



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 03.09.1997
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Proposal for a

COUNCIL DECISION

concerning a
Community Contribution to the
European Bank for Reconstruction and Development
for the
Chernobyl Shelter Fund

(presented by the Commission)

Explanatory Memorandum

Introduction

1. In 1996 an international group of experts, including experts from the EU, US and Ukraine, elaborated a study of alternative solutions to convert the Chernobyl Unit 4 and its present shelter (Ukritye) into an environmentally safe condition. The study report issued 29 November 1996 proposed a Recommended Course of Action, comprising stabilisation and other short term measures, preparation for conversion into an environmentally safe site, and conversion into an environmentally safe site.

The G-7 Nuclear Safety Working Group reached an agreement at the beginning of 1997 with representatives of the Government of Ukraine to proceed with the further development of the Recommended Approach. As a result, a Shelter Implementation Plan (SIP) was developed in close cooperation with EU, US and Ukrainian experts with a view to transforming the existing Chernobyl sarcophagus into a safe and environmentally stable system.

The SIP includes the following major technical steps to be implemented over the period up to 2005:

- The stabilisation of the present shelter to the minimum extent required for the follow-up steps;
- shielding for radiation protection purposes;
- increase nuclear safety to eliminate risk of criticality through water management;
- build a new confinement;
- remove upper unstable parts of present shelter;
- analyse Fuel Containing Masses (FCM) and elaborate FCM removal strategy.

The total cost of the proposed measures will be about 750 million USD. The content of the SIP has been explained in detail to the Phare/Tacis Nuclear Safety Expert Group on 27 May 1997.

2. At their Denver Summit of June 1997, the G7 Heads of State and Government and the President of the European Commission endorsed the setting up of a multilateral funding mechanism to assist Ukraine in transforming the existing Chernobyl sarcophagus into a safe and environmentally stable system, with measures as described in the Shelter Implementation Plan.
3. The SIP is composed of 22 tasks to be executed over a period of 8-10 years to secure and stabilise the sarcophagus. These tasks will be grouped into a series of integrated projects to be prepared under the supervision of the European Bank for Reconstruction and Development by a technical management team, including architect/engineers. The EBRD has been asked to provide programme management and to manage the funds for the overall project in a special account called the Chernobyl Shelter Fund (the Fund). Accordingly, the Board of Directors of the EBRD is to establish the Fund and to accept the administration of the Fund by the EBRD in accordance with the Rules.

The Rules of the Chernobyl Shelter Fund

4. More specifically, the Rules of the Chernobyl Shelter Fund contain the following provisions:

4.1 The purpose of the Fund is to finance, through specific grants, the provision of works and services necessary to support the carrying out of the SIP as agreed between the G-7 and Ukraine, and comprises the provision of technical assistance, public information, consultancy, civil works and engineering services and the acquisition, installation and placing into operation of equipment, and to pay for the costs and expenses arising from the carrying out of such activities.

4.2 The Fund and its resources will be administered by the EBRD acting on behalf of contributors and in accordance with the provision of the Rules.

The Bank shall receive compensation for all costs incurred by it and for fees and expenses of consultants engaged by the Bank in connection with the administration of the Fund.

The resources of the Fund shall be separate from the ordinary capital resources and from other Special Funds resources of the EBRD.

4.3 As regards the governance of the Fund, the Assembly of Contributors, in which each contributor will be represented, will exercise a supervisory role and determine the principle orientations of the activities financed with the resources of the Fund.

The Community and the Chernobyl Shelter Fund

5. From the Community point of view the setting up of the Chernobyl Shelter Fund is desirable in that it will provide a powerful tool to assist Ukraine in resolving a major safety hazard for itself and for Europe. This is fully in line with the objective of the existing Tacis Nuclear Safety Programme. It should be noted that the Community is by far the largest donor of assistance in the field of nuclear safety.
6. Community participation in the Chernobyl Shelter Fund will also help to ensure that the activities carried out under the Shelter Implementation Plan will be placed in the context of the Memorandum of Understanding between the G7 and Ukraine on the closure of Chernobyl by the year 2000.

