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Hitachi as the strategic investor in the nuclear power plant in Lithuania

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On 30 March a concession agreement was signed for the construction of a nuclear power plant in Visaginas in Lithuania between the Japanese-American company Hitachi and the Lithuanian intergovernmental commission dealing with concession tenders. Hitachi will be the strategic investor in the project – it will provide the reactor and hold half of the shares in the plant.This document does not include any financial commitments; these will be specified in a shareholder agreement between all partners involved in this investment (including energy companies from the Baltic region). The government will submit the concession agreement to the Parliament together with the governmental plan for the financing of the plant. After parliament has accepted the agreement (sessions devoted to it should end in June), the work on project – divided into two stages and over two years – will begin. The Ministry of Energy in Lithuania estimates its cost at 283 million dollars. Funding will be secured by the company established by shareholders from Lithuania, Latvia, Estonia and Hitachi. The definitive commitment specifying the legal and financial aspects will be made by 31 March 2015. The nuclear power plant with an output of 1300 MW will be operational in 2020-2022. The Lithuanian government states that the following banks and institutions are interested in granting investors loans on preferential conditions: the Japanese bank JBIC, the Japanese insurance company Nexi, the American bank Ex-Im, the European Atomic Energy Community (Euratom) and the European Investment Bank. Lithuania also intends to use its own funding. The total cost of the project will be within 5 billion euros.

Commentary

- The concession agreement ends the first stage of the negotiations. The involvement of such an important private investor as Hitachi is meant to provide a guarantee that the construction is justified from the economic point of view. For Hitachi the investment in Lithuania is the first opportunity to export modern Japanese nuclear technologies. The implementation of the project would provide an opportunity for the company to expand into Europe. For the Lithuanian government this investment is a key element of the strategy to increase the energy security of the country. It is also intended to help in reinstating Lithuania's leading position as an energy producer in the Baltic region.

- The agreement will most likely be accepted by parliament, where the ruling centre-right wing has a majority. However, the idea of building a nuclear power plant has many detractors and it may be expected that attempts to discredit the project will intensify (on 29 March the attempt to hold a referendum on the construction of the plant did not succeed). The government is keeping the negotiations with Hitachi confidential and has not disclosed the issue of financing the investment and the estimation of the future price of energy (it should be competitive when compared to the energy produced by Russia and the energy produced in the Baltic and Nordic region as it will be offered to customers from the Baltic region through the Nordic and Baltic power exchange).

- Another task for the government is to attract shareholders. The Lithuanian government is continuing negotiations with state-owned companies from Latvia and Estonia (Lithuania has only political declarations about the maintained involvement, made by the prime ministers of these countries) and Poland (despite PGE's involvement being halted) is still perceived as a desirable partner. The construction of the electricity connection with Poland is of key importance for Lithuania since it would be one of the routes of exporting energy from Visaginas. Also Hitachi, which offers technologies for the needs of the Polish nuclear programme, is interested in co-operation with Poland.