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Brussels, 18 December 1974

DRAFT COUNCIL DECISION

EMPOWERING THE COMMISSION TO ISSUE EURATOM LOANS
WITH A VIEW TO A COMMUNITY CONTRIBUTION TOWARDS
THE FINANCING OF NUCLEAR POWER STATIONS

(submitted by the Commission to the Council)

EXPLANATORY MEMORANDUM

I. Energy aspects

As the Commission stated in connection with the presentation of the documents on energy policy adopted on 27 November, Europe's external dependence upon oil supplies must be cut from 63 to 45% by 1985 and half the electricity needs must be covered by nuclear energy (aim 200 GWe) by the same date.

If account is taken of the capacity which has already been installed or is in the process of being installed (commissioning before the end of 1975), representing supplies of about 20 GWe, efforts to be continued or initiated between now and 1981 involve

150 GWe, on the basis of objectives set by the member countries,
180 GWe, on the basis of the objective proposed by the Commission.

The additional requirement in specific investments for nuclear power stations above those of conventional power stations is of the order of 100 u.a./kWe (100 million u.a./GWe). Since the specific investment for nuclear power stations is of the order of 350 /kWe (350 million /GWe), the financing need corresponding to the Commission's objective involves annual expenditure commitments of:

1975:	5 285 million u.a.
1976:	4 410 million u.a.
1977:	7 455 million u.a.
1978:	8 750 million u.a.
1979:	9 450 million u.a.
1980:	10 850 million u.a.

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These commitments relate to investments spread over the six years required for construction. The corresponding annual expenditures are as follows:

1975:	2 600 million u.a.	1981:	11 150 million u.a.
1976:	3 500 million u.a.	1982:	12 600 million u.a.
1977:	5 000 million u.a.	1983:	13 700 million u.a.
1978:	7 000 million u.a.	1984:	14 800 million u.a.
1979:	8 650 million u.a.	1985:	15 750 million u.a.
1980:	10 100 million u.a.		

For the period 1975-1985, the demand for nuclear fuels will require investments of the order of 7 500 million u.a., as follows:

Mines:	1 500 million u.a.
Enrichment:	5 000 million u.a.
Reprocessing:	1 000 million u.a.

As regards enrichment and reprocessing, investment will be distributed among a few factories only in respect of which serious financing problems might arise.

For example, an enrichment plant of 10 000 metric tons/SWU/year would need an investment of the order of 2 000 million u.a. and a reprocessing plant of 1 000 metric tons/year, an investment of at least 280 million u.a.

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The present economic situation, which for electricity producers is expressed mainly as

artificially low tariffs imposed by the authorities as part of the drive to curb inflation,

has severely curtailed the scope for self-financing, so that the producers have been forced to use the capital market more.

But with interest rates running at very high levels, the electricity producers find themselves confronted with very serious financing problems.

This situation arises at a time when these producers must agree to additional costs incurred from the following:

- the sharp increase in the price of fossil fuels,
- a more rapid shift towards nuclear energy, which involves higher specific investment costs than for conventional plants,
- the need to encourage the use of electricity in order to speed up the replacement of oil by uranium in the Community's energy supply pattern.

The industrial production of electricity by nuclear power stations and the plants that supply them with fuel raise a major financial problem, having regard on the one hand to the capital-intensive nature of the industry, and on the other to the tightness of the capital markets.

To cope with this situation, the Commission has proposed a common financing policy which would involve greater utilization of Community financial resources, and in particular direct recourse to Euratom loans (Article 172 of the EAEC Treaty).

Financial intervention by the Commission under the Euratom Treaty is not intended to replace the traditional sources of finance in the energy investment sector, but to offer an additional source by mobilizing capital to which electricity utilities would not normally have access.

Euratom's financial activity would be based largely on the policy followed by the Commission in more than 20 years' experience in connection with the ECSC Treaty. It would involve granting supplementary loans of an amount which would not normally exceed 30% of the other funds borrowed by the undertaking.

These long-term loans would be backed by normal banking security, i.e. primarily - as in an ECSC-context - by guaranties and liens on real estate.

