

GERGELY JÁKLI

# THE FATE OF THE PROJECT IS IN OUR HANDS

Why is the international cooperation important? How can we move forward in an ever-changing geopolitical situation? What are the potential connections to the currently operating nuclear power plant? We have talked to Gergely Jákli, Chairman-CEO of Paks II Ltd.



*Did the change of management last September bring any change of direction?*

There hasn't been any change of direction because there was no need to do so, as the goal remains the same: to build a nuclear power plant that can be operated safely in the shortest possible time. Moreover, it was not a simple change of management, but a simultaneous change in the relationship with the Owner and a redefinition of responsibilities. The State Secretariat, which had been supervising the project, has ceased, so the company had to take over most of the tasks it had been managing from the Ministry of Foreign Affairs and Trade, which is the Owner. The conversion of structure has shortened the decision-making chain. As a project company, the responsibility of Paks II Ltd. has increased in direct proportion. We must also have the ability to actively participate in the preparation of the decisions of the state administration to formulate the points that are necessary to keep the project moving and to have control over our own budget planning. It is important to be able to put forward arguments to the state administration on a professional basis. This also brings with it a change of approach and organizational fine-tuning.



**Both Péter Szijjártó and Alexey Likhachev spoke to the press about the acceleration of the project. How can we imagine it, what reserves are there in the project?**

In addition to the change in structure and shortening of the decision-making chain outlined above, there are also reserves in the legal environment that defines the contractual background of the project. In 2014, the EPC contract was drawn up on the basis of an intergovernmental agreement, which formulated a rational process along the lines of the logic of that time. In addition to geopolitical and technological changes, the project management methodology has evolved. There is potential for speeding up by simplifying administration, by identifying points that are excessive brakes, by learning from international examples. We are managing a long-term investment in a constantly changing economic and political environment. Rigorously cemented piles may seem to provide stability, but they also tie our hands and sooner or later make it more difficult to move the project forward. As I see the contractual environment is also full of such pillars, which are more of a hindrances and a slowing factors.

**Can we create that kind of legal framework that provides both stability and flexibility?**

I am convinced that it is. During my career, we have written and managed many international credit contracts, EPC contracts and intergovernmental contracts. In my experience, there are two options: either you define each point very strictly and work out the scope in great detail - but then you have to manage the contract continuously as the world changes around you - or you leave a wider scope, leaving the client and the contractor's movements to the professionalism. Time is of the essence, because we need a streamlined approach, and the organization has been given the necessary authority under the current governance



model, under the current system of ownership, to raise these issues today and put its proposals for change to decision-makers. The fate of the project is in our hands. If we can make a small change in each area, they will not simply add up, they will multiply and we can simplify and speed up our processes exponentially. But one factor cannot be ignored in this process and that is the issue of nuclear safety. There is a lot of attention on this project, not only from suppliers but also from the International Atomic Energy Agency, for example. A few weeks ago, we had a visit from Director General Rafael Grossi, who I informed about the progress of the project, and he assured us that good practices will be shared with us and that he would help us with recommendations.



Visiting Flamanville as a member of the delegation led by Minister of Foreign Affairs and Trade Péter Szijjártó | 13. 03. 2023. | Source: MFA



Meeting Rafael Grossi, Director General of the International Atomic Energy Agency | 22. 02. 2023. | Source: MFA

**Even so, the situation is not that simple. As you mentioned, the geopolitical environment has changed since the project started. The European Union is deciding on more and more sanctions. A German company interested in supplying I&C technology has not received an export licence until now. There are those who believe that replacing the Contractor is the right solution.**

