

# Energy: rules for the internal market in electricity. 'Electricity Directive'

2001/0077(COD) - 26/10/2004 - Follow-up document

The European Commission is presenting this Report in response to Parliamentary concerns over the use of funds set aside for the decommissioning of nuclear power plants by the Member States. The issue was raised within the context of debates relating to the common rules for the internal market in electricity. One of the issues of particular concern was whether or not these financial resources could lead to a distortion of competition. All of the EU institutions, the Parliament, Council and Commission are committed to ensuring that the funds set aside for decommissioning are actually available for the purpose for which they have been established and are managed in a transparent way. In other words they must not create obstacles to fair competition in the energy market.

When assessing this matter the Commission notes that decommissioning is a technically complex operation requiring considerable funding. The amount needed to rehabilitate a site is estimated to be around 10-15% of the initial investment cost for each reactor to be decommissioned. The sums are so large that as soon as a nuclear installation's productive life begins the operator has to factor in the cost of decommissioning.

The results of a consultation exercise with the Member States on the use of these funds revealed widely differing situations. Some Member States have opted for the immediate decommissioning of nuclear installations, whilst others have opted for a deferred decommissioning strategy. Six Member States have chosen immediate decommissioning, namely Finland, Germany, Italy, Lithuania, Slovenia and Spain. In their case the funds must be available as soon as decommissioning begins. Four Member States, the Czech Republic, Hungary, the Netherlands and Slovakia, have opted to defer their decommissioning. Lastly, there are those countries for which no definitive decommissioning strategy is foreseen. They are Belgium, France, Sweden and the United Kingdom.

Concerning the management of the financial resources, the Commission has identified three main management structures – external management, internal management and other modes. Ten Member States have chosen to have their finances managed by external operators. According to the Commission this offers the greatest transparency and, probably, the best guarantee as to the ultimate use of financial resources – particularly in the event of the operator going bankrupt. France and Germany rely on internal management, with the financial resources earmarked for decommissioning entered in the accounts for the electricity producers in the form of provisions. This means that the nuclear operator has both financial and technical responsibility for the finances. The Commission is concerned that such a management structure is neither transparent, nor that the finances for decommissioning will be available when needed. Technically, the Commission suggests, internal management could give rise to anti-competitive practices on the internal market in electricity.

Belgium has opted to organize its finances in such a way that the State holds a "golden share" enabling it to enter a veto if it considers that the management of resources is liable to compromise security.

To conclude, the Commission notes that the main purpose of dedicating financial resources to decommissioning is to make sure that it will be possible to carry out the decommissioning when the time comes, while ensuring a high level of nuclear safety. One future priority should be to ensure that the resources, once set aside, are managed in accordance with Community law. In 2005 the Commission intends to present a Recommendation asking the Member States to take certain measures, ensuring that:

- Financial resources are set-aside during the operating period of nuclear power plants.
- The resources set aside are available and sufficient to cover the cost of decommissioning work.
- These resources are used for the purpose for which they have been set aside and that the management thereof is transparent.