

## **CONTRACTS SIGNED ON IMPLEMENTATION OF NEW REACTOR UNITS AT THE PAKS NUCLEAR POWER PLANT**

**On 9 December 2014, MVM Paks II. Atomerőmű Fejlesztő Zrt. (MVM Paks II Nuclear Reactor Development Closed Joint-Stock Company) and the Russian Joint-Stock Company Nizhny Novgorod Engineering Company Atomenergoproekt signed three implementation agreements for two new 1200 megawatt nuclear reactor units to be constructed at the Paks plant. The agreements formalise the engineering, procurement and construction parameters for the new units, conditions related to the support of their operation and maintenance, and details regarding fuel supply and the handling and storage of spent fuel elements. The Hungarian party has entered into a favourable agreement keeping within the financing resources available for the project.**

In relation to the maintenance of nuclear power capacity, on 30 March 2009 the Hungarian parliament consented in principle to preparations for the construction of a new reactor unit (or units) on the current site in Paks (with 330 votes in favour, 6 against and 10 abstentions). The National Energy Strategy adopted in October 2011 also highlighted the importance of nuclear energy when it identified the three main pillars of supply for the domestic electricity system as coal, renewables and nuclear energy.

The three agreements signed on 9th of December, 2014 detail the key conditions of the Paks II project, on the basis of the Hungarian-Russian intergovernmental agreement of 14 January 2014 and the Hungarian-Russian loan agreement of 1 April 2014. According to the loan agreement – ratified in Parliament on 23 June (with 110 votes in favour, 29 against and 19 abstentions) – the Russian contractual party will offer credit worth up to EUR 10 billion. Representing 80% of the total project budget, this will be offered at a very favourable interest rate, and will be supplemented by the Hungarian Party's capital contribution. Thus EUR 12.5 billion will be made available for works, services and equipment acquisition related to the engineering, construction and commissioning of units 5 and 6 at Paks Nuclear Power Plant.

The signing of the three implementation agreements is the culmination of extensive and thorough negotiations involving specialists from Companies of Rosatom, the Hungarian Prime Minister's Office and MVM Paks II. Zrt. The Hungarian contractual party has devoted approximately one hundred thousand work-hours to the negotiation and preparation process for the implementation agreements. The Hungarian party has at all times kept the European Commission informed of its negotiations with its Russian counterpart, and will continue to do so in the future.

Under the so-called EPC agreement for the engineering, procurement and construction of the new reactor units, the Russian contractual party shall build a turn-key power plant in Paks, the operational life of which is designed to be sixty years. Following the agreement's entering into force, the Russian contractor will start to design the new units in accordance with site specific conditions and the technical specifications contained in the agreement. In the course of this, the main emphasis must be placed on safety, but another important consideration is that the new units should operate with the lowest possible generation costs. At the same time, the agreement also envisages that the parties will make their best efforts to reach 40% localization level during construction. According to guarantees in the contract, both parties have a shared interest in adhering to the project timetable. The agreement contains the necessary guarantees.

The operation and maintenance support contract specifies the conditions of assistance for operation of the completed units and future maintenance tasks. Future operation and maintenance is planned to be carried out by Hungarian workers, and the operator of the new units will be the wholly state-owned Paks Nuclear Power Plant.

The agreement detailing fuel supply and the handling of spent fuel states that Hungary will buy nuclear fuel from Russia for twenty years; the price of this fuel is determined using a formula agreed in advance by the parties. The fuel price calculation is based on the market price of uranium, enrichment and assembling the fuel, where the Russian party has guaranteed a discount to the owner of the plant, in light of the agreement's timeframe. The parties also agreed that spent fuel can be stored in Russia for twenty years or reprocessed by them before being returned to Hungary.

The acquisition of several permits is needed before construction work starts in 2018, and specialists from MVM Paks II. Zrt. are working on this continuously. The Hungarian Atomic Energy Authority granted the site investigation and evaluation licence in November 2014, and the environmental licensing process is ongoing at present. Submission of the Environmental Impact Assessment will take place this year. This will be followed, as part of the environmental licensing procedure, by Hungarian public hearings and, in line with the Espoo Convention, other countries registered in advance will also participate in the process.

The two new nuclear reactor units are scheduled to start commercial operation from 2025 to 2026. Repayment of the loan provided by the Russian party will start after commissioning is complete (but no later than 15 March 2026), and this process will run for twenty-one years.

The Hungarian and Russian parties continue to provide full information to the public, naturally taking into account the protection of commercial interests.

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Government Commissioner