried out, would provide unfair and uncompetitive advantage to a project and energy source that would otherwise not be competitive or economically viable. Despite the claims of its supporters and beneficiaries, these unfair and illegal advantages confer on the project a large number of sometimes hidden privileges unavailable to renewable and other competing energy sources and projects.

The development could be regarded as a crucial test of whether nuclear power is a viable energy source in the future without massive aid and benefits that are not available to other energy sources and which so distort the objective of a liberalised, open and fair European energy market that it calls the entire system into question.

The main support schemes questioned as state aid in this complaint are:

- A syndicated loan:

Bayerische Landesbank (BLB) gave in 2003 or in the beginning of 2004 a EUR 1.95 billion syndicated loan (of more than 60 % of the whole fixed price) for an interest of just 2.6% to the Finnish company Teollisuuden Voima OY (TVO) for the purchase of the Framatome-ANP 1600 MWh nuclear EPR (European Pressurised Water Reactor) purchased at fixed price of €3.2 billion. The transaction in question is a syndicated revolving credit of 1.95 billion EUR with two tranches maturing in 2009 and 2011 respectively given to TVO by Bayerische Landesbank for purchase of this fixed price turn-key contract. The other banks involved are Handelsbanken, Nordea, BNP Paribas and JP Morgan.

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- A generous export credit guarantee

The French Government budget via COFACE (French Export Credit agency) over 610 Mio Euro to AREVA , the French public parent company of Framatome/ANP, paid from budget reserved for non marketable risks and designed for deals in countries with high political, economic instability

- A generous financial support

By SEK from Sweden to the TVO project, which has up to now never been publicly detailed or specified by the Swedish Authorities but mentioned in the annual 2003 report of SEK

- Price dumping

The FRAMATOME ANP tender offer with the above fixed price constitutes price dumping thus distorting the market. It is evident that real costs will be much higher than 3.2 billion Euro. Already mandatory supplementary security demands by the Finnish Nuclear authorities will increase costs substantially. Increased material costs such as for steel will add to the burden. The International Energy Agency had already in 2003 questioned the economic viability of this project. IEA emphasised that Olkiluoto 3 will be “the first atomic reactor ever built in a deregulated market which can cause unforeseen problems”. The report also stressed that all over the world atomic energy projects have exceeded the calculations planned and they have not been able to keep to the planned building schedules.[1]

- A special transaction between TVO and Finnish communal authorities to long term obligation to purchase this electricity to a specific price violates, in EREF’s view, EC public procurement rules.

For EREF it is evident that Finland was chosen as a necessary test ground for a new push towards nuclear power at all cost, especially at a dumped fixed price offer by Framatome ANP to TVO in Finland.

The complaint is introduced by Kuhbier sprl law firm, Brussels, Dr. Dörte Fouquet, on behalf of EREF.

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