OECD FINANCING RULES FOR NUCLEAR POWER PROJECTS

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THE ARRANGEMENT ON OFFICIALLY SUPPORTED EXPORT CREDITS

The Arrangement in a nutshell

The “Participants” to the Arrangement on Officially Supported Export Credits

- Created in 1978
- Nine Participants: Australia, Canada, the European Union, Korea, Japan, New-Zealand, Norway, Switzerland and the United States
- Brazil is a Participant to the Aircraft Sector Understanding
- Israel and Turkey are observers

The Arrangement in a nutshell

The Arrangement on Officially Supported Export Credits

- A Gentleman's Agreement, *i.e.* soft law except in the EU legal system
- Linkages with the WTO anti-subsidy legislation recognised in various WTO case-law
- The Arrangement is by nature a flexible and living instrument
- Objectives:
  - Level playing-field in export credit and trade-related aid
  - Create a framework for monitoring Participants' compliance
  - Set out efficient resolution in case of disagreements

The Arrangement in a nutshell

Official support may be delivered typically via

- Credit insurance
- Credit guarantee
- Direct financing
- Refinancing
- Interest rate support

Construction Period

- Capital intensive
- Unknown duration
- Length not regulated by the Arrangement

Nuclear Sector Understanding - Scope

- **The export of complete nuclear power stations or parts thereof,** comprising all components, equipment, materials and services, including the training of personnel directly required for the construction and commissioning of such nuclear power stations.
- **The modernisation of existing nuclear power plants** in cases where both the overall value of the modernisation is at or above SDR 80 million and the economic life of the plant is likely to be extended by at least the repayment period to be awarded.
- The supply of **nuclear fuel and enrichment**.
- The provision of **spent fuel management**.

Maximum Repayment Terms

- 18 years for new nuclear power stations or major modifications
- Initial fuel load is 4 years from delivery; 2 years for subsequent reloads
- 2 years for spent fuel disposal
- 5 years for enrichment and spent fuel management

Starting Point of Credit (SPOC)

- Where the supplier or contractor has a contractual responsibility for commissioning, the latest starting point is the date when he has completed installation or construction and preliminary tests to ensure it is ready for operation.
- The 18 year repayment term starts at the SPOC.

Repayment Structure

- Semi-annual repayments
- Either mortgage style or straight line amortisation
- Flexible repayment structure may be used so long as the weighted average life does not exceed 9 years and the maximum repayment term is 15 years
- Interest during construction may be capitalised

Maximum Official Support

- 85% of the export contract value – basically equates to supplier's contract for all non-local costs
- 15% down payment: portion of the export contract value that may not be officially supported
- Local costs of up to 30% of the export contract value

ECA Related Financing Costs

- Premium based on:
  - Risk of the obligor
  - Length of credit: ½ of the disbursement period plus the repayment term

- Interest Rate:
  - Market rate if support is insurance/guarantee
  - CIRR if ECA direct loan: CIRR for 18 year repayment term is 10 year treasury plus 130 bp

EXPORT CREDIT GROUP

GOOD GOVERNANCE IN EXPORT CREDITS

Good governance in export credits

The OECD Working Party on Export Credits and Credit Guarantees (ECG)

- Created in 1963 as formal OECD Body
- All OECD Members, except Chile and Iceland
- Broad mandate:
  - Multilateral cooperation on export credits
  - Policy coherence and rule-making as necessary
  - Monitoring Members' activities
  - Transparency and disclosure

Good governance in export credits

ECG main issues

- Addressing the potential environmental and social impacts of officially supported export credits: 2012 OECD Recommendation on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence
- Deterring and detecting bribery and corruption: 2006 OECD Recommendation on Bribery and Officially Supported Export Credits

Environmental and social due diligence

Addressing potential environmental and social impacts: objectives

- Projects supported can have potential environmental and social impacts:
  - Promote good practice and use of international standards
- If not regulated, low environmental and social standards can overturn the equality of financing terms:
  - Maintain a level playing field to avoid a “race to the bottom”
- Other Objectives:
  - Promote coherence with Members’ environmental and social policies and with their international commitments
  - Enhance efficiency for project sponsors by developing common procedures and processes for all Members

Environmental and social due diligence

Addressing potential environmental and social impacts: key provisions

- Members are required to screen, review and classify all projects
- Projects in sensitive areas or sectors should be reviewed using an environmental and social impact assessment
- Projects should comply with host country and should meet applicable international standards

Nuclear projects should be benchmarked against:

- The Convention on Nuclear safety
- The Joint Convention on Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management
- Relevant aspects of the IAEA standards for nuclear power plants and other nuclear facilities

Anti-Bribery

Deterring and detecting bribery and corruption: key provisions

- “No bribery” undertaking is now a prerequisite for obtaining official export credit support
- Verification of whether exporter/applicant is listed on the publicly available debarment lists of major IFIs (*e.g.* World Bank Group)
- Exporters / applicants required to provide, upon demand, the details of any agents and the amounts and purpose of any commissions / fees paid
- ECAs should undertake enhanced due diligence if they have reason to believe that bribery may be involved in the transaction
- ECAs should inform law enforcement authorities if there is “credible evidence” that bribery was involved in the transaction