

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(79) 26 final

Brussels, 12 February 1979.

Communication by the Commission to the Council and the Parliament

First Report on

EURATOM BORROWING AND LENDING ACTIVITIES

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I. Introduction

On the basis of a proposal by the Commission, the Council empowered the former on 29 March 1977 to issue loans on behalf of the European Atomic Energy Community. The funds will be made available in the form of loans for the financing of investment projects relating to the industrial production of electricity in nuclear power stations and to industrial fuel-cycle installations.

Pursuant to this Decision the Council fixed at 500 million European units of account the maximum amount of the loans which the Commission is empowered to issue on behalf of Euratom⁽¹⁾.

This report is the first which the Commission is submitting pursuant to Article 4 of Decision 77/270 Euratom which stipulates that: 'The Commission shall inform the Council and the European Parliament at regular intervals of the revenue and expenditure transactions arising out of the contracting and servicing of Euratom loans issued and granted'.

II. Implementation of the mandate

Action taken

Acting under the mandate, Euratom has meanwhile part-financed three projects located in France, Italy and the Federal Republic of Germany. The Commission has also taken decisions on four other projects (located in Belgium, France and the Federal Republic of Germany) for loans to be issued in the first quarter of 1979. In addition, five projects are currently being studied. In each case the project is a nuclear power station.

Up to 31 December 1978 Euratom has disbursed a total of 170 million EUA in connection with projects decided by the Commission.

(1) O.J. L 88 of 6 April 1977; EC Bull. 3-1977, Item 2.1.101
Decisions 77/270 and 77/271 Euratom.

Pursuant to Article 1, paragraph 3, of Decision 77/270 'Borrowing transactions and the lending transactions related thereto shall be expressed in the same currency and carried out on the same terms as regards the repayment of principal and the payment of interest. The costs incurred by the Community in concluding and carrying out each transaction shall be borne by the beneficiary undertakings concerned'.

At the request of the beneficiaries the borrowing/lending transactions have been carried out in German Marks, Swiss Francs and US dollars. The difference between the amount borrowed and the amount of the loan is due to the charges incurred in issuing the borrowings. This difference must be recouped by the Commission when the amount borrowed is repaid.

The difference between the interest rate for the borrowings and the interest rate for the loan is due to :

- the need to redeem progressively the issuing charges referred to earlier;
- the need to cover the loan servicing charges ;
- the 1/8% per year commission on the loan outstanding, paid to the EIB in settlement of their charges for processing the loan and acting as executive agent for Euratom.

Loans requested and decided do not exceed the 20% limit of the investments concerned set by the Council as the maximum for Euratom operations. Euratom has the same guarantees as the EIB.

III. Cooperation between Euratom and the EIB

Cooperation between Euratom and the EIB is based on the agreement between the Commission and the EIB the text of which is given in the minutes of the Council meeting of 29 March 1977. To this outline agreement have been added a number of practical provisions agreed internally between the departments of the two institutions.

In all the applications processed so far the Euratom loan has been accompanied by part-financing, or by a guarantee, by the E.I.B."

As far as loans are concerned the Commission has in the past agreed with the E.I.B. to make loans of equal size in a number of cases".

IV. Assessment

Both Euratom and the EIB have noted a certain time-lag between the date of application, the decision and the payment. The main reasons for this situation are as follows :

- in a number of Member States there is a certain amount of delay in the implementation of the nuclear programme; the financial requirements of the developers are temporarily at a much lower level than they were when the loan application was made and on which the payments schedule was based ;

- the developers' own funds have increased as a result of higher electricity charges in various Member States;
- some national authorities were at various times unwilling to agree to the use of foreign currency for a particular transaction.

Furthermore, it is a fact that in certain cases the credit obtainable in the market by the investing companies themselves is sufficiently large that the improvement that could be brought about by help from Euratom, though important indeed in total amount, remains however limited, in terms of interest percentage, to a figure close to that of the expenses incurred. (see second paragraph, page 2)

It should be added that interest in financial assistance by Euratom has increased for projects which are excluded on the basis of the Council's Decision of 29 March 1977: for example, nuclear installations for heat production, financing of fuel inventories after the initial charge, nuclear materials transportation systems. Questions have also been raised with regard to the conditions governing Euratom loans for the financing of uranium ore production facilities outside the Community.

If the payments earmarked for current projects are included, Euratom loans will by 1979 total 300 million EUA. This is the level stipulated by the Council, in order to decide on the fixing of a new maximum amount for a second series of Euratom loans.

It is possible that, apart from the sectors mentioned above, substantial loan applications may be forthcoming from the fuel cycle sector.

V. Conclusion

1. In a period when the nuclear programme in most of the Member States has progressed only slowly, Euratom has nevertheless been able to make a financial contribution to these reduced programmes.
2. The volume of loan applications handled shows that in 1979 the limit of 300 million EUA fixed by the Council will be reached, so that it will be necessary for the latter to authorize a new amount of Euratom credit.
3. On the basis of its experience so far, the Commission concludes that the Council Decision as it now stands does not put Euratom in a position to contribute to the financing of some aspects of the fuel cycle and that consequently the Decision does not cover the full range envisaged by the energy policy.

This report is addressed to the Council and the Parliament for information purposes.