Analyses OSW

CENTRE FOR EASTERN STUDIES 26.05.2010 www.osw.waw.pl

Lithuania has problems disassembling the old Ignalina power plant

The Lithuanian energy minister Arvydas Sekmokas announced on 18 May that the situation at the Ignalina Nuclear Power Plant - which stopped operating in December 2009 - is critical. 60% of the funds (mainly offered by the EU) allocated to Lithuania for projects related to the disassembly of the power plant have been spent, however not a single project has been completed. Irregularities in handling the funds and implementation of the projects are raising concerns in the European Commission, in effect of which Lithuania may find it more difficult to obtain further funds for the decommissioning of Ignalina.

The implementation of key projects related to the decommissioning of the plant (building three facilities for storage of the used nuclear fuel, nuclear fuel waste and radioactive waste) will cost around 2.3 billion euros. Lithuania has obtained and already spent on this goal 1 billion euros from the fund handled by the European Bank for Reconstruction and Development. Currently, these are the most expensive investments in Lithuania. Their implementation was entrusted in 2005 to the German firm Nukem Technologies, which in 2009 was bought out by Russia's Atomstroyexport, which is owned by the Russian state-controlled corporation Rosatom. Some of the storage facilities being built by Nukem were to be used for the needs of the new nuclear power plant which Lithuania is planning to build next to the old one. Although energy production at Ignalina has ended, the fuel must remain in the reactor because Nukem has failed to build the storage facilities which were expected to be completed 3 or 4 years ago. Nevertheless, it has been paid remuneration for the work (without imposing default penalties) as has the EBRD for handling the fund. In the opinion of the European Commission, the agreement between Lithuania and the EBRD is contrary to EU legislation because the main contractor of the projects, Nukem, does not pay taxes in Lithuania. According to Minister Sekmokas, Nukem's activity poses a serious state problem. Lithuania's reliability in using EU funds allocated for serious infrastructural projects has been undermined. This may make it more difficult for Lithuania to obtain more funds for the deconstruction of Ignalina and also discourage new Western investors in the currently pending process of negotiations with the Lithuanian authorities regarding the construction of a new nuclear power plant in Lithuania. <jhyn>