

PRIME MINISTER'S OFFICE

European Commission
Internal Market, Industry, Entrepreneurship and SMEs
Brussels
Ms. Elżbieta Bieńkowska
Commissioner

Ref. nr.: ME-MK/80/2016

Budapest, August 4, 2016

Subject: Paks II Project (2015/4231)

Dear Commissioner Bieńkowska,

Firstly, let me thank you for the meeting on 3 May 2016 during which, instead of raising again concerns over competences, we had a pragmatic and fruitful discussion on the way forward to a solution for this important investment project for the Hungarian economy and energy security. Since then our respective teams have worked closely and effectively together to substantiate the applicability of the technical exemption and have elaborated such a framework which enables us to find a mutually acceptable solution regarding the Paks II Nuclear power plant development project ("the Project").

In order to close the infringement procedure related to the Project - the rights of ownership of which are exercised by the Prime Minister's Office on behalf of the Hungarian State -, the Government of Hungary commits to ensure that the Joint-Stock Company Nizhny Novgorod Engineering Company Atomenergoproekt ("NIAEP JSC") fulfils all of the below commitments and to take all steps to ensure that MVM Paks II Ltd. enforces these commitments in accordance with applicable legislation, as necessary.

In order to ensure that the technically non-exempted part of the Project is procured through competitive and fully transparent tendering processes - respecting the basic principles of equal treatment and non-discrimination in accordance with the Procurement Policy (Appendix 1.15 of the EPC Contract) enclosed with and being integral part of the EPC Contract - while at the same time ensuring the fixed-price turn-key nature of the EPC Contract, MVM Paks II Ltd. has concluded an agreement with NIAEP JSC mirroring the following commitments:

1. Subcontracting:

a) JSC NIAEP as the Russian Authorized Organization pursuant to the IGA commits to apply competitive and fully transparent tendering process, respecting the basic principles of equal treatment and non-discrimination in accordance with the Procurement Policy (Appendix 1.15 of the EPC Contract) which applies to the procurement of all subcontractors at a level of at least 55 percent of the EPC Contract Price. Article 6 of the Procurement Policy does not apply to these subcontracts. JSC

Price. Article 6 of the Procurement Policy does not apply to these subcontracts. JSC NIAEP agrees to initiate the tenders in accordance with the schedule attached to this Agreement in Appendix 1.

b) Otherwise, beyond the 55% threshold, only the Procurement Policy applies and, for the avoidance of any doubt, JSC NIAEP is exempt from pursuing a tender falling out of the scope of the Subcontracting commitment under point a) in the case of JSC NIAEP's stipulated right in Article 6 of the Procurement Policy. In order to make the participation available for a Rosatom group company being under the control of Rosatom and Rosatom joint ventures, irrespective of being registered in the EU or not - but not meeting the right of JSC NIAEP's stipulated in Article 6 of the Procurement Policy - JSC NIAEP commits to initiate a tender procedure pursuant to the Procurement Policy.

The list of Goods and Services falling under the scope of the Subcontracting commitment under point a) and that JSC NIAEP will procure within the 0-150 day, 151-300 day and the 301-450 day periods in accordance with Appendix 1 is attached to this Agreement in Appendix 2. JSC NIAEP shall submit to MVM Paks II Ltd. an additional portion of the list of Goods and Services falling under the scope of the Subcontracting commitment under point a) following the completion of the Basic Design, after 31 December 2017 for the periods from day 450. Only Goods and Services where competition exists on the market can be proposed in this additional list, which list shall not be accepted by MVM Paks II. Ltd. except upon receipt of the consent of the Commission, which consent shall not be withheld unreasonably.

The lists of Goods and Services are non-exhaustive and may be modified by JSC NIAEP during the Project Implementation but only on condition that it demonstrates that the level of the tendering processes will not decrease below the prescribed 55 percent and that competition for the proposed new Goods and Services exists on the market.

Any planned modification of the lists of Goods and Services shall be notified to MVM Paks II Ltd. together with adequate supporting evidence and demonstration of the fact that the actual modification would not have any impact neither on the level and value of the tendering process, nor on the potential of competition in Hungary.

Hungary will notify the European Commission as soon as possible and will accept a modification only upon agreement by the European Commission.

