

Energy & Natural Resources - Hungary

Government commits to nuclear energy expansion

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Hungary intends to increase the share of nuclear energy in its total power supply from 40% to 60% by 2030. The government has recently established a commission to consider strategic issues related to the construction of new power blocks in the Paks nuclear plant, and has ranked the expansion as a "high-priority project for the national economy" in recognition of nuclear power's strategic role in Hungary's electricity supply and energy security. The commission has until the end of November 2012 to work out the details of the project.

Expansion plans

The 2,000-megawatt electrical (MWe) plant comprises four type VVER-440/V-213 units built between 1982 and 1987. The power output of each unit was enhanced to 500 MWe between 2006 and 2009 by several technological upgrades. In 2009 Parliament agreed in principle to preparatory work on possible new nuclear units. At the same time, the operational lifecycle of the four existing units was extended by another 20 years.

The current proposals are for the construction of two new power blocks, each with a pressurised water reactor with an output of between 1,000 MWe and 1,600 MWe. The preparatory works are due to be finished by 2017, with the new units coming into operation between 2023 and 2030. The old units are expected to be shut down between 2032 and 2037, meaning that they will run in parallel with the new blocks for several years.

The state-owned energy company MVM intends to establish a project company for the expansion, with itself as the sole shareholder. The tendering process is expected to start later in 2012 and will be open to all companies that can provide the relevant technology. Paks's chief executive officer expects at least five bidders, although only Russia's Rosatom and Kepco of South Korea - both state enterprises - have declared an interest so far.

Next steps for government

The new decisions for 2012 call for the government to:

- review the procedural and substantial laws regarding the preparation, construction and operation of nuclear facilities;
- take steps to ensure that the construction of the new power blocks is designated as a priority project;
- clarify the connection between possible investment methods and the regulations on public procurement;
- ensure that the competent authorities are ready for the licensing of the new blocks;
- appoint an independent expert to clarifying the financial parameters of the project and its wider effect on Hungary's economic recovery;
- issue proposals on the two planned 1,000 MWe to 1,600 MWe units regarding:
 - unit type;
 - factors to consider when drafting an international tender for the project;
 - possible methods of project delivery, including financing options; and
 - the set-up of one or two units (and, in the latter case, the interval between the construction of the units);
- examine the possibility of state aid for the project, particularly in the form of a state guarantee;

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- examine ways in which Hungarian undertakings could play a greater part in the project, and the job creation benefits of them doing so;
- ensure that the nuclear waste treatment strategy complies with the proposed National Nuclear Waste Programme, based on the relevant EU directive;
- start R&D programmes and develop higher educational training in order to ensure that enough skilled professionals are available for the set-up and operation of the new blocks; and
- examine the possibility of building a fourth-generation nuclear research reactor in Hungary, which could be conducted as preparatory work for Hungarian undertakings that wish to participate in the Paks expansion project.

Comment

Industry experts generally welcome Hungary's plan for third-phase development of Paks. They point out that while the country is in dire financial straits and the government faces the task of making the national economy more competitive, nuclear power appears to be the best solution, as it will not only provide relatively low-cost electricity for end users, but also allow Hungary to meet the European Union's demands for lower greenhouse gas emissions.

Public approval of the operation of the Paks nuclear power plant remains remarkably high. Even though Hungarians' confidence in nuclear energy fell considerably following the Fukushima accident in Japan, this is unlikely to affect the government's plans. Apart from the fact that Hungary is at a lower risk from earthquakes and other natural disasters, experts have noted that the new facilities will be built to the latest 'generation three-plus' standard, at safety levels incomparable to those at Fukushima.

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