

# COMMISSION OF THE EUROPEAN COMMUNITIES

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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND PARLIAMENT

SECOND REPORT ON EURATOM BORROWING AND LENDING ACTIVITIES  
1979

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Note from the Commission to the Council and Parliament  
Second report on the  
EURATOM borrowing and lending activities

I. INTRODUCTION

On the basis of a proposal by the Commission, the Council empowered the latter on 29 March 1977 to issue loans on behalf of the European Atomic Energy Community; the funds raised were to be made available in the form of loans to finance investment projects relating to the industrial production of electricity in nuclear power stations and to industrial fuel-cycle installations (1).

Pursuant to this Decision, the Council fixed at 500 million European Units of Account the maximum amount of the loans which the Commission is empowered to issue on behalf of Euratom (1), with the proviso that the Commission shall inform the Council as soon as the operations have reached a level of 300 million EUA, to enable the Council to decide on the fixing of a farther amount in the light of the experience gained.

At the operational level, the Commission administers this financial instrument in close cooperation with the European Investment Bank.

The European Council of 21-22 June 1979 reaffirmed that economic growth would not be possible during the next few decades without the development of nuclear energy. A fresh impetus should therefore be given to nuclear programmes, thus making it incumbent upon Euratom to contribute to this policy through its financial instrument.

This report is the second submitted by the Commission pursuant to Article 4 of Decision 77/270 Euratom, which stipulates that : "The Commission shall inform the Council and the European Parliament at regular intervals of the revenue and expenditure transactions arising out of the contracting and servicing of Euratom loans issued and granted".

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(1) O.J. L 88 of 6 April 1977, EC Bull. 3-1977, Item 2.1.101  
Decisions 77/270 and 77/271 Euratom.

## II. IMPLEMENTATION OF THE MANDATE

### Action taken (loans)

As at 31 December 1979, the loan position was as follows :

-- Loans disbursed	320 million EUA
-- Loans projected but not yet made available	1 039 million EUA
of which : covered by Decision 77/271	180 million EUA
covered by Decision 80/29	500 million EUA
set aside for a possible third tranche	359 million EUA
-- Applications being considered	345 million EUA
-- Applications notified or possible	1 010 million EUA

The projects financed are in Belgium, France, Italy and the Federal Republic of Germany.

A breakdown of the total is given in the following table :

-- Société Luxembourgeoise de centrales nucléaires for the Mülheim-Karlich nuclear power station (D)	111.42 million EUA
-- Centrales Nucléaires Européennes à Neutrons Rapides NERSA for the Creys-Malville nuclear power station (F)	88.99 million EUA
-- Ente Nazionale per l'Energia Elettrica ENEL for the Alto Lazio nuclear power station (I)	69.69 million EUA
-- Société Réunies d'Energie du Bassin de l'Escaut EBES for the Doel nuclear power station (B)	50.54 million EUA
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	320.54 million EUA

On the borrowing side, Euratom bond issues on the capital market have been well received. Since the banks can now offer investors a further AAA rating they have gained access to a wider range of borrowers while the investment promoters have been able to diversify their system of raising funds.

Details of the loans contracted up to 31 December 1979 are given overleaf.

	<u>Amount of Loan</u>	<u>Rate in %</u>	<u>Term (year)</u>	<u>EUA equivalent rounded off to nearest million (31 December 1979)</u>
DM	200 000 000	5.75	10	80
DM	18 000 000	6,50	15	7
US \$	18 000 000	8.75	15	13
FS	80 000 000	4,25	12	35
US \$	50 000 000	9.125	12	35
DM	88 000 000	6.25	12	35
FS	20 000 000	3	6	9
LFr	500 000 000	8	8	12
FF	20 000 000	9.75	10	4
FS	15 000 000	3.625	6	7
FS	30 000 000	3.875	6	13
FF	60 000 000	8.75	6	10
FB	1 500 000 000	8.75	8	37
FF	150 000 000	9.75	8	26
				323
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### III. COOPERATION BETWEEN EURATOM AND THE EIB

Cooperation between Euratom and the EIB is based on the agreement between the Commission and the EIB, the text of which is incorporated in the minutes of the Council meeting of 29 March 1977. To this outline agreement have been added a number of practical provisions agreed upon by the departments of the two institutions.

In all the applications processed so far, the Euratom loan has been accompanied with part-financing by the EIB.

During the period under review, cooperation between Euratom and the EIB has been highly successful. The commission paid to the EIB amounts to 0.125% p.a. of the total loans granted.

### IV. ASSESSMENT

The slowing-down in the nuclear programme in most Member States during recent years, referred to in the previous report, proved to be less marked in 1979 and this is reflected in the level of applications for financing shown in Section II above. However, the amounts paid out to date cover only between 2 and 3% of the costs, depending on the project.

Loans requested and granted remained within the limit of 20% of the capital expenditure for any given project, laid down by the Council and the ceiling for Euratom transactions. Euratom requires the same guarantees as the EIB.

Experience in the two and a half years during which Decisions 77/270 and 77/271 Euratom have been applied, suggests that certain amendments to the definitions and procedures should be considered :

1. When the amount of 300 million EUA for loans was reached, the Commission proposed to the Council new arrangements for an additional amount of 1 000 million EUA. On 20 December 1979\* the Council decided to allow the Commission to issue a second tranche of 500 million EUA, and took formal note of the following declaration by the Commission: "The Commission declares that it will shortly be led to present a new proposal designed to increase the ceiling for Euratom borrowings in view of the loan applications already submitted or notified. On that occasion the Commission will examine the question of the scope of the Decision of 20 March 1977".
2. Experience has shown that new applications may be submitted which fulfil the objectives of that decision in that they facilitate the use of nuclear power to increase the Community's self-sufficiency in the area of energy supplies. Among such applications reference should be made to :
  - the financing of installations designed to exploit uranium deposits both inside and outside the Community, on condition that a specific percentage of the production (based on the level of financing granted by Euratom) is made available to Community undertakings;
  - methods of transporting fissile materials (for example, methods of transporting spent fuel to the re-processing plants at Cap de la Hague or Windscale);
  - heat production from nuclear reactors for use in industry or distribution, such as urban heating (for example, the existing case of a nuclear reactor first providing heat to a nuclear research centre and subsequently to other users), which is very much in line with Community policy on energy conservation.

With regard to the last sector mentioned (production of heat) the applications are not eligible under the terms of the first article of Decision 77/270 Euratom: the Commission is therefore considering a modification of this provision.

\* O.J. L 12/28 of 17.1.1980 : Decision 80/29 Euratom

While there has been a significant growth in the number of loan applications submitted and examined, there is always a certain time-lag in arranging funds for certain projects. This is mainly attributable to an increase in the own resources of certain electricity companies due to higher tariffs and their ability to borrow at a rate close to or even lower than that offered by Euratom.

#### V. CONCLUSIONS

The action taken in 1979 has shown that dynamic use of Euratom's financial instrument has led to the fixing of a new ceiling of 500 million EUA and the need for a broader definition of the investments eligible for Euratom loans.

This report is addressed to the Council and European Parliament for information purposes.