All subcontracting tender notices shall be published EU-wide in English language pursuant to Article 3 (6) of the IGA. In compliance with these principles the tender notices shall be published at least on the following websites:

<http://www.neimagazine.com/news/tenders/>
[http:// www.businessesforesale.com/ft2/notices](http://www.businessesforesale.com/ft2/notices)
[http:// power.globaldata.com/](http://power.globaldata.com/)
http://www.globaltenders.com/global_tenders_publish.htm
[http:// www.world-nuclear-news.org/](http://www.world-nuclear-news.org/)
[http:// analysis.nuclearenergyinsider.com/](http://analysis.nuclearenergyinsider.com/)
[http:// www.tendersinfo.com/global-energy-power-and-electrical-tenders.php](http://www.tendersinfo.com/global-energy-power-and-electrical-tenders.php)

2. Monitoring:

JSC NIAEP commits to inform MVM Paks II Ltd. concerning the initiation and the exact details of any tender procedures and the status of the ongoing and/or closed tender procedures on a monthly basis before the 10th day of each month until the complete fulfillment of the commitment in this letter, but not beyond the commissioning of the power plant. JSC NIAEP shall fulfil this monitoring commitment by way of completing and submitting to MVM Paks II Ltd. the information sheets attached to this Agreement in Appendices 3 and 4, respectively every month, irrespective of the existence of new information (e.g. new procedures launched, procedures closed) in the reporting period.

JSC NIAEP understands that such information sheets will be submitted to the European Commission for monitoring purposes. Hungary will transmit to the European Commission the information provided by JSC NIAEP on a monthly basis before the 15th day of each month.

3. Participation of Rosatom subsidiaries:

JSC NIAEP commits to guarantee that a Rosatom group company being under control of Rosatom - irrespective of being registered in the EU or not -, will not participate in the tender procedures subject to the commitment under point 1/a).

In respect of this commitment control shall mean the possibility of exercising decisive influence on an undertaking constituted by rights, contracts or any other means either separately or in combination and having regard to the considerations of fact or law involved, in particular by:

- (i) ownership or the right to use all or part of the assets of an undertaking;
- (ii) rights or contracts which confer decisive influence on the composition, voting or decisions of the organs of an undertaking.

4. Jurisdiction:

JSC NIAEP commits to prescribe the courts of an EU member state in each tender initiated pursuant to this Agreement as having exclusive jurisdiction for the dispute resolution in connection with such tender procedures.

I do believe that these commitments provide the European Commission the necessary safeguards to close the infringement procedure enabling a timely implementation of the Project which plays a crucial role in Hungary's energy policy.

Sincerely yours,



Schedule

H-1056 Budapest, Kcs.uth Lajo. tor 1-0. Phone (+36 1) [redacted] Fax: (+36 1) [redacted]

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Appendix 2
Equipment and Construction works available for tendering during the first three periods of Appendix 1

No.	Name of equipment and construction work
1.	Corium catcher devices
2.	Trestle cranes of the reactor compartment
3.	Water purifying rotating machine with external water supply
4.	Sets of hydraulic shock absorbers
5.	<p>Turbine-generator sets including:</p> <ul style="list-style-type: none"> - Steam turbine with oil supply system; - Control automation and protection devices; - Intraturbine pipelines; - Turbine condenser vacuum-pumping system; - Sealing steam condenser; - Measuring units; - Vibration dampers of the turbine unit base slab; - Ready-assembled generator with excitation system; - Auxiliaries.
6.	Electric support bridge cranes of the turbine hall
7.	Step-up transformers
8.	Diesel generators sets for normal operation system
9.	Condensing unit
10.	Sample preparation device

11.	Pressure primary transducers bench
12.	Fire proof and resistant valve with electric drive 24V
13.	Electric single-girder underrunning crane
14.	Ventilation ducts overlapping device from the effects of air shock wave
15.	Pumps, filters
16.	Construction of Phase 1 of the Construction and Erection Base

The equipment list shall be specified along with the Basic Design preparation.

H-1056 Budapest, Kossuth Lajos tér 1-9. Phone (+35 1) [redacted] Fax (+35 1) [redacted]

Number of the proceedings:

Basic data of the contract notice(s):

[illegible]

