Analyses OSW

CENTRE FOR EASTERN STUDIES 22.10.2014 www.osw.waw.pl

China is moving closer to Romania's nuclear programme

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On 17 October the state-run company Nuclearelectrica, which operates Romania's only functioning nuclear power plant, Cernavoda, chose the Chinese company, China General Nuclear Power Corporation (CGN), to be the strategic investor in the project to expand the power plant. CGN was the sole participant in the tender and as it has been announced it will control 51% of the shares in a future project company which will be responsible for both the construction and the management of two new blocks. The Romanian project of the expansion of the Cernavoda plant, which supplies approximately 20% of domestically produced electricity, has under development since 2002 and it envisages the use of the Canadian CANDU technology of pressurised heavy water reactors. The companies which previously established the consortium with Nuclearelectrica (Enel, CEZ, GDF Suez, RWE, Iberdrola, ArcelorMittal) have withdrawn from the project due to the economic crisis. Bucharest has been striving to attract new investors since 2011, above all by holding intensive talks with Beijing.

Commentary

- The choice of CGN as the strategic investor is the first step on the way to resume Cernavoda power plant expansion which was put on ice for three years. Nevertheless, this decision does not make the construction of two new blocks a foregone conclusion. It is necessary to set up a project company, define the conditions of financing the investment and mechanism of support from the state (loan guarantees are being considered, as are contract for difference modelled on UK solutions). Only after these questions have been regulated will it be possible for a binding contract for the extension of the power plant to be signed.
- Romania sees the development of its nuclear potential as a pillar of its energy policy. The main reason for this is the necessity to modernise the country's electrical power sector since by 2020 nearly 30% of generation capacity need to be replaced. The support for nuclear energy also stems from the fact that even now Romania has considerable achievements in this industry (it is the only country in the region with the nuclear fuel cycle in its territory: it mines uranium, produces nuclear fuel, and stores nuclear waste). The development of nuclear energy is supported by the political elite and does not provoke major social controversy as it forms part of popular slogans of energy independence. Nonetheless, a section of experts are questioning the economic rationality of the investment and point to the lack of reliable forecasts predicting an

increase in the demand for energy, among other issues.

- Romania traditionally enjoys good relations with China and the centre-left government of Victor Ponta is strongly committed to enhancing relations with this country. The policy of strategic partnership with China is, however, understood above all as a partnership to implement a host of Romanian investments in infrastructure and energy. For China, collaboration with Romania is part of its strategy to increase its presence in the EU energy market (according to last year's memorandum of understanding, CNG will have 30–40% of shares in the UK nuclear power plant Hinkley Point C). China may also use co-operation on the expansion of the Cernavoda power plant in order to establish closer co-operation with Western companies which have advanced technologies. In August this year one of CGN's subsidiaries signed an agreement with Canada's Candu Energy regarding close co-operation in the construction of the reactors in Romania.