

The CEE Bankwatch Networks Mission is to prevent environmentally and socially harmful impacts of international development finance, and to promote alternative solutions and public participation

INTERNATIONAL DECOMMISSIONING SUPPORT FUND FOR KOZLODUY NPP

Background

In late 1999, a Memorandum between the European Union and Bulgaria was signed in Sofia confirming among other things an agreement on the early closure of Kozloduy nuclear power plant's units 1-4. It was a part of the wider European Commission's (EC) effort to stimulate early closure of the most dangerous reactors in Central Europe. According to the Memorandum, Kozloduy units 1 and 2 must be closed before 2003 and a decision on the future of units 3 and 4 has to be taken in 2002. The expected date of closure of units 3 and 4 should be before the date previously announced by the Bulgarian government (2008-2010), in the year 2006 according to the EC position. The EC has allocated EUR 200 million for decommissioning activities and approached the European Bank for Reconstruction and Development (EBRD) to set up a special fund.

The Kozloduy nuclear power plant International Decommissioning Support Fund (KIDSF) was formally established in June 2000. However, it was only in June 2001 when the Framework Agreement (FA) between the EBRD and Bulgaria was signed. Denmark, Greece, Ireland, the Netherlands, Switzerland and the United Kingdom joined the Fund with a total amount of around EUR 17,5 million. The Bulgarian Parliament ratified the Agreement in late March 2002. Thus, the agreement to close units 1 and 2 before 2003 became legally binding.

Progress made

There are two project proposals to be financed by the KIDSF so far:

1. Construction of a dry spent fuel storage project worth about EUR 50 million, expected to be approved in June 2002.
2. Co-financing of energy efficiency measures: the „Toplofikatzia“ rehabilitation project in Sofia, with a EUR 30 million contribution from the Fund. The project was recently approved by the EBRD Board of Directors.

Despite the fact that units 1 and 2 were supposed to be closed by the end of the year, the Fund so far has been able to attract only one project directly linked to the units' decommissioning. There has been very little progress made on the Bulgarian side. Moreover, a well-financed campaign in „defence“ of the old Kozloduy reactors is going ahead with the President's and governmental officials' involvement leading nowhere.

Lack of public information

The Decommissioning Fund inherited an information disclosure problem from the previous EBRD nuclear program - the Nuclear Safety Account (NSA). After almost 9 years of NSA operation, only one general brochure dated 1996 is available on the EBRD web site. Similarly, KIDSF has had very little information published. Basic information such as the Framework Agreement, Agenda and the Minutes from the meetings of the Assembly of Contributors and project documentation (both for approved projects and those in pipeline) is not officially available. The lack of first-hand information plays against EBRD efforts in Bulgaria, where nuclear proponents are very active in releasing misleading information as to the purposes, process and costs of the decommissioning of the Kozloduy units.

Conclusion

The creation of the KIDSF is an important step which will hopefully lead to the early closure of the unsafe Kozloduy reactors. However, there are a number of threats that may undermine the achievements reached. First of all, decommissioning has been very much delayed mainly due to the lack of initiatives from the Bulgarian side and the existing opposition to the decommissioning process among Bulgarian officials and politicians, that have succeeded in manipulating some of the population of the country. In fact today, we are facing the possibility that units 1 and 2 will be loaded with fresh fuel for one more fuel cycle.

However, the EBRD could do things better by being more open to the public and by using EU institutions. The European Union has more political influence on countries like Bulgaria, heading for EU membership. The Bank itself has the potential to make other projects conditional on the Decommissioning Fund work, but there is no information as to whether this potential is used.

Recommendations

The EBRD has to be pro-active and push the Bulgarian Government to fulfill the obligations for earlier closure of these old units.

- The EBRD should **immediately make public** all information about the KIDSF, including the Framework Agreement between the EBRD and Bulgaria, Agenda and the Minutes from the meetings of the Assembly of Contributors as well as project documentation (both for approved projects and those in the pipeline).
- The Bank should only support through the Fund projects that lead to physical closure of units 1 and 2 and decommissioning measures. At the same time, the EBRD should **increase its support** for energy efficiency and renewable projects in Bulgaria using other funding or co-funding schemes.
- The EBRD, together with the Bulgarian Government and the EC, should work on schemes that will allow the **decrease of possible negative social impacts** from the closure of units 1-4 at Kozloduy. For that purpose, the Bank could encourage its financial intermediaries, other International Financial Institutions and private investors.
- The EBRD, together with EU, should **request** the Bulgarian government to re-establish as **independent entities** two funds that existed before 2002: the Fund for Nuclear Facilities Decommissioning and the Fund for Radioactive Waste Management. The Bank and EU also should request that these two funds should operate in coherence with the KIDSF.
- The EBRD should make all its operations in Bulgaria, and especially those in energy sector, **strictly conditional** to the timely closure of units 1-2 (January 1, 2003) and units 3-4 (2006).

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