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Réseau Sortir du nucléaire > Archives > Revue de presse > **Japan : Diverting decommissioning funds**

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Japan Atomic Power in dire straits after diverting funds

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Japan Atomic Power Co. has diverted so much of its decommissioning funds to build new reactors that it now lacks enough cash to scrap its aging units or even resume operations of existing ones.

The problem-plagued company is banking on a decision by the Nuclear Regulation Authority, but even that might not be sufficient to save it financially.

The Ministry of Economy, Trade and Industry requires nuclear power plant operators to accumulate decommissioning funds every year based on their estimated costs to scrap reactors.

The ministry's guidelines, however, do not prohibit the companies from temporarily using the accumulated money for other purposes.

According to calculations, Japan Atomic Power should have saved around 180 billion yen (\$1.6 billion) to decommission its four nuclear reactors.

The company declined to give details about how much of decommissioning fund was used for other purposes.

However, a person familiar with the situation said the operator “diverted the majority.” That leaves Japan Atomic Power without the necessary funds to carry out its plans to decommission its one-reactor Tokai nuclear plant in Ibaraki Prefecture, and the No. 1 reactor at its Tsuruga nuclear plant in Fukui Prefecture.

The company’s two other reactors—the reactor at the Tokai No. 2 nuclear plant and the No. 2 reactor at the Tsuruga plant—are off-line.

To survive the financial crunch, Japan Atomic Power will soon apply to the NRA to extend the operating life of the idled Tokai No. 2 nuclear plant reactor.

That reactor will reach its 40th year of operation in November 2018.

Even if the NRA approves the 20-year extension, the company does not have the 174 billion yen needed to improve safety measures at the reactor to bring it online.

An active geological fault line was found running directly beneath the No. 2 reactor building at the Tsuruga nuclear plant, meaning a resumption of reactor operations there is nowhere in sight.

Japan Atomic Power decided to use decommissioning funds to cover costs to build the Tsuruga No. 3 and No. 4 reactors in a bid to curb borrowing from financial institutions, according to several sources.

However, that decision was made before disaster struck at the Fukushima No. 1 nuclear power plant in March 2011.

After the triple meltdown at the Fukushima plant, all reactors in the nation, including those of Japan Atomic Power, were suspended.

With its reactors offline and its revenue drying up, Japan Atomic Power continued diverting money from the decommissioning fund to cover its losses.

A Japan Atomic Power official told The Asahi Shimbun that the diversion of funds was not a problem because the operator “used the money appropriately in light of various circumstances and future forecasts.”

However, the company’s plight has officials in the economy ministry considering imposing limits on diverting decommissioning funds. With deregulations in the electric power industry moving forward, the risk of a sudden collapse of an electric power utility has increased.

With all of its reactors off-line, Japan Atomic Power would find it difficult to obtain loans from financial institutions.

In addition, residents around its nuclear facilities could oppose any restarts in light of the company’s inability to prepare sufficient safety expenses.

Japan Atomic Power had only 18.7 billion yen on hand at the end of March for immediate use in an emergency.

If the company is forced to decommission its Tokai No. 2 nuclear power plant, the finances of other major electric companies would be affected.

To provide financing for Japan Atomic Power, financial institutes set certain loan conditions, one of which requires the company to be guaranteed by a major utility.

Tokyo Electric Power Co., which hold shares in Japan Atomic Power, has come under fire over the disaster at its Fukushima No. 1 plant. **Public criticism would certainly erupt if TEPCO, which is funded by the government, were to support a bailout of Japan Atomic Power.**

A source with TEPCO described Japan Atomic Power's situation as : "Stuck between a rock and a hard place."



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