The Community contribution to the Chernobyl Shelter Fund

7. As regards the level of the Community's contribution to the Chernobyl Shelter Fund, the Commission proposes a contribution of a maximum of 100 MECU over two years.
8. The SIP is a comprehensive set of measures and it is essential that the SIP is managed under a single implementation scheme. This is provided in the Shelter Fund rules. These rules also contain provisions for the procurement of services and of supplies.

EBRD procurement policies and rules will apply to grants made from the resources of the Fund, except that in principle procurement shall be limited to goods and services produced in or supplied from the countries of the contributors or to the countries of EBRD operation. These rules are thus not fully consistent with the Tacis rules. Therefore a specific budget line will be created.

9. A new budget line from which the contribution can be operated shall be created in view of the nature of the shelter project and the rules of the Fund. The Commission will propose to the Budgetary Authority the creation of this new line in the 1998 and 1999 budgets.

The corresponding amount to be inscribed in this new budgetary line will come from existing Tacis credits.

10. The proposed Community contribution of a maximum of 100 MECU will be used to cover the commitment of the Commission to seek a Community contribution of 100 Mio USD as part of the total 300 Mio USD committed by the G7 in Denver in June 1997. The precise amount to be transferred in ECU to the EBRD will be calculated when including the second tranche in the 1999 budget taking into account the applicable exchange rates ECU/USD.
11. The contribution to the EBRD will be administered by the Commission. The usual auditing requirements will apply.

Conclusion

12. The Commission therefore proposes that the Council adopts the attached proposal for a Decision concerning a Community Contribution to the European Bank for Reconstruction and Development for the Chernobyl Shelter Fund, pursuant to Article II, Section 2.02 of the Rules for the Fund.

**Proposal for a
Council Decision
(Euratom/EC) No .../97**

**Concerning the Community Contribution to the European Bank for Reconstruction and
Development for the Chernobyl Shelter Fund**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 235 thereof,

Having regard to the Treaty establishing the European Atomic Energy Community, and in particular Article 203 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

Whereas a Memorandum of Understanding (MoU) was signed on 21 December 1995 between the governments of the G7 countries and the Commission of the European Communities and the government of Ukraine on the closure of the Chernobyl Nuclear Power Plant by the year 2000;

Whereas Article III §4 of the MoU provided that Ukraine and the G7 will continue to cooperate in the development of a cost effective and environmentally sound approach to the shelter for Chernobyl IV, including the definition, as soon as possible, of technical and cost options as the basis for reviewing financial requirements;

Whereas the Commission, through the Tacis programme, participated actively in the development of such an approach which resulted in the definition of the "Shelter Implementation Plan" (SIP) endorsed by the Ukrainian authorities;

Whereas at their Denver Summit of June 1997, the G7 Heads of State and Government and the President of the European Commission decided to add to the commitments undertaken in the MoU with Ukraine and endorsed the setting up of a multilateral funding mechanism to assist Ukraine in transforming the existing Chernobyl sarcophagus into a safe and environmentally stable system, with measures as described in the SIP;

Whereas the implementation of the SIP will be placed in the context of the MoU between the G7 and Ukraine on the closure of Chernobyl by the year 2000;

Whereas, for the purpose of implementing the SIP, the Chernobyl Shelter Fund has been established at the European Bank for Reconstruction and Development (EBRD) and will be administered by the EBRD;

Whereas the Community pursues a clear policy of supporting Ukraine in its efforts to eliminate the consequences of the nuclear accident which occurred on 26 April 1986 at the Chernobyl Nuclear Power Plant and is thus willing to contribute the Chernobyl Shelter Fund;

Whereas, without prejudice to the powers of the budgetary authority, the contribution should amount to a maximum of 100 MECU over the two years 1998 and 1999;

Whereas the contribution will be taken from existing Tacis credits and will thus not imply any supplementary budgetary expenditures from the 1998 and 1999 budgets;

Whereas this contribution shall be administered by the European Commission;

Whereas the Commission will ensure that, with regard to procurement arrangements pursuant to the rules of the Chernobyl Shelter Fund, no discrimination will be made between individual Member States of the European Community, irrespective of their having concluded individual Contribution Agreements with the Bank or not;

DECIDES:

Article 1

1. The Community shall contribute to the European Bank for Reconstruction and Development (EBRD) for the Chernobyl Shelter Fund, pursuant to Article II, Section 2.02, of the Rules of the Fund.
2. The contribution to the Fund shall be administered by the Commission in accordance with this Decision.

