

Nuclearelectrica seeking agreement with Romanian state on financing, support for construction of Cernavoda NPP Units 3 & 4

Cernavoda nuclear power plant operator Nuclearelectrica (SNN) will make the decision to invest in the construction of NPP Units 3 and 4 provided that it concludes an agreement with the Romanian state establishing the financing method and support mechanisms for this project, states the 'Strategy for the continuation of the Units 3 and 4 project', a document that will be discussed in the General Meeting of the Company's Shareholders scheduled for April 5, 2021.

The document sets forth the following: "As a precondition for taking the preliminary investment decision and moving to the 2nd stage of the project, it is necessary for SNN to conclude an agreement with the Romanian state, establishing the responsibilities of the parties regarding the provision of financing, the adoption of support mechanisms and the provision of infrastructure requirements for the completion and operation of the project."

The company also specifies that the project's feasibility study is ready, but can be consulted only by the shareholders, at the company's headquarters, under the condition that they sign a confidentiality agreement.

"In December 2020, the Deloitte and Kinectrics association finalized the update of the 'Feasibility study for the completion of the project of Cernavoda Units 3 and 4' (Annex 1 - Updated Feasibility Study); the conclusion of the feasibility study was that the project of Units 3 and 4 is financially sustainable and the cash flow requirements are met," say the SNN representatives.

Regarding the implementation of the Cernavoda Units 3 and 4 project, international practices show that the allocation of high risk capital is necessary in the preparatory/pre-project phase, in order to properly define a nuclear power project in a way that allows the final investment decision to be made.

In order to restart the project, and taking into account the best international practices in the field, the strategy proposes a step-by-step approach for implementation, ie dividing the project into three distinct development stages.

The first is the preparatory stage, the Preliminary Notice to Proceed (Pre-LNTP), with an estimated duration of 24 months and an estimated budget of 15 million euros that will be financed by SNN, by increasing the share capital of Energonuclear (EN) - the company tasked with the construction, commissioning and operation of Units 3 & 4 - accordingly. The main objectives of this stage are: re-operationalization of project company EN, contracting technical, legal and financial assistance services, contracting engineering services to update the technical procurement specification, launching, selecting and awarding the Engineering, Procurement and Construction Contract in two phases (Phase 1 - Preliminary Works - Limited Notice to Proceed and Phase 2 - Project Implementation - Issuance of the Final Notice to Proceed).

Any other studies/reports/evaluations necessary for the configuration of the project within the limits of the budget assigned to this stage shall be contracted within this stage.

The second stage consists of the preliminary works (Limited Notice to Proceed - LNTP) - Phase 1 of the Engineering, Procurement and Construction (EPC) Contract, with an estimated duration of 18 - 24 months. The objectives of this stage consist in the development, by the EPC contractor, of the critical engineering part of the project, of the nuclear safety documentation and of the local market surveys in order to identify the necessary equipment and service suppliers, so that the total price of the project is fixed for a considerable part of the necessary works and services.

The nuclear safety documentation required for obtaining the Nuclear Safety Authorization will also be developed in this stage, as well as the documentation for the project's notification to the European Commission, based on Article 41 of the EURATOM Treaty.

At the end of this stage, the feasibility of the project will be re-assessed based on the new technical and economic indicators and the Final Investment Decision will be taken, which will allow moving to project Stage 3.

A set of requirements must be met for the Final Investment Decision to be taken, including obtaining the necessary authorizations from the European Commission for the support measures and structuring and closing the project's financing package.

The third stage is represented by the effective construction stage (Issuance of the Final Notice to Proceed - FNTF) - Phase 2 of the EPC Contract, with an estimated duration of 69 - 78 months (completion of Unit 3 - 2030 / completion of Unit 4 - 2031), consisting in the effective start of the construction, assembly and commissioning works.

One week ago, SNN general manager Cosmin Ghita said that he expects the construction of the new reactors to start in 2024.

"We anticipate Unit 3 to be commissioned around 2030 - 2031, according to the Integrated National Energy and Climate Change Plan, which means a mobilization on site around 2024. Preliminary phases are scheduled until then," said Ghita.