The TVO Nuclear Finance case

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A short glimpse on the still inevitable

- Between 1947 and 1961: Commercial, fission-related nuclear power development received subsidies worth $15.30 per kWh.

  This compares with
- Subsidies worth $7.19/kWh for solar and 46¢/kWh for wind between 1975 and 1989.
- In their first 15 years, nuclear and wind technology produced comparable amount of energy (2.6 billion/Nucl. and 1.9 billion kilowatt-hours/wind), but the subsidy to nuclear outweighed that to wind by a factor of over 40, at $39.4 billion to $900 million.

(Source: **FEDERAL ENERGY SUBSIDIES: NOT ALL TECHNOLOGIES ARE CREATED EQUAL** *by Marshall Goldberg,* REPP, July 2000 • No. 11)

EPR (Ad)venture in Finland: TVO not without State Support

- The new plant project in Finland was welcomed by many including the EU Commission for market oriented non subsidy approach
- This is not correct: support was given by
  - the Swedish Government (worth 100 Mio €)
  - French Export Guarantee (COFACE) of non notified amount of 610 million EUR – to AREVA, the <u>second highest ever</u> reported for COFACE
  - Banking Consortium under direct participation of public Bayerische Landesbank which gave in 2003 or in the beginning of 2004 a EUR 1,95 billion syndicated credit for an interest of 2,6% to the Finnish company Teollisuuden Voima Oy (TVO) , estimated participation of Bayerische LB in the deal: 15 -20 %

Assessment of different Support schemes

- There are several types of advantages received by the suppliers, which should have to be examined by the European Commission:
- Those granted by a syndicated loan under co-leadership of BLB
- Those granted by the French Export Credit Agency COFACE and
- Those granted by the Swedish Government (via SEK)
- None of those supports can be seen isolated though but underline the importance of co-ordinated performance.

Credits, loans and guarantees

- **Special credits by banking consortium**
- The original credit facility agreed upon on 17 December 2003 amounted to EUR 1.95 billion.
- Granted to TVO by a consortium of five banks comprising Bayerische Landesbank, BNP Paribas, JP Morgan, Nordea and Svenska Handelsbanken. The five banks agreed within the framework of the credit facility to provide equal amounts and under identical conditions. Each of them accepted the credit risk that corresponds to their own part.[1]
- The amount of this credit was reduced to EUR 1,35 billion in March 2004 due to another credit of EUR 570 million granted by nearly the same syndicate[2] and guaranteed by COFACE[3].
- In June 2005, TVO signed a new credit facility of EUR 1.6 billion. According to Commission, TVO will pay a lower interest rate for this credit than that envisaged for the credit facility signed in December 2003.[4]
- After having covered its initial costs for the Olkiluoto 3 project through other sources of finance described in this section, and primarily through an increase in its own assets and the subordinate loan from shareholders, TVO was never forced to use the credit facility signed in December 2003 and the company cancelled it. That is why the only credit in place today is the EUR 1.6 billion credit facility from 2005.

[1] See Europäische Kommission, K(2006) 4963 final, Staatliche Beihilfe NN 62/B/2006 -Germany - Sweden, Syndiziertes Darlehen und bilaterales Darlehen für den Bau eines Kernkraftwerks durch Framatome ANP für Teollisuuden Voima Oy, para. 25.

[2] According to Europäische Kommission, K(2006) 4963 final, para. 29, there is only one exception in the composition of the consortium.

