

BULLETIN

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Nuclear Power Plant in Belarus

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The signing by Russia and Belarus of a cooperation agreement on the construction of a nuclear power plant in the Grodno Oblast ends lengthy negotiations on the issue. The power plant will be important for the neighbouring countries—first and foremost for Lithuania, both for environmental reasons and due to Lithuania's plans to build its own nuclear power facility. Thanks to this investment Russia could make the construction of a nuclear power plant in Visaginas unprofitable.

On 15 March 2011 Belarus and Russia signed in Minsk an intergovernmental agreement on building a nuclear power plant in Belarus. The signing of the contract for the construction and of the loan agreement is scheduled for May. In line with the agreement, the plant will be built according to state-of-the-art Russian plans of a pressurized water reactor AES-2006 and will consist of two power units with a capacity of 1200 MW each, with the first to be put into service in 2017 and the second a year later. The plant is to be built near Astraviec in Grodno Oblast and will be vital to meeting the Belarusian demand for electricity averaging 36 TWh per year.

Negotiations. The agreement signed in Minsk is a result of long negotiations. The decision to build a nuclear power plant was adopted on 15 January 2008 at a meeting of the Security Council of Belarus. The first block was to be put into service by the end of 2016 and the second by the end of 2018, with a total capacity of 2000 MW. Potentially, the nuclear power plant is expected to reduce the share of gas in the Belarusian energy balance.

The initial problem was finding a suitable location for the plant—away from urban centres and with access to water. Finally a site close to Astraviec near the border with Lithuania was chosen. Almost from the start the Belarusian authorities had been assuming that the plant would be built by the Russians, and this was confirmed in December 2008, when the director of the department of nuclear energy development at the Ministry of Emergency Situations announced that the Belarusian nuclear facility would be built by the Russian company Rosatom, with Russia to provide not only financing for the project, but also the technology and know-how.

The main problems in the negotiations focussed on the volume and purpose of credit and the establishment of a joint venture that would be responsible for the distribution of the energy produced. Belarus had expected Russia to provide a loan for building the power plant together with the accompanying infrastructure, but the Russians were willing to provide financing for constructing the facility only. The Belarusian side also refused to agree to the establishment of a joint company to distribute energy. The negotiations dragged on also due to deteriorating relations between the two countries. In an attempt to improve their negotiating position, the Belarusian authorities even began talking about potential cooperation with China and suggested an open tender for the plant's construction. In the end, however, Belarus chose the initial variant: construction of the power plant by a Russian company. The deadlock in negotiations was resolved in January 2011, when the prime ministers of both countries, Vladimir Putin and Mikhail Myasnikovich, announced at a meeting in Moscow that by mid-2011 the two sides would sign a credit agreement for US\$6 billion and a contract for the construction of a nuclear power plant.

Regional Context. Belarusian plans to build a nuclear power plant have raised concerns among the neighbouring countries. The strongest objections were expressed by Lithuania, as the plant is to be built close to its border. The Lithuanian authorities emphasised the ecological threat to

the surrounding land (including Neris river), absence of documentation on the seismic characteristics of the desired location and insufficient information on the recycling and disposal of spent nuclear fuel. Mounting concerns were raised by the short distance between the planned site and Vilnius (50 km), which will be especially vulnerable in case of a threat, while a potential evacuation of the Lithuanian capital would paralyse the state. In their objections the Lithuanian side also stressed that the plant would be located under an air corridor used by planes approaching the Vilnius airport and complained that the Belarusian authorities had not replied to their note about the environmental impact of the Belarusian plant, in accordance with procedures under the 1991 Convention on Environmental Impact Assessment in a Transboundary Context. Belarus also failed to organise public consultations in Lithuania required under international law, so—according to the Lithuanian side—the process of international consultations has not been completed.

The Lithuanian authorities appealed to the European Commission to demand that Russia and Belarus halt the construction of nuclear power plants near Astraviec and in the Kaliningrad Oblast until the safety of these projects was guaranteed. Otherwise, Lithuania called on the countries of the European Union to ban imports of energy generated in ecologically-hazardous power plants, i.e. first and foremost the Belarusian plant. It is worth noting here, however, that Lithuania's tough approach is rooted not only in environmental concerns but also in economic considerations, as the country is planning to build its own nuclear plant in Visaginas.

The potential launch of the construction of the nuclear plant in Belarus will exert an impact on plans to build other nuclear facilities in the region, especially on Lithuanian construction plans in Visaginas, but to a lesser extent also on Russian plans to construct a nuclear plant in the Kaliningrad Oblast and on the Polish nuclear program. Russia, Belarus and Lithuania are planning to use the generated energy not only for domestic consumption, but also for exports. The first country to complete construction will be successful, as there is no economic justification for three nuclear facilities so close to each other. The resulting over-production of electricity is bound to generate problems with finding buyers, so at least one of the planned investment projects is doomed to failure.

Forecast. The Russian loan does not guarantee the success of the project in the Grodno Oblast, because a lot will depend on building transmission infrastructure, while controversies continue over ways of financing it. Due to current financial problems, Belarus will not be able to shoulder alone the total burden of spending estimated at US\$3 billion, so it will be forced to look for international funding. In planning electricity exports, Belarus will also have to reach a consensus with its neighbours on building cross-border power lines. This will be particularly important in the context of relations with Poland, because the existing Roś-Narew interconnector is obsolete and inadequate. In the current political climate, the construction of additional high-voltage lines seems unlikely, however, while without them the Belarusian plant may not generate the profits envisaged.

At the same time, Russia may stand to benefit most, as consent to set up a joint Belarusian-Russian company based on Belenergo and Inter RAO JES to distribute electricity generated at the Belarusian plant would mean not only Russia's participation in potential profits from energy exports, but also an enhanced Russian impact on the Belarusian energy market. Moreover, by crediting the Belarusian plant and building its own in the Kaliningrad Oblast, Russia could prevent the construction of the Lithuanian facility in Visaginas by making it unprofitable. With their own plant in the Kaliningrad Oblast and shares in the company exporting the energy generated by the Belarusian nuclear facility, Russian companies will be able to boost significantly their position on the electricity markets of the Baltic states and Poland.