Let's take a look at it from a broader perspective! Today, the average electricity demand is 6000 megawatts. If only the currently known developments are implemented and there is no further industrialization, this will rise to around 10000 megawatts by the early 2030s. It means that Paks I and Paks II, with a combined capacity of 4400 megawatts, will still be able to meet 40-45% of the demand. We have a growing and expanding economy, we have no fossil energy resources, and the deployment of renewables is limited. Nuclear has a major role to play in our energy mix and we need new units as quickly as possible. Working with the Contractor on any investment of this scale is obviously a complex task. The various solutions are the result of extensive negotiations. We also have to be prepared to live and work in this sanctioned environment. We need to integrate sanctions management into our processes. This is in our fundamental interest. We need to monitor what is happening in the world so that we can identify risks and be able to

react immediately. At the same time, let us not forget that this is a nuclear power plant in Hungary of international cooperation, with plenty of Western suppliers, also because it is a well-established construct that Rosatom, with the world's leading technology, adds to its primary circuit technology various components from Western European and American suppliers. The Russian primary circuit and European I&C are proven technologies. We are committed to this, we plan to continue implementing the project with Rosatom, and our suppliers - both Framatome and Siemens - are also committed to the project. Discussions are ongoing at various levels to ensure that a solution is found. I am optimistic that we will be able to resolve this and to develop a mechanism that will also be in line with the sanctioning environment. However, in my view, this kind of, this kind of intervention and influence of international politics on our project is unfortunate. For a nuclear power plant, the choice of technological components should be determined by safety-driven technical requirements, not by politics.



***There are different dates for the first concrete pouring, which is considered a milestone in the nuclear industry, and the date of 2032 has been mentioned several times at government level for the start of operations. What does the scenario look like?***

The EPC contract contains 2030. We, as a contracting party, consider this to be the target date in force. The first concrete pouring still requires a number of licenses, infrastructure conditions and site preparation works to be completed, so my „to do list” priority at the moment is to start the construction of the cut-off wall. In fact, I am focusing on one date and one task – the commissioning. My task is to bring a safely operational nuclear power plant online as soon as possible, so that it will be available to the population and industry of my country until the end of the century.

***What are the most important tasks for this year and what will happen on the site in the coming months?***

The schedule of the works depends on the availability of licenses. Recently, the Contractor has provided us with an increasing number of licenses and construction plans, which gives reason for optimism. Our technical experts are constantly processing the documents and converting them into license applications. The main task this year will be the preparation of the ground. Hopefully, the construction of the cut-off walls will start in a few weeks. Naturally, this work will be carried out in such a way that it will not have any impact on the safe operation of the Paks Nuclear Power Plant.



**It is in the interest of Paks I. that Paks II. should be constructed. And it is in the interest of Paks II., that Paks I. is kept in operation.**

***Speaking of Paks Nuclear Power Plant... that company also has a new CEO. Have you been able to negotiate? Have you found a common ground?***

Yes, we have. We share the same principles and the same views. Hungary is a small country, more than 90% of nuclear experts are concentrated here in Paks and its surroundings. Six nuclear power plant units will be lined up next to each other like organ pipes, and there is simply no option not to exploit synergies and opportunities for cooperation. Paks I has 40 years of operation experience, we have a wealth of experience in designing and licensing, and we expect to acquire similar competences in construction management. We need to share these experiences with each other. I think that sooner or later it would be useful to look at the possibility of reviewing the EU decision in terms of operation. The original decision delegated the implementation of the new units to a separate company on economic grounds, but in my opinion, taking into account international recommendations, it is also worth examining it as an operational safety issue.



Presentation at the company's employee forum | 13. 02. 2023

***Now Paks II Ltd. exercises the ownership rights of PIP Ltd. The company is undergoing a major restructuring. What is the goal here?***

Indeed, a major transformation is well underway. The aim is to allow the company to focus on the „tasks outside the fence”, infrastructure improvements that directly support the implementation of the project. Regional development tasks that could also strengthen the acceptance of the use of nuclear energy in the region are the responsibility of the Central Danube Development Council. By clarifying these competences, a thoughtful development can be achieved.

***You have come from the financial sector to nuclear energy. How do you feel?***

I came from a regulated sector to a regulated sector. Process instructions, control, rule following, all of these

were „drilled into me” as part of my work socialisation, it is not new for me. What I found very positive is that there is a strong cooperation among international communities in the nuclear industry. I think that there is room for creativity in certain situations, but the best ideas still come from constantly monitoring international trends and practices. What I have learnt in the financial world is that some of the problems are usually faced by others, so the ability to learn from international examples is very important. This is equally applicable in the nuclear industry. Our company is also supported by sharing experiences. We can learn from it, improve our ability to solve problems and speed up the various projects. So the answer to the question: I feel at home. In fact, people are friendlier here.