Nuclear safety, Chernobyl: Community contribution to the EBRD for a shelter Fund

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PURPOSE: presentation of the Fourth Progress Report on the Implementation of the Chernobyl Shelter Fund (CSF).

CONTENT: the Chernobyl Nuclear Power Plant exploded on 26 April 1986. Some 200,000 people were evacuated from the vicinity of Chernobyl and a Shelter (referred to as sarcophagus) enclosing the remains of ChNPP Unit 4 was constructed under exceedingly hazardous conditions. However, the shelter was not intended to be a permanent solution. In May 1997, a group of international experts finalized a multidisciplinary construction management programme designated as the Shelter Implementation Plan (SIP), which foresaw remedial work on the Shelter to make it physically stable and environmentally safe. In the same year, the G7 and the Commission and other donors requested the European Bank for Reconstruction and Development (EBRD) to set up the Chernobyl Shelter Fund (CSF) to finance the SIP.

In 2007, ten years after the agreement on the SIP between the G7, the EC and Ukraine, most of its tasks have been completed, enabling the start of the construction of the New Safe Confinement (NSC) which represents the last major construction project at the site.

The initial indicative cost of the SIP amounted to approximately USD 758 million for the period 1998-2005. A first pledging conference was held in New York (1997) to raise the required funds, where a total of USD 400 million was pledged by 25 countries. Council Decision 98/381/EC provided the legal basis for a Community contribution to the CSF of a USD 100 million pledge.

A second pledging conference was held in Berlin, where some USD 320 million were pledged, bringing the total amount close to the estimated cost of USD 768 million. The Community pledged a second contribution of €100 million which was approved by Council decision 2001/824/EC (see CNS/2001/0113).

In 2003, the Project Management Unit (PMU) presented a revised schedule and a first cost estimate, based on the actual cost of completed projects, amounting to some USD 1,091 million. However, due to delays, escalation and increases in the prices of labour and materials, a further significant increase relative to the first cost estimate was subsequently announced to the Assembly of Contributors, bringing the total cost of the SIP to USD 1,390 million.

In accordance with Art. 3 of Council Decision 98/381/EC and Art 4 of Council Decision 2006/908/EC concerning the Community's contributions to the EBRD for the CSF (CNS/2006/0102), the Commission now presents a fourth report on the use of the funds pledged to the SIP. Such reports were submitted in October 1999 (COM(1999)0470), September 2001 (COM(2001)0251) and December 2003 (COM(2004) 0481). The present report updates the previous ones, based mainly on the progress communicated to the Assembly of Contributors and other information provided by the EBRD.

Schedule for implementation: the next steps planned for implementation of the SIP are:

- December 2008: completion of detailed design for NSC (an arch-shaped structure which will be assembled in a safe area near Unit 4 and then slid across the old shelter): 16 months
- December 2011: completion of NSC: construction 3 years

Cost estimate: as the delays in the tendering process impacted the conclusion of the contract for the NSC, the total cost of the SIP will approach USD 1,390 million (an increase of USD 186 million relative to its previous estimate).

The next important step in the assessment of the cost will be the completion of the detailed design of the NSC, which will provide precision on the quantities and cost of materials actually needed. This is expected to be available by the end of 2008.

Available resources and expenditure: at the end of June 2007 the BERD recorded total contributions of €739 million to the CSF. In addition, there are a number of pledges (mostly made at the May 2005 London fund-raising event) amounting to some €100 million, which are yet to be committed as Contribution Agreements and actual payments.

Until 30 June 2007 €457 million had been allocated under the grant agreements concluded until then. The total value of the contracts concluded under these grant agreements amount to €356 million, of which €308 million have been disbursed. The amount of unallocated funds as of 30 June 2007 was some €300 million.

New pledges: following agreement amongst the donors on the respective contributions, a pledging event took place at the EBRD in London in 2005. The donors pledged the equivalent of €181.496 million, including €49.1 million from the Commission, €22 million from Ukraine and €10 million from Russia. The first instalment of the Commission's pledge was paid in 2006, and a second in 2007. The remainder of the will be paid over the period 2008-2011.

Conclusion: the SIP management and environmental audits carried out in 2007 confirmed the adequacy of existing management, as well as industrial and health and safety arrangements. However, the management audit pointed again to the need to increase the number of qualified Ukrainian staff in the Project Management Unit (PMU), to replace dependency on Western PMU staff and ensure long term stability of management after commissioning of the NSC.

The schedule for completion of the SIP is currently end 2011. Good management and cooperation of all parties, in particular of the Ukrainian government and the regulators, will be essential for the successful completion of the project.

According to the latest estimates, the existing funds are not sufficient to complete the project. Additional funds will be required to complete the Chernobyl projects financed by the CFS as well as the Nuclear Safety Account. The SIP will, therefore, have to continue relying on the solidarity of the international community, with the determined help of Ukraine.