Written by <u>Angeline Tan</u> on April 30, 2023



France to Work With Russia on Hungarian Nuclear Project Despite EU Criticism

France's energy transition ministry has permitted Framatome, a nuclear energy subsidiary of Électricité de France (EDF), to contribute to the construction of two reactors at the Hungarian Paks-2 nuclear power plant alongside Russian state-run nuclear bigwig Rosatom, according to a report by French news outlet *Le Monde* on April 27.

French President Emmanuel Macron and Hungarian Prime Minister Viktor Mihály Orbán had previously discussed Framatome's involvement in Hungary's nuclear power project during a dinner at the Elysée Palace on March 13. The said project has been contentious among some EU members, owing to the bloc's sanctions against Russia.



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That being said, "to date, the European sanctions do not target the [Russian] nuclear industry. If French actors wish to engage in partnerships with other European actors, we are not going to prevent them from doing so," a source close to Agnès Pannier-Runacher, France's minister of energy transition, revealed to *Le Monde*.

"French players in the nuclear industry support our European partners, and in particular Hungary, in all their approaches and in all the projects they carry out on their soil as long as they strictly respect the European framework of international sanctions," the source elaborated. Also, other *Le Monde* sources pointed out that Paris and Budapest share "a strong belief in nuclear energy" notwithstanding clashes on other issues on the EU agenda, such as the rule of law or arms deliveries to Kyiv.

Last month, Hungarian Foreign Minister Péter Szijjártó disclosed that Hungary might increase the contributions of Framatome in the project, after encountering roadblocks with Germany's Siemens Energy, in the context of Ukraine-linked sanctions and Germany's reduction of nuclear power as an energy source. Both companies had been contracted to provide control systems for new reactors at Paks-2 as part of a French-German consortium.

"Since the German government is blocking for political reasons the contractual participation of Siemens Energy, we wish to rely more on the French," said Szijjártó .

"The French government has given the authorization to Framatome, but the German government has not done so for Siemens. So, we are now studying this problem in close cooperation with Framatome," revealed a Hungarian source about the Paks power plant extension project.

On its end, Siemens Energy recently verified that its application for an export license to supply technology and equipment to Paks-2 is still pending.

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"The German Federal Office of Economics and Export Control has not yet issued an export license, which is why there has been no delivery," a spokesperson for Siemens told *Le Monde*.

Unveiled in 2014 under an agreement between Hungary and Russia, the Paks-2 project aimed to construct two new nuclear reactors by Rosatom and a Russian state loan to bankroll most of the project. Meanwhile, the four existing reactors at Paks were brought online between 1982 and 1987, and generate about half of Hungary's electricity.

In wake of the Russo-Ukraine conflict, anti-Russian observers and policymakers saw Framatome's participation in the setting up of two nuclear reactors in Hungary led by the Russian state-owned group Rosatom as an ill-advised move.

For its part, the French government has been adopting a laissez-faire approach toward French nuclear industry players that hope to partner with other European nuclear players.

"French nuclear industry players support our European partners, and in particular Hungary, in all their efforts and in all the projects on their soil as long as they strictly respect the European framework of international sanctions," persons close to Agnès Pannier-Runacher, minister of energy transition, told *Le Monde*. However, "to date, European sanctions [against Russia] do not target the nuclear industry," the ministry said.

With regard to France's collaboration with Russia in the Hungarian nuclear project, Germany's coalition government, which has been mostly against nuclear energy, did not comment as of the time of writing. Additionally, the last three nuclear power plants in Germany have been out of service since mid-April, 12 years after former Chancellor Angela Merkel decided to steer the country away from nuclear power after the Fukushima nuclear incident in Japan.

The EU and Ukraine have been mounting pressure on France to fully sever relations with Russia's atomic sector amid rounds of sanctions against Moscow, ramping up scrutiny of France's links with Rosatom.

