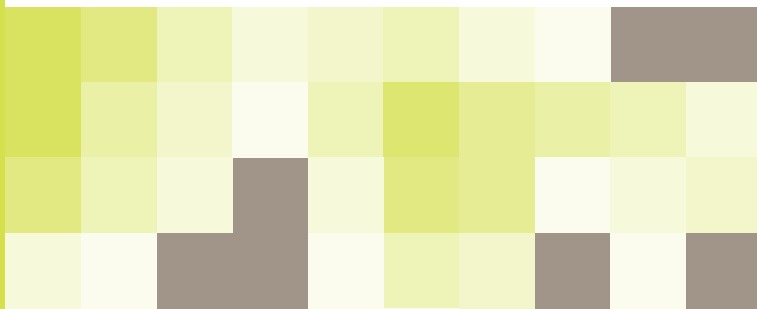


# Bound by Responsibility



Financial fund for decommissioning  
of the Nuclear Power Plant Krško

## Creating With Energy



Nuclear energy has been a part of Slovene reality at the very least since the mid-1970s, when the construction of the Nuclear Power Plant Krsko (NPP) began. For more than two decades the question of its decommission and final disposal of radioactive waste and spent fuel from the NPP remained unanswered, the main reason being the sheer complexity of the issue. Providing financial resources for such a project represented a gargantuan task and we have only begun to create much needed answers for that and other related issues in independent Slovenia, with all due respect to the responsibility placed on our shoulders.

A responsible society is not the one that does not create waste or use nuclear technology, responsible society recognises its obligations and duties and carries them out accordingly. Fund for Decommissioning of the Nuclear Power Plant Krsko and Disposal of Radioactive Waste from the NPP was established in the spirit of such responsibility. Its main mission was and remains facilitating an effective and permanent solution for the decommission of the NPP as well as disposal of its radioactive waste and spent nuclear fuel.



**“ Ever since its establishment the Fund has been effectively collecting and enriching resources, intended for the execution of its goals. During my mandate as the CEO of the Fund business expertise, excellence and transparency remain the guidelines for our activities. ”**

Janko Strašek, CEO

Source of the Fund's resources is a levy collected from the disparity between the production and market price of electricity, produced in the NPP and sold in Slovenia, and the institution's central mission both to enrich these resources and guarantee their intended use. Thus we are actually 'creating with energy'. Creating conditions in which obligations and duties, stemming from the fact that nuclear technology is used in Slovenia, can be fulfilled.

Basing its activities on the adopted legal framework, the Fund began functioning in 1995 and monthly deposits to the Fund were placed by the NPP. The legislative provisions stipulated that the Fund is to collect resources in the form of a special levy from the disparity between the production and market price of every kilowatt-hour of electricity, produced in the NPP and sold in Slovenia. The Fund's central mission is to enrich these resources by means of prudent investment and thus gradually guarantee the collection of all resources, needed for the fulfillment of its goals.

Of major importance in the Fund's sphere of activity was also the conclusion of the Contract between the Government of the Republic of Slovenia and the Government of the Republic of Croatia on the regulation of status and other legal relations connected to investment in NPP, its exploitation and decommissioning,<sup>2</sup> which insists on the need for both countries to guarantee half of the necessary resources each – through deposits into each state's special fund.

With the year 2004 the depositor of the resources in the Slovene Fund became the company ELES GEN, later to become GEN energija. Thus an energy company and the successor in title of Slovenian investors into the Nuclear Power Plant Krško took upon itself the responsibility to maintain regular deposits to the Fund.

<sup>1</sup> The Fund was established by the Act governing the Fund for Financing the Decommissioning of the NPP Krško and for the Disposal of Radioactive Waste from NPP Krško (Official Gazette RS, Nos. 75/94; 35/96; 24/2003).

<sup>2</sup> Official Gazette RS-MP, No. 5/2003.



