



PRIME MINISTER

Mr. José Manuel Barroso

President of the European Commission

Brussels

Budapest, 23rd January 2014

Dear Mr. President,

Rising energy costs have become a fundamental social concern as well as a pressing competitiveness issue not only in my country, but all over the Union. This challenge has also been fully acknowledged by the Commission in its Communication of 22 January 2014 on energy prices. As reiterated in several European Council meetings in the past three years, tackling the multiple objectives of security of supply, diversification, affordability and climate change calls for close European cooperation. It is in that spirit of mutual cooperation that I am writing to you to inform you about the recent developments with regards to nuclear energy cooperation between Hungary and the Russian Federation.

Around 40% of Hungary's electricity is generated by the four pressurised water reactors of the Paks Nuclear Power Plant. The first reactor was installed in 1982 with a planned operational lifetime of 30 years. While the expansion of the lifetime of the existing units by an additional 20 years is in progress, long term solutions must be found to replace the outgoing capacities.

Based on a lengthy consideration of the various alternatives my government opted to guarantee the long-term energy security of the country through a complex intergovernmental cooperation agreement with the Russian Federation. We believe that our choice best ensures compatibility with the existing Russian VVER-440/213 reactors which is a primordial safety consideration. It also builds on decades of successful cooperation with Russia in the field of nuclear fuel supply and spent fuel treatment.

The draft intergovernmental agreement was submitted to your services for prior assessment under Article 103 of the Euratom Treaty on 10 December 2013. As in its response to our

notification the Commission raised no objection to the draft agreement, my government signed the intergovernmental agreement on 14 January 2014.

The intergovernmental agreement covers the design and construction of two new nuclear units, the supply of nuclear fuel as well as the take-back of spent fuel. The costs of the design and construction works will be covered by a state-loan to be provided by the Russian Federation. In the meantime there are still negotiations going on about some details of the financial conditions. Rosatom, the Russian nuclear state authority will be in charge of the implementation of the design and construction works. However, whenever any such works or services cannot be provided in-house, the Russian party will undertake an open and non-discriminatory tendering process.

The new Hungarian-Russian intergovernmental agreement has been drafted in full consideration of the applicable EU rules and regulations. The signed instrument makes a specific reference to the obligations Hungary is bound by under EU legislation. In particular, Hungary is aware of the various notification requirements vis-à-vis the Commission that Hungary will fulfil in due time.

Dear Mr. President,

Under your leadership the past three years have witnessed significant progress in forging a common European energy policy. We believe that the long-term cooperation of Hungary with the Russian Federation in the field of nuclear power will contribute to strengthening the energy security of the EU as a whole. The Hungarian authorities will continuously inform the Commission of the implementation of the above cooperation agreement as well as any future follow-up agreements.

We greatly appreciate the constructive attitude of the Commission already demonstrated in relation to the long term maintenance of the capacity of the Paks Nuclear Power Plant. We are looking forward to working with the Commission in the forthcoming period to realise this project.

Sincerely yours,



ORBÁN Viktor