[3] European Commission, C(2007) 4323 final para. 33

[4] Europäische Kommission, K(2006) 4963 final, para 28

Credits, loans and guarantees (II)

- **Bilateral loans**
- In addition to the loans referred to above, TVO has also signed a number of bilateral loans with other financial institutions. The exact amount has not been published but these loans will approximately cover 15 – 30 % of the total project costs.
- One of these loans was granted by AB Svensk Exportkredit (SEK). The terms, and in particular the duration and the interest rates, are apparently the same as for the credit facility granted by the bank consortium.[5].
- [5] See European Commission, K(2006) 4963 final, para. 32 However, the Commission's decision is not absolutely precise in whether the conditions of the loan granted by SEK are similar to the 2003 or to the 2005 credit facility

Credit, loans and guarantees (III)

- The loan which amounts to EUR 570 million has been granted by the same bank consortium that offered the credit facility with the exception of one bank.[6]
- To be drawn on by TVO successively over a period of five years in correspondence with the payments due by TVO to AREVA. The redemption of the loan will be made by fixed bi-annual payments, starting from the 6th month after the last pay out of the loan and over a period of twelve years. The average duration of the credit is calculated by the French government with 8,92 years.
- Flexible interest rate linked to EURIBOR.
- This loan is directly insured by COFACE acting as the insurer for export credits on behalf of the French government.
- On 17 November 2003 the *Commission des garanties et du crédit au commerce extérieure*, decided positively upon the guarantee. On 20 November France communicated the guarantee to the parties involved according to the OECD guidelines. On 1 December 2003 COFACE issued a letter of intent (*promesse de garantie*).
- The credit insurance contract (in following referred to as the “guarantee”) was concluded on 25 March 2004 between the financing banks which are also the beneficiaries of the contract and COFACE. This contract insures 95% of the total amount of the loan. The insurance premium to be paid to COFACE by the banks amounts up to 2,5 – 3,5 % of each payment. Thus the total amount of the insurance premium amounts up to 14,25 – 19,95 million EUR. The premium is due to be paid the banks, which in turn invoice it to TVO in addition to the agreed interest rate[8].

[6] ibid, para. 29.
[7] Letter of the European Commission to the President of the French Republic, Official Journal of the European Communities of 1.2.2007, C23/11-19
[8] European Commission, C(2007) 4323 final para. 39

Apparent details of the loan

- 2,6% interest will never allow a normal, adequate return of investment in a market where the average rate is much higher.
- Unprofitable transaction, which a normal commercial bank as investor would not have made alone or without specific guarantees or pressure.
- Especially: At the time of the deals TVO's short term credit rating was in 2002 A-2, long term was BBB, which would lead to an increased interest rate needs
- For comparison with this 2.6 % loan to TVO, a two-year loan for the German republic, and Germany is rated AAA+, amounted for 2,57%.
- The selected MFI (Monetary Financial Institutions) interest rate on loans to non-financial corporation over EUR 1 million with an initial rate fixation over five years has been, between August 2003 and September 2003, at 4.3%, according to the European Central Bank.[1]

[1] ECB Press release on January 15, 2004, www.ecb.int

Two major export guarantees help to strike the deal

- The Swedish state contributed to a large bank loan share within the syndicates loan from Nordea, in which bank the State is a large owner.
- SEK – 100 % owned Swedish State Export Credit insurer gave according to the government from its private business part SEK and "without any element of State aid"- agreed "about a credit of 100 million Euro to the consortium Teollisuuden Voima (TVO) owned by the Finnish State and private companies. The credit is part of a package for the financing of Finland's fifth nuclear reactor, of which about 2,5 billion Euro will be financed by bank loans. "This project opens up for possibilities for Swedish companies to become involved in the building business and for Swedish export companies through deliveries, which will secure jobs in Sweden."
- See: Ministry for Foreign Affairs, Cabinet Minister Östros, To the Swedish Parliament, Response to Question 2004/05:668 from Ingegerd Saarinen regarding export credits for nuclear power

The French Export Agency Coface and AREVA – friends in need

- AREVA is a Public French Company and COFACE acted in this deal for the French Budget from Public funds:

- Guarantee has been granted in the 2nd trimester of 2004 for the contract signed between Areva and TVO in the amount of 610 million EUR - such an amount is the second highest ever reported [1].

- This "l"assurance-credit export" insures the exporters and banks against the risk of non payment due to commercial or political reasons under such contracts, which are not insurable on the private market. It focuses on the contracts for equipment and infrastructure of developing countries.[2]

- This state guarantee for AREVA is the only one granted for an energy project located in the EU[3].

