FORATOM response to the EC invitation to submit comments pursuant to Article 108(2) of the TFEU on Paks II nuclear power plant project in Hungary

The European Atomic Forum (FORATOM) is the Brussels-based trade association for the nuclear energy industry in Europe. The membership of FORATOM is made up of 16 national nuclear associations. Through these associations, FORATOM represents nearly 800 European companies working in the industry and supporting around 800,000 jobs.

The European Commission's Directorate General for Competition has invited interested parties to submit comments on its announcement dated 12 January 2016 with regard to the nuclear project to be developed in Hungary: the construction of Paks II nuclear power plant (NPP).

FORATOM wishes to contribute the following comments:

- FORATOM recalls the need to favour long-term investments for nuclear energy, which is one of the missions of the Euratom Community. Article 2c of the Euratom Treaty states that the Community shall "facilitate investment and ensure, particularly by encouraging ventures on the part of undertakings, the establishment of the basic installations necessary for the development of nuclear energy in the Community".

- FORATOM supports all nuclear new build projects in the EU. FORATOM expressed its support for the UK on the Hinkley Point C and welcomed the EC approval. And FORATOM is now expressing its support to the Paks II project.

- With around 130 nuclear power plants operating in 14 of the 28 EU MS at high capacity levels – typically between 85 and 90 % – nuclear power accounts for 27 % of EU's electricity production and provides more than half of the EU's low-carbon electricity. Nuclear is, as a low carbon technology, similar in terms of life-cycle greenhouse gas (GHG) emissions to onshore wind. Nuclear power plants provide

large, stable volumes of base-load capacity for up to 60 years. Nuclear will be an important contributor to the EUs commitment to decarbonising its economy.

- The OECD-IEA/NEA Technology Roadmap[1] report published in 2015 shows that global nuclear capacity will need to more than double worldwide (from 400 GW to 930 GW) by 2050 in order to meet the 2 °C scenario.

- Article 194(2) of the Treaty on the Functioning of the European Union (TFEU) underlines "*a Member State's right to determine the conditions for exploiting is energy resources, its choice between different energy sources and the general structure of its energy supply*". In this respect, Hungary has decided to continue relying on nuclear power for its electricity production to further decarbonise its economy and meet the 2030 targets. In the meantime Hungary will comply with 2020 targets (renewable energy sources in 2013 was at 9.8 % and considered to be on track to reach its 13 % target in 2020; and emissions lower by 30 % in 2014 compared to 2005).

- The European Parliament adopted, on 15 December 2015, "Towards a European Energy Union" report[2], where it "*notes that nuclear power is one of the most important contributions of the European energy system, providing for lower CO2 emissions while simultaneously limiting import dependence, securing a stable production of electricity that can serve the internal market and provide a stable base for an energy system where renewables can be phased in*".

- Action on market design is needed to restore confidence among potential investors in power generation of all types, but in particular in large scale low carbon generation projects.

- Planning new build in Hungary now is crucial in order to prepare for the replacement of the existing nuclear power plants in the country. Paks 1 will be closed in 2030, Paks 2 in 2032, Paks 3 in 2034 and Paks 4 in 2036. Taking into account that it takes 8 to 10 years to build a new NPP, Hungary's decision to plan for two new units is a sensible one.

- Nuclear contributes to security of supply[3]. In the case of Hungary, as explained in the Country Factsheet published in November 2015 by the European Commission with the State of the Energy Union[4] report, Hungary's energy import dependency is higher than the EU28 average. Import dependency for petroleum products is at the EU average, while that of gas is above, although having decreased since 2005. It is therefore crucial that electricity production by nuclear is ensured in the country in

[1] https://www.oecd-nea.org/pub/techroadmap/

[2] Motion for a European Parliament Resolution on "Towards a European Energy Union" (2015/2113(INI))

[3] Communication from the EC to the EP and the Council, European Energy Security Strategy, COM (2014) 330 final.

[4] https://ec.europa.eu/priorities/publications/national-factsheets-state-energy-union_en

order to significantly reduce dependence upon imported fossil fuels. Also important to note that Hungary foresees facing a 50 % gap in electricity supply in 2030.

- As regards the security of nuclear fuel supply, it is a fact that the nuclear industry in the EU has the capacity and the experience to supply fuel for the type of reactors envisaged.

- In Hungary, the nuclear sector employs 9,000 people (direct and indirect jobs) contributing therefore to growth in the region.

- IEA 2015 Projected Costs of Generating Electricity shows nuclear to be competitive with other low carbon sources: "…nuclear energy costs remain in line with the cost of other baseload technologies, particularly in markets that value decarbonisation".[5] According to Eurostat's latest statistics, published in May 2015, Hungary had the second-lowest average household price of electricity in the EU[6]. Nuclear accounts for about 17 % of final energy consumption and 46 % of electricity generation in Hungary[7]. Taking into account that nuclear electricity generally has a low and competitive price, the large share of nuclear power in the electricity system has significantly contributed to the maintenance of low consumer prices in the country. Hungary's choice to build new nuclear power capacity will bring more cost-competitive electricity generation to the grid.

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[5] Projected Costs of Generating Electricity, 2015 Edition, IEA and OECD-NEA

[6] http://ec.europa.eu/eurostat/documents/2995521/6849826/8-27052015-AP-EN.pdf/4f9f295f-bb31-4962-a7a9-b6c4365a5deb

[7] https://ec.europa.eu/energy/sites/ener/files/documents/PocketBook_ENERGY_2015 PDF final.pdf