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Source : Financial Times

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Michael Stothard in Paris

The French government has ordered nuclear groups [Areva](#) and [EDF](#) to merge their reactor businesses into a joint venture controlled by EDF, as part of a broad restructuring to revive the fortunes of a once-proud national industry.

François Hollande, the French president, announced that the design, project management and marketing of new reactors by both companies will be put into one dedicated company called Areva NP, controlled by EDF.

The government, which controls more than 80 per cent of both companies, will also inject new capital "as necessary" in Areva, which has been the subject of crisis talks since it reported a €4.8bn loss last year.

"This merger will allow for an ambitious export policy and the future renewal of France's nuclear power plants," the government said.

Areva has fallen victim to a slump in global demand for new reactors that followed the 2011 Fukushima disaster in Japan, as well as tough foreign competition. The group has not sold a new nuclear reactor since 2007.

The decision is largely a [victory for the management of EDF](#), which had in recent weeks pitched for a takeover of Areva NP, which employs about 19,000 people out of a total 44,000 at the group.

Areva management had pushed for a more limited deal, which would have seen EDF simply recruit 1,200 Areva engineers and kept Areva intact. But this would have been more expensive for the government.

The decision is a sharp reversal of fortunes for Areva, which under former CEO Anne Lauvergeon fought off attempts to marry the company with EDF. She also tried to move Areva beyond being a supplier, taking on its own building projects.

But along with the downturn of global demand the group was hit by the ill-fated acquisition of uranium miner UraMin in 2007, which led to a €1.6bn writedown four years later.

It has also suffered from severe cost overruns at key projects. The Olkiluoto 3 reactor in Finland, which is due to come online in 2018, is nearly 10 years behind schedule. Areva has taken €3.9bn of impairment charges on the project.

Last month Areva announced a €1bn cost-cutting plan, which included the [axing of up to 6,000 jobs](#), or about 14 per cent of the workforce.

The announcement on Wednesday only presents an outline of the eventual agreement, however. Both sides still need to negotiate on price, the size of the capital raising and also guarantees over Finland.

“This meeting is not conclusive”, said government spokesman Stéphane Le Foll.

EDF is due to build a new nuclear power station at Hinkley Point in southwest England, based on the same design as the Olkiluoto plant. Talks are continuing between EDF and potential partners on the project.

Areva will retain a minority strategic stake in Areva NP. But the core of the company will be reduced to what was formally called Cogema, involved in the management of the nuclear fuel cycle from uranium mining to waste disposal.

The size of the minority and majority stake has been left open, and other groups could also enter the capital of Areva NP alongside EDF. Some Chinese groups could do so, said people familiar with the company.

Areva said in a statement late on Wednesday that it would work “in a spirit of complete co-operation” with EDF over Areva NP.