

ASSEMBLY OF THE PORTUGUESE REPUBLIC
EUROPEAN AFFAIRS COMMITTEE

OPINION OF THE EUROPEAN AFFAIRS COMMITTEE

Communication from the Commission to the European Parliament and the Council

ITER status and possible way forward

COM (2010) 226 final

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MP author of the opinion: Honório Novo (PCP)

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1. Introductory note

This Communication from the Commission to the European Parliament and the Council was submitted by the European Commission to the Parliamentary European Affairs Committee (EAC) on 5 May 2010.

This EC initiative is based on the summary of the status of the ITER project – a global project to build and operate an experimental reactor in order to test the scientific and technological feasibility of fusion energy – which was presented to the European Council by the European Commission on 29 May 2009. Following this summary, the European Council asked the European Commission on 16 November 2009 to draw up a document to analyse the financing of the ITER project, presenting options for its management and future financing.

It was following this request from the Council that the European Commission presented the Communication to the European Parliament and the Council, COM(2010) 226 final on the 'ITER status and possible way forward'. This document is not of a legislative nature and, for this reason, is unlikely to be examined by the EAC with a view to checking the application of the principle of subsidiarity.

In view of the content of the Communication from the European Commission, the European Affairs Committee asked the Parliamentary Committee on Education on 7 May 2010 to draw up an own opinion. The Parliamentary Committee on Education expressed its views on 30 June 2010 in the form of an Opinion drawn up by MP Bravo Nico.

Having received this opinion from the Parliamentary Committee on Education, the EAC appointed MP Honório Novo as rapporteur on 7 July 2010, whose opinion was assessed and approved in the meeting of the European Affairs Committee of 14 July 2010. This concluded the process of the Assembleia da República (Portuguese Parliament) assessing the Communication of the European Commission to the European Parliament and the Council on the 'ITER status and possible way forward'.

2. The costs of ITER and its financing

2.1. The structure of ITER and the current financing context

The ITER project – initially referred to as the International Thermonuclear Experimental Reactor – is a project which resulted from an International Agreement between the European Atomic Energy Community (EURATOM) and six other Parties – China, India, Japan, South Korea, the Russian Federation and the USA, which was signed in Paris in November 2006 and which entered into force on 1 October 2007. This agreement, which has an initial duration of 35 years, set up the ITER Organisation, with its own legal capacity, and gave it the responsibility of jointly implementing the construction project (10 years), the operating project (20 years) and the deactivation project (5 years) of an experimental reactor in order to make it possible to use nuclear fusion energy for peaceful purposes.

The headquarters and site for building the ITER project were fixed in this International Agreement as being in Caradache (France). This led to financial participation from France of approximately 9% of the initial budget estimate, which is however included in the overall

contribution of EURATOM which is 45% of the total estimated budget. It falls to the other six contracting parties to provide the remaining 55% of the overall estimated budget.

The EURATOM contribution for ITER is currently ensured by the European Joint Undertaking for ITER – 'Fusion For Energy' (F4E), established in March 2007 as the European Domestic Agency, based in Barcelona. EURATOM, the 27 Member States of the European Union and Switzerland participate in this Agency, with all these members being included in its management structure. Under the ITER Agreement, each individual signatory member has its own 'Domestic Agency' responsible for managing its contribution, and especially for procuring the various components needed to build ITER and to be provided to the ITER Organization as contributions in kind.

The 2001 estimate for the total cost of building the ITER was EUR 5.9 billion, with a contribution from EURATOM of EUR 2.7 billion (approximately 45%), of which EUR 1.735 billion is provided in kind to the ITER Organisation through F4E and EUR 945 million is provided in cash.

However, the cost of the project has significantly exceeded the original estimates on which the EU budget commitment was based. In fact, the current estimates presented in March 2010 by F4E (based on 2008 figures), and only for the construction period according to the proposed timetable (2007-2020), are EUR 7.2 billion, for own contribution alone, which means financing from France of EUR 1.3 billion (approximately 20% of the EURATOM total) and the remaining contribution from EURATOM of EUR 5.9 billion. From this new budget estimate, which is substantially higher than the original one, EUR 6.6 billion are intended for construction of the ITER and EUR 650 million for the F4E running costs and other activities.

However, in the multiannual framework from 2010 to 2013 alone, EUR 2.1 billion of that total amount will be needed to support EURATOM's obligations, although the existing budget appropriations for EURATOM are only EUR 345 million for 2012 and EUR 344 million for 2013, which means there is a deficit (in view of F4E's revised budget needs) of about EUR 1.4 billion in the period 2010 to 2013.

It is in this context that we must address the need to find ways of making the additional resources available in order to frame an immediate solution and also to ensure a sound solution for future financing.

2.2. Options for future financing

It is of course important to assess the reasons why the original cost estimates were exceeded so greatly. In accordance with the assessment made by experts, these reasons certainly include reasons which relate to the management of F4E and of the ITER Organisation. The possibility must be contemplated of reviewing the governance of F4E. However, in our opinion, this should not under any circumstances jeopardise the active participation of all the different members in the management structure.

