

EU Delivers Major Boost for Ukraine Energy Sector

Brussels, 13 December 2000: The European Commission's decision to help finance completion of the Khmelnitski-2 and Rovno-4 reactors is a major breakthrough, offering Ukraine "the chance to build a stable energy future", according to FORATOM, the trade association for the nuclear industry in Europe.

The so-called K2R4 project provides for the upgrading and commissioning of the two reactor units to Western safety standards, in line with independently evaluated improvement measures. The project also includes an environmental action plan, based on an environmental impact assessment, which has already been completed.

"The EU has sent out a clear signal that it is serious about helping Ukraine reform its energy sector and its economy," said FORATOM's Secretary General, Dr. Wolf-J. Schmidt-Küster. "The decision also shows the EU's commitment to maintaining and enhancing nuclear safety in Central and Eastern Europe."

The Euratom loan, worth US\$ 585 million, means the EU will be the largest single contributor to the project, which will compensate for the closure of Chernobyl, due to take place on Friday.

The Commission's approval of the loan comes one week after a similar decision by the European Bank for Reconstruction and Development (EBRD) to support the project with a loan worth US\$ 215 million. Export credit agencies are due to cover a further US\$ 348.3 million of the total cost (US\$ 1.48 billion).

The EBRD decision was based on extensive research and analysis work by independent experts. They recently concluded that completion of the Khmelnitski reactor (in 2002 or 2003) and of the Rovno unit (in 2004 or 2005) was most likely to be "the least-cost and least risky economic choice". Other possible options included new fossil-fuelled plant, solar, wind and biomass.

Dr. Schmidt-Küster added: "Significantly, the nuclear power option came out on top, even under the difficult economic conditions that exist in Ukraine. The international financial package will give Ukraine the chance to build a stable energy future. The project will be of direct benefit to the people of Ukraine, giving them two new sources of reliable, 'home-grown' electricity. However, the loans will also involve major challenges.

"For the finance to materialise, Ukraine will have to press ahead with safety enhancements at all its nuclear power plants, and will have to prove that it has a properly resourced and independent regulator. Further reform of the energy sector will be another important part of the deal."

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