## Looking Back

Fund for Decommissioning of the Nuclear Power Plant Krško and Disposal of Radioactive Waste from the NPP (Fund) was founded in December 1994.<sup>1</sup> Its establishing Act represents the starting point of a comprehensive approach towards financing the decommission of the NPP and permanently solving radioactive waste as well as spent fuel disposal. Tackling this legal void has brought to the fore the issue of the necessary resources collection, which is entrusted to an independent financial institution - the Fund - and placed under the supervision of the Slovenian executive, legislative and judicial power.

# Fund's Goals and Mission



In March 2005, a special Slovenian-Croatian expert commission approved the Decommissioning Plan for the NPP and disposal of medium- and low-level radioactive wastes and spent nuclear fuel. The plan also includes a costs estimate for the decommissioning of the NPP, which is between 1.15 and 1.7 billion Euro. The Fund's basic goals arise from this estimate and other provisions of the Plan and relevant acts.

## The Fund's basic goals are:

- collect the necessary resources within the set time-frame;
- with successful investment of the collected resources ensure a yield of investments that must reach 4.29% real principal growth per year;<sup>3</sup>
- ensure the implementation of all phases of the decommissioning of the NPP and disposal of radioactive waste and spent nuclear fuel from the NPP.

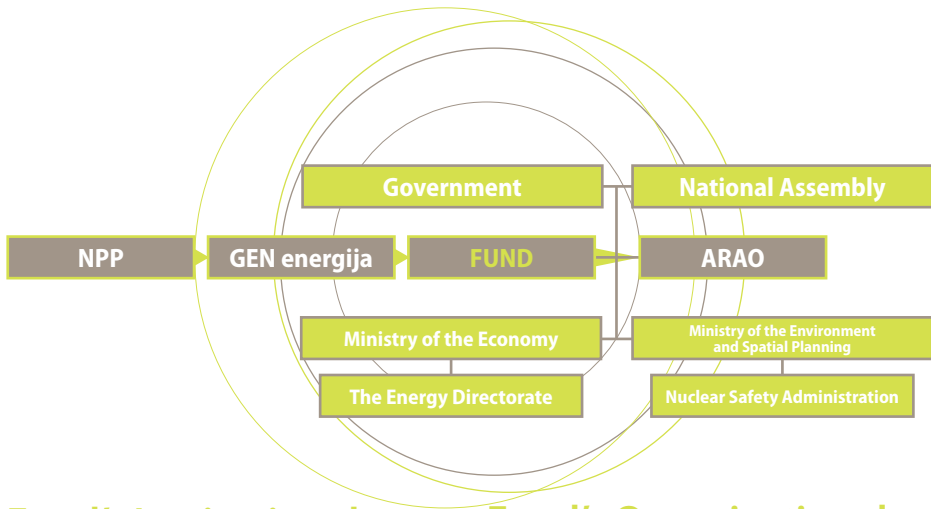
In addition it is of vast importance for the Fund to function in accordance with the best practice, as seen in Europe and the world.

To carry out the goals set forth, the Fund is responsible for collecting resources and their successful investment, and in the near future the Fund will also be ensuring economical spending of the collected resources. The first major project to be financed from resources, collected within the Fund, will be a repository for medium- and low-level radioactive wastes, which must be operational by 2013 at the latest.

## The levy for the Fund

The levy is defined in the Decommissioning Plan for the NPP. The sum amounts to 3 Euro per 1 MWh or 0.3 Eurocents per 1 KWh of electricity, produced in the NPP and sold in Slovenia.

<sup>3</sup> The Decommissioning Plan for the NPP had anticipated a minimal return on investment of 3% until 2004. Since 2005 a minimal return on investment must be 4.29%.



## Fund's Institutional Framework

The Fund's sphere of activities spans over several national structures, connected with nuclear energy, but the Fund is not directly attached to them. This gives the Fund a special position that enables him to maintain independence.

The Fund has a specific position in the state structure. It was founded by the Slovenian National Assembly. Its activities are also affected by the Slovenian Government, which must give its consent to the Fund's Statute, investment policy, financial plan, the annual accounts and the annual report on the Fund's operating activities.