Article 2

The Community will make a contribution to the Fund of a maximum amount of 100 million ECU, to be paid over the two years 1998 and 1999.

Article 3

1. The Commission will forward all relevant information to the Court of Auditors and will request from the EBRD supplementary information that the Court of Auditors may wish to receive, as regards the financial operation of the Chernobyl Shelter Fund to the extent that it is related to the Community's contribution.
2. The Commission shall present, on a yearly basis, a progress report on the

implementation of the Chernobyl Shelter Fund to the Council through the Committee for assistance to the New Independent States and Mongolia (Council Regulation (Euratom/EC) N°1279/96, Art.8, §1).

Done at , 1997

*For the Council
The President*

Financial Statement

The Contribution Agreement with a total contribution of 100 MECU (maximum amount) over two years, will not imply any supplementary budgetary expenditures from the 1998 and 1999 budgets.

The Community Contribution to the Chernobyl Shelter Fund will be funded entirely from existing Tacis credits. A new budget line will be created for this contribution to the EBRD.

See Annex I for more details.

FINANCIAL STATEMENT

1. TITLE OF OPERATION

Proposal for a Council Decision concerning a Community Contribution to the European Bank for Reconstruction and Development for the Chernobyl Shelter Fund.

2. BUDGET HEADING INVOLVED

Creation of a new line under heading B7-52.

The action will be financed from the indicative Financial Envelope for Tacis (B7-52)

3. LEGAL BASIS

Article 235 of EC Treaty; Article 103 of Euratom Treaty.

Proposal for a council decision concerning a Community Contribution to the EBRD for the Chernobyl Shelter Fund.

4. DESCRIPTION OF OPERATION

4.1 General objective

The Chernobyl Shelter Fund has been established for the purpose of carrying out the Shelter Implementation Plan, whose aim is to build an environmentally secure sarcophagus around the Chernobyl nuclear power plant in Ukraine. From the Community point of view the setting up of the Chernobyl Shelter Fund is desirable in that it will provide a powerful tool to assist Ukraine in resolving a major safety hazard for itself and for Europe. This is fully in line with the objective of the existing Tacis Nuclear Safety Programme.

4.2 Period covered and arrangements for renewal

Allocations will be made in 1998 and 1999. Their renewal is not foreseen.

5. CLASSIFICATION OF EXPENDITURE OR REVENUE

5.1 Compulsory/Non-compulsory expenditure

Non-compulsory expenditure

5.2 Differentiated/Non-differentiated appropriations

Differentiated appropriations

5.3 Type of revenue involved

Not applicable

6. TYPE OF EXPENDITURE OR REVENUE

-	<i>100% subsidy:</i> NO
-	<i>Subsidy for joint financing with other sources in the public and/or private sector:</i> YES
-	<i>Interest subsidy:</i> N/A
-	<i>Other:</i> N/A
-	<i>Should the operation prove an economic success, is there provision for all or part of the Community contribution to be reimbursed?</i> N/A
-	<i>Will the proposed operation cause any change in the level of revenue? If so, what sort of change and what type of revenue is involved?</i> N/A

7. FINANCIAL IMPACT

7.1 Method of calculating total cost of operation (relation between individual and total costs):

The total cost of the Chernobyl fund project has been evaluated by the group of experts who developed the project. It has been estimated at 750 million USD over the period 1998-2005. The Community provides a partial contribution to the fund.

The proposed Community contribution of a maximum of 100 MECU will be used to cover the commitment of the Commission to seek a Community contribution of 100 Mio USD as part of the total 300 Mio USD committed by the G7 in Denver in June 1997. The precise amount to be transferred in ECU to the EBRD will be calculated when including the second tranche in the 1999 budget taking into account the applicable exchange rates ECU/USD.