More transparent and regular monitoring of trends in the costs and management of the European Joint Undertaking for ITER – 'Fusion For Energy' (F4E), will certainly enable the current operating expenses of this European Domestic Agency to be reduced. It will also enable partnership contracts between F4E and industry and research entities to be optimised, the allocation of procurement obligations to be rationalised and economies of scale to be

exploited. This restructuring could be properly implemented with the appointment of a new Director following the request of his predecessor to resign last January.

As for the possibility of meeting the additional needs for financing, it seems indisputable that, in the current financial framework (2010-2013), it will be very doubtful as to whether such needs can or should be met by means of reallocating existing financial means which have already been consigned. If this happened, it could have a very negative effect on a whole range of Community policies and programmes.

With regard to the idea launched by the Council that the solution could involve taking out a loan with the European Investment Bank for F4E, and notwithstanding the need to overcome some formal questions which, according to what was suggested by the European Commission, could determine or require changes to its legal structure or its financial rules, this seems to be an option which should be explored, notwithstanding the doubts raised by the European Commission as to the "absence of an identifiable income stream which could be used to make repayments on a loan".

As an alternative to these two options suggested by the Council to the European Commission, two other options are presented. Firstly, for the period up to 2013, the solution would involve additional direct contributions, of approximately EUR 1.4 billion in total, to be provided by all the 27 Member States of the European Union and Switzerland.

The same idea would be used from 2014 and until the end of the project, once the budget appropriations planned for ITER have been fully used.

This option would create an additional budget obligation on all Member States, in addition to the individual financial obligation which already exists for the Community budget (and therefore in addition to the participation which all Member States already ensure), which would be aimed at ensuring the additional financing of a project which, notwithstanding all the unquestionable common interest which it has, is a result of an international agreement in which almost none of the Member States participate directly. The suggestion by the Council would seem to be better and preferable, namely to take out a loan with the EIB which could be repaid by means of annual amortisations which would be softer and over a longer term, to be supported by the Community budget and provided in multiannual periods which could and should go well beyond 2013.

A second option considered by the European Commission advocates that, in the future, the multiannual financial framework ceilings of the Community budget would need to be fixed at a level that would allow the European Union to meet its commitment to the ITER project. With regard to this option, it seems to be more reasonable if it does not involve in any way a corresponding decrease in the financial levels of other Community policies but first involves adjusting the overall level of the overall multiannual financial framework ceilings.

3. Conclusions

In view of the above, the European Affairs Committee has come to the following conclusions:

3.1. The Communication from the Commission to the European Parliament and the Council on the 'ITER status and possible way forward', COM(2010) 226 final, is not of a legislative

nature and, for this reason, is unlikely to be examined by the EAC with a view to checking the application of the principle of subsidiarity.

3.2. The project for an International Thermonuclear Experimental Reactor (ITER) is a scientific and technological project of very relevant interest which, if successful, could mean that fusion energy becomes an important and decisive source of renewable energy.

3.3. Notwithstanding the significant increases in the costs incurred by the ITER Project, the reasons for which should be better analysed and investigated, the EAC understands that the strategic importance of the project justifies the creation of the financial conditions for meeting the additional financing needs.

3.4. In this context, the European Affairs Committee understands that, without prejudice to the full participation of all its current members in the management of the European Joint Undertaking for ITER (Fusion For Energy – F4E), a restructuring of its governance is justified in order to ensure greater transparency, better rationalisation of the allocation of procurement obligations, better exploitation of economies of scale, better adjustment and efficiency in the policy of signing partnership contracts between F4E and industries or European research entities and a better rationalisation of current costs with a view to possibly reducing them.

3.5. The EAC also understands that, following the Council's original suggestion, and notwithstanding the doubts raised by the EC, the possibility should be explored of taking out a loan with the EIB in order to meet the additional financing needs in the period 2010-2013, without having to ask – in the current global financial context – for additional contributions from the Member States of the European Union, to the overall value of EUR 1.4 billion.

3.6. The European Affairs Committee also understands that, with regard to the future, the financing of ITER should be ensured, in terms EURATOM's responsibilities for the project, by appropriately fixing the levels of financing from the Community budget, established by means of increasing the overall multiannual financial framework ceilings. Under no circumstances should this mean a corresponding decrease of the current ceilings and financial levels intended for other Community policies.

3.7. Finally, the EAC advocates that the other contracting parties to the International Agreement on which the creation of the ITER project is based should match, in the same ratio, the additional financing which EURATOM and the European Union are going to guarantee for the project, thereby maintaining their overall financial participation of approximately 55% of the total cost of the project.

Assembly of the Portuguese Republic, 14 July 2010

MP author of the opinion

President of the Committee

(Honório Novo)

(Vitalino Canas)