As far back as 1963, funds amounting to \$ 41 millions were raised under the Euratom treaty and passed by way of loan to undertakings in the European Atomic Energy Community.

III. Conclusions

The Community has a vital interest in enabling nuclear energy to make its contribution as quickly and on as large a scale as possible in order to diminish the consequences of over-dependence on one particular source of energy.

In this connection, emphasis should be placed on collective effort, which would be an expression of European solidarity. The Commission therefore proposes that the provisions of Article 172(4) of the EAEC Treaty should be invoked to assist in the financing of nuclear power stations and the plants supplying them with fuel through the raising, principally on the international capital market, of funds to be re-lent to electricity producers.

The Commission feels that loans of an annual volume of 500 million u.a. would help substantially towards the implementation of its energy programme.

In view of the constant changes on capital markets (which often call for very quick decisions), and in order to enable the Commission to raise the required funds on the best possible terms, it is desirable that the Council should empower the Commission to raise loans on the scale indicated above to the best advantage of the Community.

Finally, it should be stressed that the Euratom loans granted will be in the same currency as the borrowed funds, and subject to conditions in regard to interest rates, duration and guarantee which will fully cover servicing of the borrowed funds, and will therefore not involve any charge on the Community budget.

The Commission therefore requests the Council to adopt the following draft decision:

DRAFT COUNCIL DECISION EMPOWERING THE COMMISSION TO ISSUE EURATOM LOANS WITH A
VIEW TO A COMMUNITY CONTRIBUTION TO THE FINANCING OF NUCLEAR POWER STATIONS

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Atomic Energy Community, and in particular Articles 2 and 172 thereof;

Having regard to the draft submitted by the Commission ;

Having regard to the Opinion of the European Parliament ;

Whereas nuclear energy can, through a very large-scale contribution to electricity production, reduce the excessive dependence on external sources of energy and hence improve the import situation.

Whereas, given current technical and economic conditions, the use of nuclear energy for the production of electricity is economically profitable and appreciably less costly than the use of petroleum products;

Whereas the additional investment required for nuclear plant by comparison with conventional plant, combined with the cost entailed by the increase in the price of petroleum products, which affects the operating costs of existing conventional power plants, means that electricity producers are being forced to borrow more;

Whereas Article 2(c) of the Euratom Treaty assigns to the Community the task of facilitating investment and ensuring, particularly by encouraging ventures on the part of undertakings, the establishment of the basic installations necessary for the development of nuclear energy in the Community; and whereas in order to meet this obligation the Community may under Article 172 paragraph (4) of the Euratom Treaty raise loans for the financing of research and investment in the nuclear industry;

Whereas in view of the large amount of capital required the financing potential should be increased, and whereas it appears that Euratom can provide a substantial amount of aid in this field;

Whereas the Community has a duty to employ all the means at its disposal in order to facilitate the attainment of the aims adopted under the new European energy policy strategy;

HAS DECIDED :

Article 1

The Commission is empowered to raise on behalf of the European Atomic Energy Community one or more loans, up to a maximum of 500 million units of account in respect of any one year, the proceeds of which will be applied by way of loans for the purpose of financing investment projects relating to the industrial production of electricity of nuclear origin and to the installations involved in supplying such projects with fuel.

Article 2

The terms of each loan raised shall be negotiated by the Commission in the best interests of the Community having regard to the conditions on the capital market and in accordance with the requirements imposed by the term of the loans to be made by it.

Article 3

It shall be for the Commission to decide on the granting of each loan. Such decisions shall be based in particular on the principle that preference will be accorded to the use of resources in the most profitable conditions using installations of optimum size. The loans shall be guaranteed in the manner customary in banking practice.

Article 4

Incomings and outgoings in respect of borrowings and loans under this Decision by the European Atomic Energy Community shall be entered in the section of the Budget of the Communities which relates to research and investment expenditure.

Article 5

The Commission shall inform the Council and the Parliament at regular intervals as to the progress of the operations provided for in this Decision.

Article 6

This Decision shall enter into force on 1 March 1975.

