

(GROW)

From: [REDACTED] (GROW)
Sent: 02 March 2016 15:53
To: DRZEWOSKA Agnieszka (CAB-BIENKOWSKA); [REDACTED] (GROW); [REDACTED] (GROW); NUNES DE ALMEIDA Joaquim (GROW); [REDACTED] (GROW); [REDACTED] (GROW); EVANS Lowri (GROW); DELSAUX Pierre (GROW)
Subject: Flash report - Meeting on PAKS with Mr Balázs Sonkodi, HU - 02/03/2016

Dear all,
 Please find below a flash report from today's meeting on PAKS with the HU authorities.
 All the best

[REDACTED]

From: [REDACTED] (GROW)
Sent: Wednesday, March 02, 2016 11:49 AM
To: Subject: Flash report - Meeting on PAKS with Mr Balázs Sonkodi, HU - 02/03/2016
Importance: High

On Wednesday 02/03/2016 a meeting on Paks took place with the Hungarian delegation lead by Mr Balázs Sonkodi

Participants:

HU

- Balazs Sonkodi, Secretary of State
- Olivér Varhélyi, HU Perm Rep, ambassador
- [REDACTED] HU Perm Rep
- [REDACTED] LLP
- [REDACTED] Law Firm

DG GROW

- Joaquim Nunes de Almeida, Director G
- [REDACTED] G.2
- [REDACTED] G.2

DG ENER

- Massimo Garribba, Director ENER G
- [REDACTED], Legal officer ENER

LS

- [REDACTED] Energy team
- [REDACTED] IM team

Main points raised:

- HU was asked several factual questions regarding the argument that technically only the Russian party could implement the whole project.
- COM stressed that financial reasons would not be sufficient as the financially advantageous nature of a deal should be the result of a PP procedure, and exceptions to PP rules have to be interpreted restrictively.

- HU was asked to provide a clear breakdown of costs by parts of the project (Paks I/Paks II, reactors/other works and services).
- HU continued to emphasize the financial advantages of the deal as a whole as justification for direct award (turnkey, fixed price, all risks with Russian party).
- HU also underlined that they had emphasized this aspect of the deal in DG Comp State Aid case to prove that the project did not contain State Aid.
- The constructive approach of the meeting was appreciated by HU.
- COM inquired how the direct award to the Russian party could be limited suggesting that HU go itself to the market for all works and services, which do not have to be necessarily provided by the Russian party. This would imply amending the IGA.
- HU proposed instead to introduce additional "safeguards" in the PP policy to be followed by the Russian party.
- HU said that the renegotiation and amendment of the IGA would not be possible. This would fundamentally change the project and make it more advantageous to the other party. HU is not prepared to go itself to the market.

Follow up:

- As HU was not in a position to answer the factual questions in the meeting they asked for more time.
- HU promised to provide detailed information and elaborate on the technical issues and come back to us in max. 3 weeks.
- HU will also propose additional "safeguards" in the procurement policy to be followed by the Russian party, by modifying the PP Appendix ("downstream").
- HU will not propose a limitation of the direct award to the Russian party ("upstream").

Overall summary:

- The meeting was constructive as HU was open to provide evidence/justification of the "technical exclusivity"/sole provider argument.
- HU does not consider renegotiating the IGA containing the direct award of the whole project to the Russian party ("upstream").
- HU only offers still unspecified "safeguards" for the award of subcontracts ("downstream").