Collaboration with Rosatom has been a hot-button issue among France and other EU countries dependent on Russia for nuclear fuel. While 2022 saw the suspension of a great deal of commercial cooperation, some French state-controlled companies continue to maintain some ties with Rosatom.

"I am sure" that Paris has a "moral duty" to urge French companies to cut ties with Rosatom, Ukraine's Energy Minister German Galushchenko told Politico, elaborating that Kyiv wants all EU countries to cut off all relations with Russia's nuclear industry.

"All of our public scrutiny has been on Germany and not so much on France," for ties with Russia, added a diplomat from one EU country, who spoke on condition of anonymity, "whereas I think if you look closely ... they haven't been the best kids in the class either."

Paris should at least support calls from the Baltic countries and Poland to sanction Rosatom, Sven Giegold, a state secretary at Germany's energy ministry, posted on Twitter. "We will try to convince France."

Both the United States and the U.K. have sanctioned some of Rosatom's executives for "deep connections to the Russian military-industrial complex."

In contrast, a Rosatom spokesperson told Politico that the company has "always taken the view that nuclear energy should remain outside of politics."

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Nevertheless, European efforts to pressure France to cease ties with Rosatom have been weakened due to Hungary's influence on France. Some EU countries even went so far to allege that Paris was using Budapest as a cover to resist nuclear sanctions on Russia.

"Because Hungary has been very clear, very vocal, very visible on that question, I think some other countries, including France ... don't really need to lobby for their cause," claimed one diplomat.

In an interview with Politico, France's foreign ministry said that the "European Union and its member states have not adopted sanctions targeting civil nuclear power," as that "France and the United States ... continue to cooperate with Russia in the areas of nuclear safety and security."

In France's view, "Rosatom is above all a client," said Valérie Faudon, general delegate with the French Nuclear Energy Society, stating that Paris does not rely on Russia for its energy security.

Rosatom called the Franco-Russian alliance "a win-win partnership" that is "a driver of development both in the field of nuclear energy and scientific projects."

"There are areas in which we mutually develop our relations, for example, projects in third countries, nuclear fuel cycle development, exchange of experience in nuclear safety development," a Rosatom spokesperson said.

What is more, French companies provide technology to Rosatom whenever the Russian behemoth constructs a nuclear plant abroad, with Rosatom usually spending up to ≤ 1 billion per project, encompassing command and control systems from Framatome, Faudon revealed.

In December 2021, before the outbreak of the Russo-Ukraine conflict, Framatome also inked a strategic cooperation agreement with Rosatom to enhance cooperation in the fields of fuel fabrication and other technologies.

Alluding to the 2021 agreement, a Framatome spokesperson said, "Everything has been postponed until further notice," adding that Framatome will "re-examine the agreement if and when that is appropriate."

Orano, a partly state-owned French firm specializing in nuclear fuel, had been selling used uranium fuel stocks to Rosatom for reuse outside France until late last year. At the moment, Orano said that this situation is "now settled" and it has "set up a specific process for monitoring and prior approval of activities" relating to any "Russian stakeholder."

Apart from France, the United States also purchased \$830 million of enriched uranium from Russia last year. Reactors in Bulgaria, the Czech Republic, Finland, Slovakia, and Hungary obtain fuel from Russia as well.

Other than nuclear fuel, Western firms such as IT giant Microsoft have been trying to maintain links with Russian companies not under U.S. sanctions, Russian media reported on April 28, citing sources in the industry.

"Since the start of the year, a number of Russian representative offices of international companies began to receive letters or verbal offers from Microsoft to continue cooperation.... Microsoft does not want to lose Russian customers, so it does not close its legal entity in Russia and is trying to find ways to continue to support software and release updates," a source revealed.

Microsoft can still retain its influence on Russian businesses for some time, Viktor Petrov, the director of the research and development center of Russian IT company IVA Technologies, told the media.



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Owing to a lack of budget and analogs, Petrov opined that various companies could not simply begin using alternative operating systems and office software immediately, while predicting that Russian companies would eventually switch to domestic software due to the Russian government's IT policies.



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