



SNN no. 3062 /08.03.2024

**Approved,
Chairman of the Board of Directors
Teodor Minodor Chirica**

NOTE

regarding the approval by the General Meeting of Shareholders of the proposals related to the Addendum to the Support Agreement between the Romanian State and S.N. Nuclearelectrica S.A. (“Addendum”) in relation to the Cernavodă NPP Units 3 and 4 Project and the authorization of the Board of Directors of SNN to approve any amendments to the Addendum and approve the final form thereof

I. Approval authorities

By Resolution no. 6/10.08.2022 of the Ordinary General Meeting of Shareholders of S.N. Nuclearelectrica S.A. (“SNN”) was approved:

- The continuation of the Project of Units 3 and 4 within Cernavodă NPP, respectively, the adoption of the Preliminary Investment Decision and entering to Stage II – Preliminary Works, conditioned by the approval and conclusion of the Support Agreement between the Romanian State and SNN in connection with the Project of Units 3 and 4 Cernavodă NPP.
- The approval of the initiation of the steps for awarding and concluding the contracts necessary for the completion of the Project, within the limits of powers provided for in the articles of incorporation of SNN and EnergoNuclear (“EN”), and within the amount of EUR 185 million.

By Resolution no. 7/10.08.2022 of the Extraordinary General Meeting of Shareholders of SNN the financing of EN by SNN was approved, increasing the share capital of EN in cash by SNN and/or by granting loans associated with SNN, with a total amount of EUR 185 million, calibrated to the Project development requirements and necessary for the implementation of Stage II of the Project of Units 3 and 4 Cernavodă NPP, conditioned by the approval and conclusion of the Support Agreement between the Romanian State and SNN in relation to the Project of Units 3 and 4 Cernavodă NPP.

By Law no. 74/2023, the Support Agreement between the Romanian State and SNN was approved and signed on 9 June 2023, setting forth in Art. 2:

“Art. 2. — (1) Should Cernavodă NPP Units 3 and 4 Project require amendments or additions or should clauses thereof be eliminated, as applicable, the parties shall engage in negotiations and shall agree on addenda thereto. (2) The addenda provided at paragraph (1) shall be approved by Government Decision and shall be effective as of the entry into force of the said decision, provided that prior compliance is ensured with the provisions of the law on decision-making competence of corporate governing bodies of companies. In all cases, the subject-matter of the addenda may not concern the novation of the Support Agreement in its entirety, nor the full assignment or transfer, in any form, of all the rights and obligations arising from the Support Agreement.”

By applying the principle of legal symmetry and taking into account the provisions and the new requirements included in the draft Addendum to the Support Agreement between the Romanian State and SNN (for example, the ceiling for financing granted by SNN to the special purpose vehicle EnergoNuclear S.A. – its increase to the amount of EUR 350 million), it is required that this should be approved by the EGMS of SNN.

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Registered with the Trade Register under number: J40/7403/1998, Tax Identification Number: 10874881,

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II. Background. Status of the Units 3 and 4 Project

The Project of Cernavodă Nuclear Powerplant (“**Cernavodă NPP**”) was started during the second part of the 1970s, this being designed with an original profile of five units/reactors with nuclear technology.¹ Currently, Cernavodă NPP ensures the safe operation of the Nuclear Units 1 and 2, each with an installed capacity of 700 Mwh. The two reactors from Cernavodă cover for approx. 20% of the current energy demand of Romania. Cernavodă NPP uses Canadian CANDU 6 technology (Canadian Deuterium Uranium) with natural uranium as fuel and heavy water as moderator and cooling agent. Cernavodă NPP Unit 1 was commissioned on 2 December 1996 and Unit 2 on 28 September 2007.

The construction of Cernavodă NPP Units 3 and 4 (the “**Project**”) was started the early-mid 1980s, these units being in conservation since 1992. The development ratio of Cernavodă NPP Units 3 and 4 is of approximately 40%. The Cernavodă NPP Units 3 and 4 are directly linked with Units 1 and 2, and they shall use the auxiliary systems which are common for all those four nuclear units. At present, the Project completion is being taken into account, this being included into the category of the *nuclear projects delayed*, in accordance with the definition provided by the International Atomic Energy Agency (IAEA).²

The relevant existing structures for Units 3 and 4 mainly consist in civil engineering works, such as the building of the reactor, the integrated building and the hydrotechnical circuit, each of them being at various stages of completion. Thus, Unit 3 is in a more advanced state of execution than Unit 4. Nevertheless, equipment is not installed in any of these units 3 and 4.