[1] The highest amount of EUR 758 million was granted to Chantiers de l"Atlantique in the second trimestre of 2001. Otherwise, few of the guarantees exceed EUR 200 million.

[2] http://www.cofaceCOFACE.fr/dmt/rubc_asscrexp/indexc.htm

[3] http://www.COFACE.fr/rub01_gr/gc.htm

History of the Case(s)

- 14. December 2004 –**Introduction of complaint** to the Commission on behalf of EREF (European Renewable Energies Federation asbl, Belgium)
- One complaint with different aspects (BLB participation in loan, state guarantees, predatory pricing, breech of procurement rules)
- Commission has- concerning the alleged state aid part- regrouped what in her view were two complaints (one BLB, one COFACE; but we also had SEK!!) under NN 62/2006 in September 2006.
- Same month, Commission subdivided into two sub cases NN 62/A/2006 (COFACE) and NN 62/B/2006 (BLB)
- 24.10.2006 Commission decided in both sub cases:
  – BLB no state aid (NN62/ B/2006)(letter to Germany same day) Decision K(2006)4963 fin.
  – COFACE – Information from Commission to France that formal investigation procedure according to Article 88 (2) ECT would be opened (case became C 45/2006, published in Official Journal February 2007 (OJ C 23 01.Feb. 2007, p. 11)
- 1 February 2007, the Commission published "Invitation to Submit Comments" by interested parties in Official Journal (2007/C 23/11 - 19) together with a Letter of the Commission to the President of the French Republic.
- 1 March 2007 EREF submitted formal comment

History (II)

- 14 November 2007 EREF was officially informed by Commission about decision on 25 September 2007 to close formal investigation and that no state aid was involved in COFACE deal - Decision C(2007) 4323 final
- **Introduction of two annulment procedures by EREF** before the European Court First Instance, pursuant to Articles 230, 231 of the Treaty of the European Community (ECT) :
  - 26.03.2007 Concerning BLB decision K(2006) 4963 final case number T-94/07
  - 26.01.2008 Concerning COFACE decision C (2007) 4323 final case number T-40/08
- Both cases are ongoing

Guidelines from the Commission in general - not applied fully here

- Ex ante perspective
- There is a trade-off between risk and return
- Opportunity cost of capital have to be assessed
- Marginal profitability of investment project decisive
- No single methodology, but several alternative methodologies for robustness reasons
- Sensitivity analysis

The essence of the BLB decision of the Commission

- BLB is part of a consortium of several banks. All partners in the consortium participate under same conditions, (same amount, same interest rates)
- Each banks accrues the deficit guarantee in relation to its participation. Contrary to the loan to TVO , which is ensured by COFACE non of the banks involved has a state guarantee for their credit facility.
- All other four banks in the consortium are private banks, being responsible for the biggest part of the facility and therefore their banking conditions given to TVO are the guideline for market economic behaviour of a private investor. No further deeper analysis was undertaken or given by the Commission in this respect in its decision.

The Commission failed to disclose essential information

- No reveal of essential information about the credits and the credit facility which guarantee the construction of TVO's Olkiluoto III.
- But only detailed information and specifics concerning the terms of the credit facility in question would allow for a substantiated decision. The Commission refuses to offer the necessary information concerning the COFACE guarantee and the costs of the credits.
- Non transparent approach, conflicting with the principles of competition and market-economy, which rely on transparency.
- Very likely that the Commission does not have this information, and that she simply relied on the very little facts and most importantly on the conclusions she was offered by the other parties in the precedent administrative procedure.