## Fund's Organizational Structure

Activities of the Fund are led by its CEO, whose mandate lasts for four years. The CEO is appointed by the Slovenian Government on the basis of a public tender and the proposal of the Management board.

The CEO supervises operations of the expert units which consist of economic and financial advisers and the accounting department. The CEO also leads, coordinates and organizes operations of the institution, carries out the Fund's daily activities and represents the Fund.



## Management Board

The Fund is led by the Management board, which consists of a chairperson and four members. The chairperson and two members are appointed by the Slovenian National Assembly as the founder of the Fund, one member is appointed by the Slovenian Government (as the executive body of the national authority) and one by the local community, on whose area the NPP is situated.

Among the most important competences of the Management board are:

- the Fund's investment policy;
- the Fund's financial perspective;
- the annual accounts and the report on operating activities;
- the Fund's general and other legal acts;
- guidelines and directives for the CEO's work.

When preparing the investment policy, the annual accounts and the report on operating activities, competences of the Management board depend on the consent of the Slovenian Government.

**“ The Fund is an example of good practice because it carries out its set goals transparently and expertly. Gained experiences are also important internationally. One of the challenges that await the Fund in the next years is to establish an even better cooperation with Slovenian and foreign partners and to present the Fund as an open expert institution. ”**

*Romana Jordan Cizelj, Chairperson of the Board*

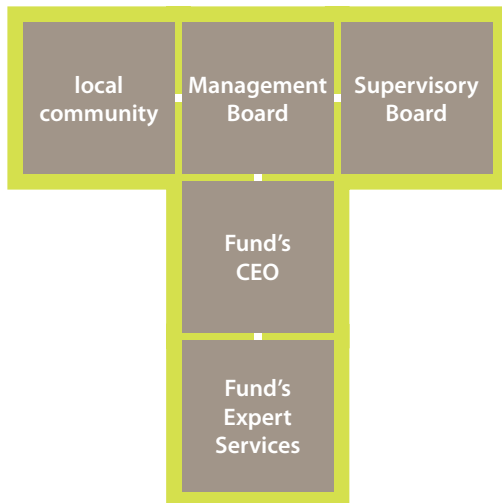


## Supervisory Board

Supervision of the Fund's operations is within the competence of the Supervisory board, which consists of a chairperson and nine members. All members are designated by the Slovenian National Assembly. Their mandate lasts for five years and their main obligation is the supervision of the legality of the work of the Management board and the Fund's CEO.

Supervisory board also:

- reviews the annual account and the report on the Fund's operating activities
- yearly briefs the Slovenian National Assembly



The mission of the Fund is not just collecting resources, but also their enrichment. The Fund deposits resources from the share of electricity, produced in the NPP and sold in Slovenia, in first-class securities and deposits in commercial banks. Investments must be consistent with the Fund's investment policy, which is adopted yearly and with consent from the Slovenian Government.

In order to assure better safety of its investments, the Fund imposes certain restrictions regarding the investment diversification. Priority is given to investments that guarantee stable growth and resources liquidity. The main criteria are rate of yield and expected safety of each investment. Since 2003 the Fund can also invest resources in the stock of investment firms, in mutual fund points and structured financial products with a guaranteed return.

The main guidelines of the Fund's investment policy are:

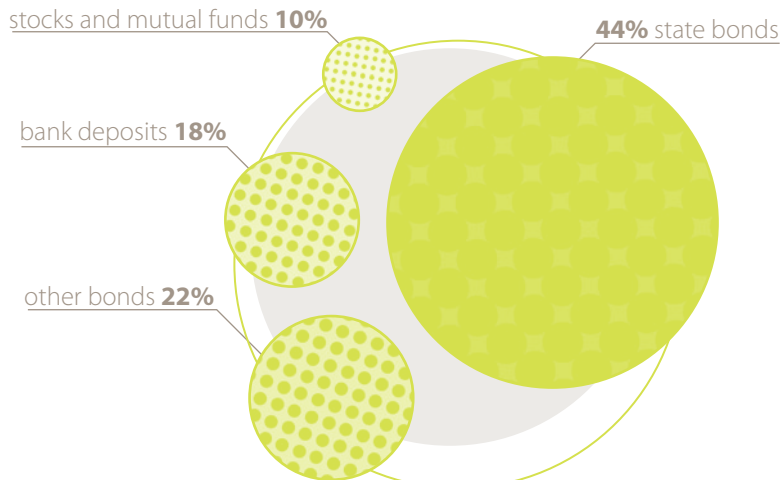
- at least 30% of the resources must be in government bonds;<sup>4</sup>
- investments must be diversified in securities from different issuers;
- maximum 5% of investments are allowed to be in securities by the same issuer or issuers connected with that issuer.

## Fund's Operation And Investment Policy



<sup>4</sup> Namely securities issued by the Republic of Slovenia, Bank of Slovenia, a member state of the European Union, a member state of the OECD or by an international financial organisation, for which one of the above mentioned persons is a guarantor.

The Fund's investment policy-making must always assure the attainment of the minimal long-term operations' goal. It sets the planned annual yield that must be reached to 4.29% real principal growth. The Fund's investment policy is oriented towards reaching adequate safety, profitability and liquidity. It uses investment diversification and expert management of investments to reach stable and profitable investments.



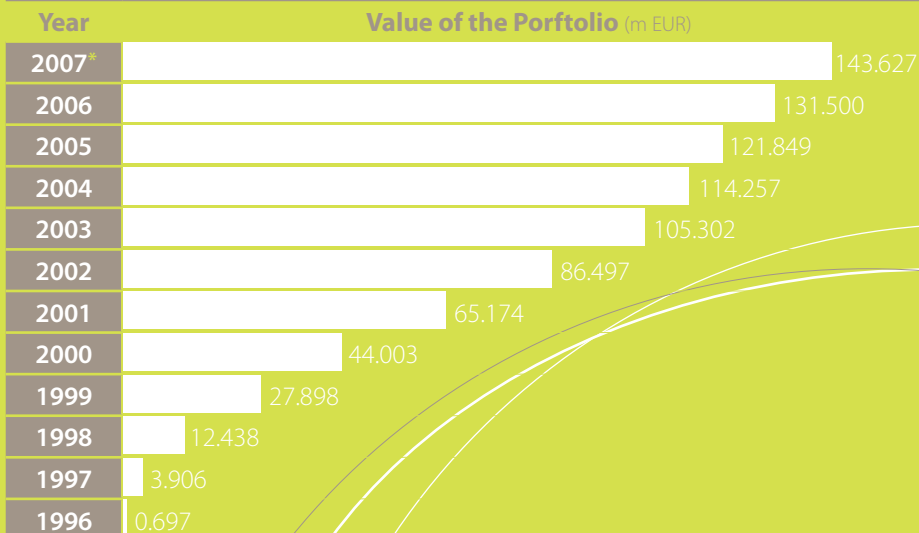
## Fund's Investment Structure (31. December 2006)

# Fund's Financial Portfolio



As shown in the diagram below, Fund's revenues from financing grew every year. At the mid-year in 2007 the value of the Fund's financial portfolio amounted to 143,627,831.64 Euro. The rate of yield of portfolio was 7.07% at an annual level; that significantly exceeds the minimal goal for the rate of yield and shows that the Fund's investment policy is successful.

## Value of the Fund's financial portfolio through the years



\*mid-year value

## Local Communities

In 2003, Slovenian Government adopted a regulation that determines the Fund to be liable for the payment of compensation to municipalities of Krsko, Brezice and Sevnica from 1 January 2004 on. The compensation is for the limited use of space for the storage of medium- and low-level radioactive wastes on the area of the NPP.<sup>5</sup> This compensation, which amounted to 2.4 million Euro in 2006, is the biggest expenditure of the Fund.

