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20 juillet 2016

EU opens probe into Areva rescue package

July 19, 2016 6:52 pm

Alex Barker in Brussels and Anne-Sylvaine Chassany in Paris

Brussels has opened a full probe into France's [state-backed rescue package](#) for [Areva](#), raising the possibility of stricter restructuring conditions being attached to public support for the nuclear reactor maker.

Margrethe Vestager, the EU's competition commissioner, said that the size and importance of the proposed rescue would require a careful review to ensure "the restructuring plan is sound and the state aid does not unduly distort competition".

As part of an intervention that is set to overhaul dramatically the country's energy sector, the French government backed a [big recapitalisation](#) to save the state-controlled group. Brussels said France informed it of a public capital injection worth €4bn in April.

While such state support for restructuring can be permitted in certain circumstances, the package of aid usually comes with EU conditions. It must contribute to "an objective common interest" while avoiding distorting competition in markets.

One of the European Commission's priorities in the investigation is to test the viability of Areva's post-recapitalisation business model to ensure it does not require [further rounds of state money](#), which are banned under the EU's "one time, last time" principle on such aid.

"Our aim is to ensure a sustainable future for [Areva](#) without the need for further government support," said Ms Vestager.

While Ms Vestager cast the investigation as a routine decision, such full-scale probes are typically launched when there are serious doubts over the legality of the aid or the adequacy of the restructuring conditions. There is no deadline to complete such probes.

The economy ministry said the procedure was "usual" and that France was "confident" about the outcome. The process was "compatible with the goal of Areva and the state to do the fundraising in the beginning of 2017", it added.

The company, which is 87 per cent owned by the French state, has been grappling with an abrupt downturn in the nuclear industry following the 2011 Fukushima nuclear accident as well as big losses on some of its projects, including one in Finland.

Once the pride of France, the largest reactor designer has been negotiating a government-backed rescue package that will see it raise as much as €5bn in cash. The company is also selling a majority stake in its reactor-making division Areva NP, valued at €2.5bn, to rival French nuclear group EDF.

In December, Areva's credit rating was downgraded by Standard & Poor's to B plus — four notches below investment grade. In February, it reported a €2bn net loss for 2015 after taking further writedowns on its long-delayed reactor project in Finland as well as impairments related to restructuring and weak market conditions.

The Finnish project is already 10 years behind schedule and €5bn over budget, helping to push the group to a record €4.8bn net loss for 2014.

Areva's woes have in part stemmed from delays delivering its Olkiluoto 3 reactor project for TVO, the Finnish power company and also the first customer for Areva's European pressurised reactor technology, which is also due to be used at the UK's Hinkley Point power station.

Potentially most tricky for France will be meeting the commission's demands for "realistic assumptions" underpinning the case that Areva will return to viability in the long term.

Two further aspects of the probe could raise pressure on France and the company to adjust parts of Areva's rescue plans. Brussels will check the group is making a sufficient contribution to the costs of the rescue and ensure there are limits on its commercial behaviour to contain any harm to competition in the sector.