No independent economic analysis available

- An independent and valid economic analysis of the contested credit arrangements is irreplaceable.
- Not even a widely approved specialist on the European market of credit schemes could come to a valid conclusion concerning the contested arrangement on the basis of the information that Commission has collected. Questions by EREF for the sustainability of the Commission's conclusions concerning the market situation of the contested credit arrangement in relation to EURIBOR and spreads remain unanswered.
- The Commission relates to the duration of the credits The Commission claims that only short term credits are relevant to the comparison of the variable rates of the credit facility, not the long term loans.
- Commission does not provide the precise duration of the contested credits, she only states that they are long term loans. This leads to the question of how TVO's Olkiluoto III is financed: Normally, all nuclear power facilities are financed on long term loans, because nuclear power facilities only amortise in long periods.
- To finance a nuclear power plant on the basis of short term loans seems to be fraught with risk. The Commission should have provided reasons, why TVO did not receive long term loans for Olkiluoto III, to prevent the suspicion that this is the result of the high financial risk of the project.
- Or else was the consent for refunding of the short term loans already granted?

Failed Analysis

- The Commission should have argued like a virtual Chief Financial Officer (CFO): How does any of the financial instruments within the scope of the project influence the whole project's cost of capital?
- The Commission should have used the Weighted Average Cost of Capital (WACC) scheme: CFO would relate every financial instrument within the frame of the project to the short term and the long term risks of the project and the financial consequences of these specific risks. Standard & Poor's gave TVO overall rating of BBB. From the virtual CFO's point of view, this would mean that TVO is financially sufficiently solvent, but is severely sensitive to cyclical influences. This makes it doubtable how CFO could obtain long term credits at reasonable rate for the TVO project.
- If he manages to receive a COFACE guarantee for one important loan, his endeavor will certainly much easier, because he can point to the fact that at least one branch of the financing has a public guarantee to it.
- It remains highly unlikely, that the guarantee has not been an essential argument in the negotiations of TVO with the banks for the needed credit scheme. A short interview with the banks involved could have clarified the issue, besides it should be common practice that a debtor will have to inform the financial institutions with whom he contracts of prior financing and associated risks
- The Commission fails to provide any argument which supports its assumption that the guarantee did not play any determining role in the negotiations of TVO's credit scheme. It would be a genuine challenge to provide only one CFO of any relevant European company who'd support the Commission's point of view, that a guarantee such as the one in TVO case would not play a determinative role in subsequent negotiations with other banks. A state backed guarantee for the first branch of credits for a project of the size as that of TVO would be in any case seen as a "door opener".

Failed Analysis (II)

- The Commission - no mentioning of costs of the guarantee by COFACE: How much money did TVO pay COFACE as premium for the guarantee? If the Commission does not have this information, how can it claim to have been working properly according to its duties? And if the Commission does have this information, why does it not use it to disprove EREF's arguments?
- The COFACE guarantee for TVO's Olkiluoto III is necessary because the project is uneconomical under market conditions and all financing was influenced by the state guarantee.
- Commission stated in the court procedure that the "validity of the plea depends wholly on there being 'inherent substantial relations' between the COFACE guarantee and the credit facility", and that therefore the plea is unsubstantiated.
- What is the COFACE guarantee good for if it does not have any influence on the credit scheme as a whole? Why did the Commission not reflect on the COFACE prime condition to give public guarantees in cases where no private guarantee can be used?
- COFACE offers to clients, that it can turn "CRASH" into "CASH"[1] - "*transformez tous vos clients en bons clients*" . COFACE sells marketability and not only segregated solutions for single units within credit schemes. The product of COFACE is financial standing, and TVO bought this product.
- This backs up EREF's diagnosis, that "the whole syndicated loan is an unprofitable transaction which a normal commercial bank, as an investor, could not have agreed upon without specific guarantees".
- Because the COFACE guarantee is a government guarantee, it is a reliable guarantee. The COFACE guarantee has a signalling effect for banks and investors. With this guarantee, the project is "too big to fail".
- [1] http://www.coface.fr/CofacePortal/redirection.jsp?pageID=pages/home&site=FR_fr_FR (as per 1 September 2007).

