

# Media Release

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## Decommissioning and Waste Disposal Funds: Reduction of real return rate is unnecessary, arbitrary and detrimental

The Federal Council's draft for the revision of the Ordinance on the Decommissioning Fund and Waste Disposal Fund (SEFV) for Nuclear Installations currently under consultation is politically questionable and a shot in the foot in terms of energy policy. The elimination of the lump sum safety surcharge of 30 per cent is appropriate. However, Axpo opposes the arbitrary reduction of the funds' real return rate from 2 to 1.6 percent. This unnecessarily ties up significant additional financial resources and has a detrimental effect on the planned restructuring of the Swiss energy supply system.

Axpo welcomes the elimination of the 30-per cent lump sum safety surcharge. There is no necessity or factual basis for this instrument. However, it is equally unnecessary, arbitrary and detrimental to intervene in the well-functioning system of the Decommissioning and Waste Disposal Funds with an adjustment of the real return rate.

**Unnecessary:** The accumulated savings in the two funds are currently at a three-digit million amount over the target value. The funds have generated surplus returns in the past – despite difficult stock market years (dot-com bubble, financial crisis). Anticipated costs are estimated every 5 years based on the latest economic findings and operator contributions are adjusted accordingly. Upon detailed review, independent national and international experts confirmed that the last cost study from the year 2016 is sound and reliable, and that the risks as well as prognosis uncertainties were fully considered and assessed. Furthermore, the operators are already responsible for the full costs for decommissioning and waste disposal. The risk for tax payers is extremely low thanks to a rigorous, worldwide unique, liability cascade.

**Arbitrary:** Lump-sum safety surcharges as well as the reduction of the real return rate are arbitrary and have no factual basis. It would be more fitting to draw from experience rather than reacting arbitrarily to the momentary interest rate situation. These empirical values demonstrate that a real return rate of 2% was exceeded overall in the past despite difficult periods. With a term of over one hundred years, the funds have an extremely long-term investment horizon. Experience indicates that 2% over such a time period is, in general, conservatively calculated.

**Detrimental:** An additional burden such as this deprives companies of the necessary financial resources for investments, for example, in the maintenance and replacement of hydropower installations, in the expansion of other renewable energies, or in new business fields. The capital required to restructure the Swiss energy supply system would be frozen in a blocked account for over 100 years because surplus capital would only be returned to the contributors when the final statement becomes available.

### Axpo calls for the renunciation of a reduction of the real return rate

Based on these reasons, Axpo calls for the renunciation of a reduction of the real return rate. It makes no sense to accumulate enormous sums that will be tied up far beyond one hundred years. The funds' savings already amount to a three-digit million figure over the target values. If the funds continue to generate a higher return than required by law, surplus coverage will continue to grow. The Swiss power industry faces the major challenge of mastering the restructuring of the energy supply system. To succeed, companies must be able to invest in new technologies and infrastructure. Depriving them of the necessary capital and freezing it in a blocked account is a shot in the foot in terms of energy policy.

### **Without appropriate owner involvement the loss of expertise is imminent**

The Federal Council's plan to reduce the number of owner representatives on the boards curtails and marginalises their involvement in fundamental decisions in connection with fund management. There is no reason to do so. The current approach ensures the independence of the fund bodies in that it limits the commission to 11 members and does not allow nuclear power plant operators to hold more than half the seats. Owing to the aforementioned supplementary obligation they have a strong interest in accumulating sufficient fund reserves and the careful management of these financial resources. In contrast, the proposed change would lead to a loss in expertise.

### **Politically questionable changes**

The proposed changes are politically questionable. Together with the existing competences of UVEK, the specifications for cost studies, investment return and inflation, as well as for establishing the definite costs for decommissioning and waste disposal, they de facto deprive companies of any say and ultimately represent an expropriation. In contrast, the operators are expected to bear the full responsibility for the costs of decommissioning and waste disposal. The revision creates a great imbalance between the rights and obligations of the fund contributors. Given the multiple role of the government as the legislator and supervisory authority, the revision is even more politically objectionable.

**You will find the complete Axpo statement (in german) on the SEFV revision here:**

<https://bit.ly/2X6GR2h>

**About Axpo:** The Axpo Group produces, trades and distributes energy reliably for over 3 million people and several thousand companies in Switzerland and in over 30 countries throughout Europe. Around 4300 employees combine the expertise from 100 years of climate-friendly power production with innovative strength for a sustainable energy future. Axpo is an international leader in energy trading and in the development of tailor-made energy solutions for its customers.

#### **Additional information**

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