The project of Units 3 and 4 uses Unit 2 as reference and shall include improvements from the point of view of nuclear safety, as well as any other changes in the project intended to improve the operation of the plant and thus, provide higher installed capacity utilization factors. Worth mentioning that the two nuclear units shall have a unitary gross installed capacity of 724 MWe. Once completed and put into service, the Project will significantly contribute to the safety, diversity of energy sources, safety in the operation and Romania's energy stability, to the achievement of the environmental objectives of our country, as well as to strengthen the national security and its obligations as a NATO member state.

The current situation/activities performed with a view to continuing the Project

The draft of “2019-2030 Romanian Energy Strategy towards 2050” proposes specific targets, sets out clear directions, and defines the milestones whereby Romania shall secure its position as regional energy producer and an active and important actor in managing stress situations at regional level; the development of the energy sector is directly proportional to implementation of some strategic investment projects of national interest, among which completion of Cernavodă NPP's Units 3 and 4 Project is a priority.

The 2021-2030 National Integrated Energy and Climate Change Plan (NIECCP), as approved by Decision no. 1076/2021 of the Government of Romania, provides for the development of a Contracts for Difference (CfD) type support mechanism to foster investments, with the aim of facilitating the development of new low-carbon emission power generation facilities (e.g.: nuclear, RES etc.), thus ensuring energy source diversification and flexibility of the national system. Implementation of a CfD mechanism for low-carbon technologies requires a complementary legislative and regulatory framework, which should detail the implementation elements. According to NIECCP, construction of new nuclear units represents major projects of the Romanian State, which shall help replace the polluting energy facilities and Romania attain the assumed decarbonization targets. In December 2020, the Feasibility Study for continuation of the Project Cernavodă NPP's Units 3 and 4 Project was updated.

In **2021**, the OGMS of SNN approved the Strategy on continuing the Cernavodă NPP Units 3 and 4 Project, which sets forth the project division into 3 Distinct Stages:

- **Stage I – Preparatory Stage** having as main objectives:
 - Re-operationalizing EN;
 - contracting the technical and legal assistance services;
 - contracting engineering services for updating the engineering and nuclear safety documentation necessary for the Project restart.

¹ [History – Cernavodă NPP \(nuclearelectrica.ro\)](https://www.nuclearelectrica.ro)

² See [STI/PUB/1324 \(iaea.org\)](https://www.iaea.org).

- **Stage II - Preliminary Works (Limited Notice to Proceed – LNTP)** having as main objectives:
 - developing engineering needed for defining the project;
 - structuring and contracting financing (by cost estimates and implementation schedule with a high degree of certainty);
 - obtaining the favourable Opinion of the European Commission further to the Project Notice according to Article 43 of the EURATOM Treaty and a positive decision in accordance with the relevant European provisions on State Aid;
 - obtain the Nuclear Security Authorization for the Construction Stage;
 - having the Final Investment Decision taken for advancement to Stage III (Construction).

At the end of this stage, the project feasibility shall be re-examined based on the new technical and economic indicators and the Final Investment Decision shall be made, which shall allow the pass to Stage III.
- **Stage III - Construction (Final Notice to Proceed – FNTP)** having as main objectives:
 - the start and completion of the building and assembling works;
 - commissioning of Units 3 and 4.

Starting from 1 September 2021, EN has been operationalized again and implicitly, Stage I of the Strategy started.

In **2022**, OGMS of SNN approved certain measures needed for continuing the Project aiming at: the adoption of the Investment Decision on the Project and advancement to Stage II, conditioned on the approval of the Support Agreement between the Romanian State and SNN and, respectively, the approval of initiation of the steps for awarding and concluding the agreements necessary for the completion of the Project, within the limits of powers provided for in the Articles of Incorporation of SNN and EN, and within the amount of EUR 185 million.