Effect of a public-guarantee-similar effect of public bank

- EREF submits that active participation of BLB in the credit facility had an effect similar to a public guarantee (since at that time BLB was still enjoying the broad Gewährträgerhaftung) and that neither the other commercial banks nor TVO paid a premium as normally associated with the considerable reduction of risk.
- See the Commission's draft Notice on State aid in the form of guarantees, p. 2:
- *"The benefit of a State guarantee is that the risk associated with the guarantee is carried by the State. Such risk-carrying by the State should normally be remunerated by an appropriate premium. Where the State forgoes all or part of such a premium, there is both a benefit for the undertaking and a drain on the resources of the State.*
- *Thus, even if no payments are ever made by the State under a guarantee, there may nevertheless be State aid under Article 87(1). The aid is granted at the moment when the guarantee is given, not the moment at which the guarantee is invoked or the moment at which payments are made under the terms of the guarantee. Whether or not a guarantee constitutes State aid, and, if so, what the amount of that State aid may be, must be assessed at the moment the guarantee is given."*

Normally the Commission plays tough on intra Community state guarantees – but here….

- Already in 1977 the Commission made it undoubtedly clear that export aid in intra-Community trade “cannot qualify for derogation whatever their intensity, form, grounds or purpose[1]. This has since been common ruling, as outlined especially in the 1997 Communication of the Commission to the Member States pursuant to Article 93 (1) of the EC Treaty applying Articles 92 and 93 of the Treaty to short-term export- credit insurance.[2]
  [1] 7th Commission report on competition policy (1977), point 242 [2] *Official Journal C 281 , 17/09/1997 P. 0004 - 0010*

Value of the Coface Guarantee

- The Commission argues that
- (a) TVO has chosen the Coface Guarantee although the interest charge of the Coface Guarantee is higher than the interest costs for private bank loans
- According to the Commissions view, (b) this “expensive” Coface Guarantee didn’t provide any benefit to TVO.
- Moreover, the Commission points out that TVO has chosen the Coface Guarantee although
- (c) TVO has always had access to loans from private banks (financial markets), not least because of
- (d) a positive “investment grade” by a big rating agency
- This argumentation (a) – (d) “doesn’t maintain an economic assessment; there is no economic rationale behind the four arguments and they even are inconsistent “ (Ellipson, Expertise, January 2008).

Value as door-opener

- The construction of a new nuclear power plant is a risky and capital-intensive project with an immense financing challenge. Capital cost represent an important part of total cost of a nuclear power station and are therefore an important driver for the pricing policy of electricity produced by the operator.
- The energy produced by a nuclear power plant has to be sold on liberalised markets. As the competition (on market shares) among nuclear energy providers and nuclear providers of other energy sources is likely to increase, the need to cut energy prices could emerge.
- The higher the financing costs including interest on debt, the lower the potential to cut prices in order to stay competitive.
- (6) Therefore (4) and (5), there doesn’t exist any motivation for the management of TVO to accept a higher interest burden without any additional benefit. In a competitive economy (market economy) higher costs can only be justified (i) if there exists either an incremental benefit or (ii) if an enterprise has to accept higher costs because otherwise it would not be able to raise the capital. In this case, the higher costs are the door opener (entry costs).
- (7) The Commission argues that the case of “entry costs/door opener” for raising capital has not to be taken into account because TVO disposed, at any time, of access to other private financing sources.

Door-Opener

- Commission's position is very questionable. Representatives and experts from the nuclear industry in the United States strongly argue for the imperative existence of the "entry cost/door opener" case.
- Christopher Crane, Senior Vice President Exelon Corp. (Exelon operates 17 nuclear power plants) and President and Chief Nuclear Officer declared (testified) before U.S. House of Representatives Committee on Energy and Commerce on April 24, 2007 that "*even very big companies, with market values of approximately $40 billion, are not large enough to finance a single nuclear plant without the federal loan guarantee".*
- Mr. Crane describes *"a loan guarantee program as an absolute imperative to support the financing and construction of new nuclear power plants in the United States"*.
- Mr. Crane also points out that *"financing on reasonable terms without federal loan guarantee would not be secure"*. He adds that *"capital markets that will provide debt financing for new nuclear projects regard loan guarantees as essential to protect investors against potential licensing, regulatory and political risks associated with new nuclear plant construction. The loan guarantee program is, therefore, the single most important instrument provided by the Energy Policy Act to support financing of new nuclear generating capacity."*

