

Dodgy Deal: **Visaginas nuclear power plant** Lithuania



update

This dodgy deal is updated regularly
last update: Mar 28, 2012

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Description

Visaginas is the atomic phoenix the Lithuanian government hopes will rise from the ashes of the Ignalina nuclear power plant. Ignalina was finally closed in 2009 for safety reasons as a condition of Lithuania being admitted to the European Union and Visaginas will be built on the site.

The Visaginas nuclear power plant was originally to be a joint project between Lithuania, Poland, Estonia and Latvia. However, thanks to the financial crisis, the involvement of the other three countries is in doubt. Currently estimated to cost between three and four billion euros the plant is estimated to be completed in 2018. With nuclear industry estimates proving to be flexible at best, that timescale and budget can be expected to increase.

Like most nuclear babies, Visaginas has had a long gestation period having been under discussion since the 1990s. Only in 2007 did the Lithuanian government pass the required law to allow what is expected to be two nuclear reactors. An Environmental Impact Assessment, completed in 2009, was challenged as being insufficient by the Lithuanian organization Atgaja, the Latvian Green Movement, the CEE Bankwatch Network and Greenpeace.

The tender process to attract bids from builders for the reactors is ongoing.

brief history

In 1992, the G7 in Munich appealed on Lithuania to close down the two Ignalina blocks, which are of the same design as the Chernobyl nuclear power plant - RBMK. During the accession negotiations it was agreed that Lithuania would phase out these blocks in 2005 and 2009.

In 2005, the Lithuanian government proposed the development of a new nuclear power station on the same location. Because Ignalina town (which is the regional capital, 30 kmn away) wanted to shed the relationship with the nuclear power station to improve its image for tourism, it was decided to rename the project into Visaginas, called after the near town that was especially built to house the workers in the Ignalina NPP.

In the following months, Lithuania sought participation in the project from Latvia and Estonia and in 2007 also from Poland.

In 2007, an Environmental Impact Assessment (EIA) was started, which was carried out by Pöyry Energy Oy from Finland and the Lithuanian Energy Institute. There were public hearings in Lithuania, Latvia and Estonia and participation in the cross-border EIA from Sweden, Finland, Poland, Belarus and Austria. Also Russia was informed of the EIA, but did not react.

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After the Lithuanian Ministry of Environment approved the EIA report on 21 April 2009, a coalition of NGOs consisting of Atgaja from Lithuania, the Latvian Green Movement, the CEE Bankwatch Network and Greenpeace contested the decision in court. In first instance this appeal was rejected, but the NGO coalition appealed.

In the EIA, the following designs are taken into consideration: EPR and SWR1000 (Areva, France), the Enhanced CANDU 6 and the ACR-1000 (AECL, Canada), AES-92 (Atomstroyexport, Russia), ABWR and ESBWR (GE - Hitachi, USA / Japan), AP 600 and AP 1000 (Westinghouse - Toshiba, USA / Japan) and the APWR (Mitsubishi, Japan).

The financial crisis in 2008 and 2009 hit all three Baltic countries and especially Latvia very hard. This has put the interest from Estonia and Latvia on a lower level. Also the interest from Poland has faded away, while the country is focusing on an own nuclear programme.

In 2008, Russia announced plans to build a nuclear power station in the Russian enclave of Kaliningrad, completely oriented on export of electricity to the Baltic region and Poland. Also Belarus announced plans for a nuclear power station.

The Lithuanian government explicitly excluded the choice of a Russian design.

Social impact

During the construction of the Ignalina nuclear power plant, mainly Russian people were moved to the area and the town of Visaginas was built to house them. Until the closure of Ignalina, most of the people in Visaginas were working for the power station. The town was relatively wealthy. After closure, many people lost their jobs, although still a fair amount remains working on the decommissioning and closure of the power station.

The Visaginas nuclear power station was designed to give job security for the Ignalina workers. However, there will be a gap of at least seven years between Ignalina closing and Visaginas opening. This will mean a loss of skill in the meantime. Also, as long as the Visaginas project remains under development, investments in the region are on hold. This results in a long term unemployment and lack of development of the region.

Environment

The Environmental Impact Assessment has been challenged as insufficient. Criticisms include: a failure to consider alternatives to another nuclear power plant, a lack of data about pollution caused by uranium mining, production, decommissioning and radioactive waste, and insufficient analysis of serious accidents. The third generation reactors under consideration for Visaginas all have serious concerns about their designs.

The narrow focus in Lithuania on nuclear power is preventing the development of clean renewable energy solutions and is a barrier to energy efficiency measures. The amount of inflexible nuclear-generated electricity in the Lithuanian grid would be so high, that proposed investments in wind energy projects, biomass plants and geothermal project will not be possible.

Human rights

The Ignalina nuclear power project created an enclave of a Russian minority in Lithuania. Due to slow development of the Visaginas project, while waiting for the power station project to start this minority will face long term unemployment.

Other issues

The costs for the project have been heavily understated by the Lithuanian government. When the cost of a project is based on too low a cost estimate, the chance of heavy budget overruns is enormous. This leads to electricity cost prices far above current market prices.

Updates

May 06, 2011

Regardless of the scandals which have been known to characterize the project and the investors' jitters that have followed the scandals, as of May 2011 the Visaginas project is again moving ahead. **As stated in a report by the Economist** "...since Japan's nuclear accident, firms wanting to build nuclear-power plants have become less choosy about the conditions. Mr Kubilius says he hopes to find a strategic investor "within months"." One Lithuanian official explains their dedication to the project as follows, "We are more motivated because our needs are more severe."

The Environmental Impact Assessment (EIA) of the Visaginas NPP was started in 2007 and finished in 2009. Currently an appeal against the EIA is awaiting appeal for the High Court in Vilnius because of complaints of insufficiency by a group of NGOs, including the Lithuanian organisation Atgaja, the Latvian Green Movement, the CEE Bankwatch Network and Greenpeace.

In December 2009, the Lithuanian government issued a tender for strategic investor for the Visaginas project. Interested parties mentioned include Sweden's Vattenfall, Germany's RWE and E.ON, France's Suez-GDF and EDF, Italy's Enel and Spain's Iberdola. After closure of the bids, Lithuania narrowed down the choice to five potential partners and is expected to make a choice before summer. The names of the possible strategic investors have been kept secret.

financial institutions involved

banks

Crédit Agricole -

- advisory service: (7 November 2011)
Credit Agricole is advising the Latvian government..
source: [1614704.article](#)

Mizuho -

- advisory service: (7 November 2011)
Mizuho is advising the Hitachi/GE Nuclear Energy team..
source: [1614704.article](#)

companies

Pöyry Energy Oy

Pöyry is a Finnish based consultancy firm on energy issues. It is one of the largest energy consultancies in the world.

VAE

Visagino atomin?s elektrin?s projektas Lietuvoje - Visaginas Nuclear Power Plant Project Lithuania VAE was established as daughter of the Lithuanian utility LEO LT, and became independent when LEO LT was dismantled in 2009 and 2010. It is a 100% Lithuanian state owned company with the only goal to build the Visaginas nuclear power station.