Analyses OSW

CENTRE FOR EASTERN STUDIES 23.11.2016 www.osw.waw.pl

Russia is ever closer to building a nuclear power plant in Hungary

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The European Commission on 17 November closed an infringement procedure which had been launched to investigate the possibility that Hungary was in breach of EU public procurement rules concerning the expansion of the Paks nuclear power plant. The reservations concerned the non-transparent method of selecting the firm without holding a tender to implement the investment (Russia's Rosatom). Eventually, though, the European Commission accepted Hungary's argumentation that in the case of the Paks nuclear power plant only one firm met the criteria "for technical and safety requirements", and this provided the grounds for the exclusion of EU public procurement law. However, the European Commission did commit Hungary to hold tenders for any work unrelated to building the reactor (i.e. the approximately 55% of the remaining value of the investment) in a transparent manner and in compliance with EU regulations. The exclusion of EU law in the case of the Paks nuclear power plant was criticised by Japan's Westinghouse, which was also interested in this project. In 2014, Hungary signed an intergovernmental agreement with Russia followed by a contract with Rosatom to construct two nuclear blocks at the Paks nuclear power plant (2400 MW). 80% of the financing for the investment (around 10 billion euros) is expected to be covered by a loan granted by Russia's state-controlled bank, Vnesheconombank.

Commentary

- The European Commission's decision has removed one of the barriers on the way to the implementation of the Hungarian-Russian project, but this does not yet mean that the green light has been given to expand the Paks nuclear power plant. The European Commission is conducting a parallel investigation to make sure that the investment's financial formula does not involve illegal support from the state. Preparatory work for the project is underway in Hungary (an environmental licence was granted in September this year), but it is still unlikely that construction will start in 2018 as planned.
- There are some controversial circumstances amid which the European Commission passed the decision. This especially concerns the close relations between Commissioner Günther Oettinger and the Germany lobbyist Klaus Mangold, who is an advisor to the Hungarian government. One day before the European Commission passed the decision, the media revealed information that Oettinger had gone on an official trip to Budapest in

May this year aboard Mangold's private aircraft. Even though Oettinger is not in charge of the proceedings concerning the development of the Paks nuclear power plant, he is still one of the most influential people in the European Commission. During his previous term, serving as a vice-president of the European Commission in charge of energy, he granted initial consent to the Russian-Hungarian deal concerning the Paks nuclear power plant. Mangold, Russia's honorary consul in Stuttgart has been lobbying for the EU sanctions on Russia to be lifted and, according to the Hungarian press, has played a key role in bringing about the Russian-Hungarian deal over the expansion of the nuclear power plant. He is also a member of the supervisory board of Rothschild Bank which published an analysis proving that the construction of two new blocks at Paks nuclear power plant is economically feasible. This analysis was presented by the Hungarian government as an argument to counter the European Commission's allegations concerning illegal state support.

- The development of the Paks nuclear power plant is viewed by Viktor Orbán's government as a driving force for the Hungarian economy and a flagship project as part of the Hungarian-Russian rapprochement. Given the fact that this is a long-term investment, Hungary's economic and financial dependence on Russia will increase over the next few decades. The new blocks are scheduled to be put into operation in 2025–2026, and Hungary has committed to repaying the loan by 2047. The implementation of this project will contribute to the building of closer political and business bonds between the government elites of Hungary and Russia.