Commission's normal general view on guarantees in lending

- At time of the introduction of annulment procedure by EREF, the Commission was re-drafting its
- Notice on State aid in the form of guarantees [1], its statements referring to "aid for lenders" remain largely unchanged and the new draft explicitly points out that the export credit notice "can be complemented, where relevant, by the present notice" (p. 2).
- Head of division, DG Comp, Ms Delfino wrote in this respect:
- *With regard to the possibility that credit institutions may be the indirect beneficiaries of the aids in the form of guarantees provided in favour of their clients, the Commission Notice at point 2 establishes that the beneficiary of the aid is usually the borrower, who through the State guarantee can obtain either better financial terms for his loan (for example lower rates or the need for less security) or a loan which no credit institution would otherwise grant him.* ***[2]***

- [1] Vid. Draft revised Commission Notice on the application of Articles 87 and 88 of the EC Treaty to State aid in the form of guarantees of 27 June 2007; source: http://ec.europa.eu/comm/competition/state_aid/reform/draft_guarantee_notice_18072007_en.pdf.
- [2] Rossella Delfino "Credit Institutions and State Aids in EC Law" [2004] EBLR p. 775 et sqq., 785 et sqq.

Commission's normal general view on guarantees in lending (II)

- This clear statement on the door-opening value of guarantees obviously applies for the financing in the TVO case. TVO would not have received the financing in the final form if the public COFACE guarantee had not been granted. As such it is impossible to separate the syndicated loan and the Swedish guarantee from the COFACE guarantee.
- Mrs. Delfino:
- *"However, as it is specified, under specific circumstances, also the lender may benefit from the aid, for example, […] when "one guaranteed loan is used to pay back another non-guaranteed loan to the same credit institution, in so far as the security of the loans is increased". Where the guarantee contains aid to the lender the Notice draws attention to the fact that such aid might, in principle, constitute operating aid (point 5.4), which may be incompatible with the common market. Moreover, public loan guarantees may also benefit the lender when the credit institution grants loans which it would not have granted under normal market conditions. In this case the aid would be represented by the remuneration obtained by the bank from the loans interests."*

Private Investor/creditor test principle

- When a capital injection into a publicly owned firm is done, it constitutes no State aid where funds are made available on *“terms which a private investor would find acceptable in providing fund to a comparable private undertaking when the private investor is operating under normal market-economy conditions”.*
- *OJ C 307, 13.11.1993, para 11. (applied for manufacturing sector)*

Illusion of cost robustness in Olkiluoto III Venture

- At the beginning of December 2006, Areva had to explain to TVO that the initial start of production in mid 2009 has to be postponed to 2011. This delay will cost Areva at least EUR 600 million to EUR 700 million.[1] Areva already had to suffer a EUR 225 million loss for its operations for the period ending 31 October 2006.
- Professor Steve Thomas of the University of Greenwich in the UK has estimated in 2006 that the final costs for the reactor could surpass EUR 5 billion.
- Due to numerous construction problems associated with the project, the Finnish utility TVO stopped payments to Areva in July 2006. An extremely tight budget and timetable, supplier inexperience, rudimental subcontractor control and regulators' difficulty in assessing information have caused confusion and quality control problems that have delayed the Olkiluoto-3 project, a team of Finnish regulators concluded in a report released 12 July 2006. "It has been very difficult to find the root cause because there are so many inter-connected factors," said Seija Suksi, head of the investigation team for the Finnish Radiation & Nuclear Safety Authority. Production, review and approval of the detailed design as well as its manufacturing and construction solutions took longer than expected. The work on site had to stop when the water content of some concrete lots was found to be too high. Four of the five forgings that would comprise the unit's pressuriser had to be recast.[2]
- Since then a tedious chain of delays and cost increase was set into motion

[1] French Newspaper Libération, 18 décembre 2006 (Nicole Pénicaut).