In **2023**, by Law no. 74/2023, the Support Agreement between the Romanian State and SNN was approved, which provides:

- *Art. 3.1.11. - The Romanian State shall employ the necessary efforts to adopt regulatory and/or administrative and/or specific regulatory acts with a view to facilitating the issuance of the permits and approvals needed for completion of the Project.*
- *Art. 3.1.12. - Provision of support for clarification and interpretation of the legislation applicable to the Project's procurement with a view to expeditiously and smoothly implementing the Project, in accordance with the IGA provisions and the strategic importance of the Project for the Romanian energy security architecture.*
- *Art. 4.1. The Parties hereby agree that, under the Preliminary Stage, SNN shall finance EN with the equivalent in RON of the amount of EUR 185 million. This financing of EN shall take place in the manner decided by SNN, namely (i) by subscribing to the increase of the share capital of EN, and/or (ii) by arm's length shareholder loans granted by SNN to EN. "Preliminary Works Budget" means the amount of EUR 185,000,000, representing the estimated grand total for the Preliminary Works, until the Investment Decision II.*
- *Art. 4.2. Before the Date of Investment Decision I, the Shareholders and the Parties to this Agreement shall agree on the updating of the Preliminary Works and on the Preliminary Works Budget defined in this Agreement*

In the first stage of the Project:

- The engineering services Contract was implemented - contractor Candu Energy regarding the revaluation of structures, the incorporation of the project improvements from the perspective of nuclear safety and the definition of standards and specifications for Stage II.
- The list of project changes having impact on nuclear safety (additional to the project of the reference unit – Cernavodă NPP Unit 2) was updated, needed for the fulfilment of the requirements of the Nuclear Safety Directive.
- The Nuclear Safety Guidelines and the Authorization Underlying Documents were updated according to which, in December 2022, CNCAN issued a Letter of Comfort certifying that the Project of Units 3 and 4: (i) "meets the requirements laid down in the rules issued by CNCAN, inclusively in relation to the conditions and criteria transposing the specific laws in the nuclear field, adopted at the level of the European Union"; and (ii) is subject to authorization and in accordance with the specific applicable laws"
- Activities have been carried out regarding the revaluation of the civil structures by Candu Energy, with the following conclusions: All buildings could be used for continuing U3-4 Project and are capable of ensuring 60 years of operation from their putting into service (2031 – U3, 2032 – U4), and general rehabilitation and consolidation works of certain structural elements by improvement / consolidation / replacement are needed,

the detail planning and design of such works being completed in Stage II - LNTP, and shall be executed in Stage III – Construction.

III. Need for the conclusion of the Addendum. Main provisions of the Addendum

By reference to the project evolution in the known national and international background, it appeared the need for reviewing and supplementing the provisions of the Support Agreement by concluding an Addendum thereto, in accordance with the provisions of Law no. 74/2023 for approval of signing the Support Agreement between the Romanian State and Societatea Nationala “Nuclearelectrica” S.A. for Cernavodă NPP’s Units 3 and 4 Project. Amendments necessary to be made consider two dimensions: the budget and the implementation deadlines (Appendix 1).

The main provisions of the draft Addendum to the Support Agreement aim at:

- updating the budget related to Stage II – Preliminary Works (LNTP);
- updating clause 4.1 regarding the financing of the budget related to Stage II;
- updating the data relating to the Investment Decisions I and II in accordance with the current implementation schedule of the Project.

The draft Addendum is presented in Appendix 1 thereto.

IV. Proposals submitted to the approval of the General Meeting of Shareholders

Considering the above, we submit for the approval of the General Meeting of Shareholders the following:

1. Addendum to the Support Agreement between the Romanian State and SNN regarding the Cernavodă NPP Units 3 and 4 Project, in the form presented to shareholders.
2. Mandating the Board of Directors of SNN to approve any amendments to the Addendum to the Support Agreement between the Romanian State and SNN in relation to the Cernavodă NPP Units 3 and 4 Project, such amendments being generated by the dynamics of the negotiation process, by reference to the Addendum in the form presented to shareholders, as well as to approve its final form, respectively the form including the amendments resulting from the negotiation process.

Appendix 1 - The draft Addendum to the Support Agreement between the Romanian State and SNN regarding the Cernavodă NPP Units 3 and 4 Project

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