7.2 Itemised breakdown of cost

Commitment appropriations ECU million (at current prices)

Breakdown	1998	1999	n + 2	n + 3	n + 4	n + 5 and subs. yrs	Total
Community Contrib. to EBRD for Chernobyl Shelter Fund	70	30 (max)	-	-	-	-	100 (max)
Total	70	30 (max)					100 (max)

**7.3 Operational expenditure for studies, experts etc. included in Part B of the budget
NOT APPLICABLE**

7.4 Schedule of commitment and payment appropriations

ECU million							
	year n 1998	n + 1 1999	n + 2	n + 3	n + 4	n + 5 and subs. yrs	Total
Commitment appropriations	70	30 (max)					100 (max)
Payment appropriations							
1998	70						
1999		30 (max)					
n + 2							
n + 3							
n + 4							
n + 5 and subs. yrs							
Total	70	30 (max)					100 (max)

8. FRAUD PREVENTION MEASURES

Audit by the Court of Auditors will be possible as indicated by the exchange of letters with the European Bank for Reconstruction and Development. Annual reporting to the Assembly of Contributors, of which the European Commission will be a member.

9. ELEMENTS OF COST-EFFECTIVENESS ANALYSIS

9.1 Specific and quantified objectives; target population

The Shelter Implementation Plan includes the following major technical steps to be carried out over the period up to 2005:

- The stabilisation of the present shelter to the minimum extent required for the follow-up steps;
- shielding for radiation protection purposes;
- increase nuclear safety to eliminate risk of criticality through water management;
- build a new confinement;
- remove upper unstable parts of present shelter;
- analyse Fuel Containing Masses (FCM) and elaborate FCM removal strategy.

The total cost of the proposed measures will be about 750 million USD. The content of the SIP has been explained in detail to the Phare/Tacis Nuclear Safety Expert Group on 27 May 1997.

Although Ukraine is the target beneficiary, the benefits of nuclear safety are global, and provide added environmental security for the European Union Member States.

9.2 Grounds for the operation

In 1996 an international group of experts, including experts from the EU, US and Ukraine, elaborated a study of alternative solutions to convert the Chernobyl Unit 4 and its present shelter (Ukritye) into an environmentally safe condition. The report proposed a Recommended Course of Action, comprising stabilisation and other short term measures, preparation for conversion into an environmentally safe site, and conversion into an environmentally safe site.

The G-7 Nuclear Safety Working Group reached an agreement at the beginning of 1997 with representatives of the Government of Ukraine to proceed with the further development of the Recommended Approach. As a result, a Shelter Implementation Plan (SIP) was developed in close cooperation with EU, US and Ukrainian experts with a view to transforming the existing Chernobyl sarcophagus into a safe and environmentally stable system.

At their Denver Summit of June 1997, the G7 Heads of State and Government and the President of the European Commission endorsed the setting up of a multilateral funding mechanism to assist Ukraine in transforming the existing Chernobyl sarcophagus into a safe and environmentally stable system, with measures as described in the Shelter Implementation Plan.

9.3 Monitoring and evaluation of the operation

An annual report will be sent to all contributors. The Assembly of Contributors will monitor and oversee the actions undertaken in the SIP.

10. ADMINISTRATIVE EXPENDITURE (SECTION III, PART A OF THE BUDGET)

10.1 Effect on the number of posts

Actual mobilization of the necessary administrative resources will depend on the Commission's annual decision on the allocation of resources, taking into account the number of staff and additional amounts authorized by the budgetary authority.

Type of post		Staff to be assigned to managing the operation		Source		Duration
		<u>Permanent posts</u>	<u>Temporary posts</u>	Existing resources in the DG or department concerned	Additional resources	
Officials or temporary staff	A	0.25		0.25		1998-2005
	B	0.25		0.25		
	C	0.10		0.10		
Other resources						
Total		0.6	0	0.6	0	

10.2 Overall financial impact of additional human resources

ECU million

	Amounts	Method of calculation
Officials Temporary staff Other resources (indicate budget heading)	0	No additional human resources required
Total	0	

10.3 Increase in other administrative expenditure as a result of the operation

Budget heading	Amounts	Method of calculation
A-130	1875 Ecu	<i>London meetings (3 per year)</i> Three 2-days mission per year for 1 official

The necessary resources for missions by Commission officials will be obtained through redeployment of existing resources.

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