[2] Professor Steve Thomas, *Nuclear power in the 21st century- promises and reality,* Brussels, October 19 2006, http://www.uitstapkernenergie.be/sem/10-06/steve_Thomas_presentation.pdf

Cost run up

- Contrary to the original planning, the construction work will not be finished before 2011 and therefore the reactor will not be able to start operation in 2009[1]. This two years delay and the official data available[2] lead to the following assumption: the production and supply capacity of the new nuclear plant is approximately 13 TWh per year, leading to 26 TWh for a period of two years. Assuming operation costs of 10 €/MWh and a market price of 40 €/MWh this would result in a claim of 24*30 M€ = 780 Million€[3], TVO could potentially request from AREVA and Siemens based on the turn key contract conditions.
- This also illustrates the potential of a lost market for other producers and suppliers of electricity and by that also for the members of EREF as RES producers.
- By granting support in this way, all third parties in the energy producing sector and also the independent RES producers, represented by EREF already directly lose the chance to bid for the supply with electricity replacing the coal electricity to TVO.

[1] Frankfurter Allgemeine Zeitung, Nr. 185 / 2007, 11 August 2007, p. 13.

- [2] Stated on http://www.tvo.fi/692.htm and in the Construction License of the Finish Ministry of Trade and Industry, of 17 February 2005: Government Decision on the application by Teollisuuden Voima Oy to obtain a licence, as referred to in section 18 of the nuclear energy act, for the construction of a nuclear power plant unit on the Olkiluotu plant site in Eurajoki (unofficial translation), p. 1.
- [3] The adequateness of these figures is underlined by the considerations of AREVA to make new provision of around 500 -700 mln €, vid. Le tribune, 13 August 2007.

Some comments

- Taisto Turunen, Director General for Energy at the Finnish Ministry of Trade and Industry "the delays in the Olkiluoto 3 nuclear plant unit mean increasing dependency on imported power for Finland." He says Finland will have to prepare for electricity savings measures in peak consumption season in winter 2011. The shortage of low-cost nuclear energy in production also adds to the pressure on the price of domestic power. "TVO, plant construction client, will not comment on the losses caused by the delays and possible contractual penalty required from the supplier at this point."[1]
  [1] Esmerk, Helsingin Sanomat, 10 August 2007.

No real application of Private Investor test

- Commission closed test with her discovery that all banks besides BLB were private banks
- Overlooked the specific link in lending history between those banks and their governments and related often owned industry (e.g. Parisbas often blamed as doing “dodgy deals”- eg. concerning recent Turkish Yusufeli Dam and Hydro-Electric Power Project, interest in Belene Nuclear Power Project; Scandinavian/Swedish interest via Nordea Handelsbanken and steel industry)
- Did not consider a weakness in applying the test with regards to BNP Parisbas who can be seen as just technically private bank but Commission in due diligence should have looked to the fact that the French state and AXA hold the largest percentage of voting rights in BNP Paribas thus making them the most influential actors in it. Since AXA is more than 70 percent owned by the French State[1], BNP Paribas could hardly be considered to have the same interests as a normal private investor.
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[1] Report of Independent Registered Public Accounting Firm On Consolidated Financial Statement Schedules to the Board of Directors of AXA Financial, Inc., PricewaterhouseCoopers LLP, March 2005, http://sec.edgar-online.com/2005/03/31/0000771/726-05-000114/Section20.asp

TVO loan as part of subprime behaviour

- BLB needed to ask public for the help in April 2008 after losses at the order of 4.3 billion Euro – „Lacking a functioning business model, they turned to what was essentially gambling -- and lost“ (SPIEGEL online)
- JPM holds large amount of Credit Default Switch (CDS) securities and risks possible implications in the Lehman Brothers Bank’s recent bankruptcy - more information not to be disclosed at present

- Thank you for your attention !

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