The Fund is also a socially responsible institution because it is aware of the fact that for truly successful operation and complete fulfilment of the vision of being integrated in the institution's social environment, cooperation within its society is essential. With its program of grants the Fund supports important local organizations or organizations which maintain a concern for broadening and encouraging the transfer of knowledge in the field of technical culture.

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<sup>5</sup> With the creation of the municipality of Kostanjevica na Krki that seceded from the municipality of Krsko, a part of resources will pass over to the newly-created municipality. The two municipalities must decide on that, and the Fund will thereupon execute their decision.

## ARAO

Since 1998 the Fund has also financed part of the Agency for Radwaste Management activities (ARAO). Financing the agency's operations, which is considered as Fund's investments, encompasses its projects and research on radioactive waste and spent fuel from the NPP. Financing ARAO is the second biggest expenditure of the Fund, for the Fund has, from the end of 1998 till the end of 2006, financed its projects in the amount of 5.9 million Euro. In 2006 alone, the Fund financed ARAO's projects and research in the amount of 2 million Euro.

The main goal of the ARAO is to ensure reliable, safe and responsible management of all kinds of radioactive wastes in Slovenia. This greatly coincides with the sphere of activities and the mission of the Fund.



## Looking Forward

The near future brings many new challenges, in addition to the Fund's continuous need and aspiration to uphold its expertise status and maintain business excellence. These challenges are mostly connected to the question of the intended use of the collected resources, since we are at the starting phase of the first major period of investment. This period specifically covers the completion of medium- and low-level radioactive waste repository, for which the location must be selected by 2008 and the repository built by 2010 (the ultimate legally stipulated deadline for its completion is 2013). Such major investment projects also demand an increasingly active role of the Fund regarding the use of resources and its supervision.

Besides imminent challenges, brought by the increase in investment financing, the Fund wishes to be seen by the Stakeholders as an open expert institution and improve further its cooperation and ties with the nuclear profession in Slovenia as well as abroad, and with other institutions and local communities, with which it has a common or overlapping sphere of activity.

From all activities that the Fund is already undertaking as well as from the presented new challenges and projects, which lie ahead, we can draw the conclusion that the Fund's management has set before itself an ambitious work programme. This programme has already been set in motion but important tasks still remain for the following years.

Constant monitoring of all events, related to the Fund's activities, is also most important, especially in expert and other competent institutions in Slovenia and internationally. In this context we are primarily speaking of the International Atomic Energy Agency and various institutions with responsibility in the area of nuclear energy within the European Union. We can proudly declare that the Slovenian model for the collection of resources, which will guarantee NPP decommission as well as final disposal of radioactive waste and spent fuel, is an example of good practice not only in Slovenia but internationally as well.



## Concluding Remarks

The central guidelines of the Fund's activities have always been and remain safeguarding the investment's security and the transparency of its business dealings. Fund's business conduct, which has always dutifully followed these guidelines, has provided our credibility, and we have made it our mission to not only continue but advance the expert and consistent work of the Fund.

Resources collection in a special fund has been proved as the most appropriate, because the form of the fund itself enables:

- transparency
- public supervision
- intended use of the collected resources

We can establish the fact that the Fund is a rational investor, looking for the best combination between the expected return of the investment and the risk that the investment represents. The Fund has always managed to find a successful combination, continually surpass the minimum longterm real principal growth goal and thus guarantee the realisation of the tasks it has set before itself. The Fund's activities are pursuant to the best worldwide and european practices, its success the result of responsible work, respect and due consideration for all sides, involved in the sphere of activity, related to the Fund's mission.

The Fund is well on its way towards fulfilling the obligations that prompted its establishment. Its success enables responsible solutions necessitated by the use of nuclear energy, which we can set as a true paragon. As we have stated at the very beginning: »Creating with energy« - enabling responsible solutions. This remains our mission in the years to come.