

A world to conquer for French technology

As the main shareholder in the leading companies in the nuclear industry, the French government calls the nuclear shots, even appointing the managers at the top nuclear companies. President Nicolas Sarkozy's strategy is to 'conquer the world' with French nuclear technology.

| by Yves de Saint Jacob

At 9 p.m. on January 29, a short statement is made from the Elysee Palace, the seat of the French presidency. President Sarkozy announces the imminent construction of a second EPR (European Pressurised Water Reactor), the third generation nuclear reactor of original French-German design. It will be built at Penly in Normandy. The project will be run by EDF, the French public electricity supplier. GDF-Suez,

Italian utility Enel, standing on a stage decked out with the French tricolour and the European Union flag, Sarkozy spells out the main points in France's energy strategy. 'There is a world to conquer', he announces, confirming the revival of nuclear power in France.

Looking on are EDF managing director Pierre Gadonneix and Anne Lauvergeon, chairwoman of Areva, the company which

director Patrick Kron is here too. He has never disguised his wish to merge with (or swallow up) Areva, which doesn't exactly make him Anne Lauvergeon's favourite companion. In addition, the audience includes engineers from the nuclear industry and the workers, along with their union representatives. In France, the powerful CGT union has always been a part of the "nuclear family".

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the new French energy giant in which the State holds a sizable share, will get a minority stake in the EPR. The statement also mentions the possibility of building a third EPR, for which the majority might go to GDF-Suez. But that decision has yet to be made.

A week later, at 5 p.m. on February 6 in Flamanville, at the site where EDF is building the first French EPR together with

designed the EPR and produces nuclear fuel. Also in attendance is Martin Bouygues, managing director of the company which bears his name, the leading player in the construction industry involved in public works. Bouygues is also the major shareholder in Alstom, manufacturer of turbines for electric power stations, and the TGV high-speed train, making the company the main rival to the German Siemens corporation. Alstom managing

This kind of get-together is enough to make the hair of the civil servants in Brussels stand on end. In France, it is part of a long tradition: the state runs the nuclear industry. President Sarkozy, having promised an omnipresent presidency, has full personal authority over the sector and fully intends to exercise it.

His general strategy is by now quite clear. Energy, and nuclear energy in particular, will be the driving force of French industrial policy, particularly in terms of exports. It is the third time in 50 years that Paris has made such a clear commitment. Obsessed by national independence, Charles de Gaulle first opened the door for state-controlled civil and military nuclear industries. After the



oil crisis of 1973, President Valéry Giscard d'Estaing launched the programme which would lead to France having 58 nuclear power stations. Now, at the start of 2009, Nicolas Sarkozy has given an international dimension to French nuclear power.

In fact, the decision to build a second EPR is all about 'conquering the world'. For France itself, there is no urgent need to build another new reactor, as EDF has admitted publicly. But it is important to demonstrate to the outside world that France has confidence in the EPRs, despite the major delays in the construction of the first EPR-reactor in Finland (see the story on page 52) and the cost overrun for the first French EPR in Flamanville (€4 billion instead of the initial €3.3 billion).

So much for overall strategy. But things are far from cut and dried when it comes to the companies involved. EDF is expected to continue its international expansion, to invest massively and to bolster the EPR network. Pierre Gadonneix (see the interview on page 68) knows his contract expires in November but he is hoping for an extension, even though he can hardly be called one of President Sarkozy's inner circle. Meanwhile, the creation of the energy giant GDF-Suez, formed by a merger of the state gas utility GDF and the private company Suez, which is

already involved in nuclear energy through its Belgian subsidiary Electrabel, has led to a new player arriving on the scene, vying with EDF.

Then there is Areva, the nuclear technology supplier owned by the French state. Its order books are full and the company has announced plans to increase its production capacity substantially. But it has a financing problem. It needs around €10 billion by 2012, and that's not taking into account the buy-out of Siemens' share in Areva NP (its reactor arm) and the penalties the company may have to pay as a result of the delays with the Finnish EPR. This conflict will be the subject of arbitration. Anne Lauvergeon has naturally knocked on the door of the company's major shareholder, i.e. the government, for a solution. She is still waiting for an answer. There is just one problem: the state coffers are empty.

One option would be a merger with Alstom, but for Areva that is a worst-case scenario. Lauvergeon is looking for financial investors, not for an invasive industrial partner. The concept of a merger between Alstom and Areva was proposed in 2008 by Sarkozy but the project was later frozen. Alstom might be attracted by the idea of buying Siemens' share of Areva's reactors business, since this would enable the company to go back into that particular market.

One taboo subject is the unity of Areva and its "integrated" business model. Areva exploits every niche of the nuclear network, from the extraction and processing of fuel to the manufacture of reactors and reprocessing of fuel, and even the distribution of electricity via intelligent networks. This "one-stop shop" business model is "the envy of all our competitors", they like to say at Areva.

But not all experts are convinced of the effectiveness of this model. They claim the activities of enrichment and reprocessing have significant military implications that impose heavy restrictions likely to alienate potential private partners. Processing of waste, long criticised by political and environmentalist opponents, is subject to regulatory requirements which may change, and generates a degree of uncertainty sufficient to discourage investors.

However, the current political and social circumstances – the unions in France are nuclear-friendly as long as the industry is confined within the bosom of the State – do not favour President Sarkozy straying too far into "tinkering" with a complicated restructuring of the nuclear industry. The entry of the new group GDF Suez into the game has already made plenty of waves. ■

The Flamanville nuclear power plant. Photo by: Andre Durand/AFP/Getty images

