



**MEMORANDUM OF
UNDERSTANDING**
between
**the Governments of the G-7 Countries and
the Commission of the European Communities**
and
the Government of Ukraine
on the Closure of the Chernobyl Nuclear Power Plant

THE RESPECTIVE GOVERNMENTS OF THE G-7 COUNTRIES AND THE COMMISSION OF THE EUROPEAN COMMUNITIES, hereinafter referred to as "the G-7", and **THE GOVERNMENT OF UKRAINE**, hereinafter referred to as "Ukraine", have developed a cooperative approach on the elaboration and implementation of a Comprehensive Program to support the decision of Ukraine to close the Chernobyl Nuclear Power Plant by the year 2000, as formulated by President Kuchma in his statement of April 13, 1995, and in his letter of August 8, 1995, to G-7 Leaders. The Program will thus implement the commitments of the leaders of the G-7, made in Naples, Italy, in 1994 and Halifax, Canada, in 1995.

Ukraine and the G-7 have decided upon the following Comprehensive Program of cooperation in order to support the closure of the Chernobyl Nuclear Power Plant by the year 2000:

I. Power Sector Restructuring

1. Ukraine and the G-7 will continue to cooperate in the development of a financially-sound electric power market with market-based pricing that will encourage energy efficiency and conservation and will work cooperatively in generating and attracting the domestic and international resources needed both for safety measures and for new capital investment in power generation, transmission and distribution.

II. Energy Investment Program

2. Ukraine and the G-7 will work with the international financial institutions as well as foreign and domestic investors to prepare loan-financed projects based upon least-cost planning principles for completion of Khmelnitsky II and Rovno IV nuclear reactors, for thermal and hydro plant rehabilitation and pumped storage projects, and for energy efficiency projects in accordance with Ukraine's energy sector strategy. In order to support the closure of the Chernobyl Nuclear Power Plant, the investment program will identify least-cost power supply investments to meet Ukraine's future national power requirements in the context of a competitive market-based power sector.

III. Nuclear Safety

3. Ukraine and the G-7 will work with the relevant international organizations as well as multilateral and bilateral donors on an expedited basis to prepare and implement projects for short term safety upgrades at Chernobyl III and for decommissioning of the Chernobyl Nuclear Power Plant.

4. Ukraine and the G-7 will continue to cooperate in the development of a cost effective and environmentally sound approach to the shelter for Chernobyl IV, including the definition, as soon as possible, of technical and cost options as the basis for reviewing financial requirements.

IV. Social Impact Plan

5. Ukraine and the G-7 recognize the implications of the closure of the Chernobyl plant for the workers and their families. The European Commission and the Government of the United States will assist the

Government of Ukraine to develop an Action Plan for addressing the social impacts of the closure of Chernobyl.

V. Financial Resources

6. To provide for the implementation of the program outlined in paragraphs 1-5, Ukraine and the G-7 will cooperate in the identification of international and domestic Ukrainian funding sources and the mobilization of international finance in support of appropriate program activities.

7. Attachment 1 presents a summary of the current financial resources either available or under consideration from the G-7 and international financial institutions. Some elements are subject to the completion of project specific feasibility studies. Attachment 2 provides the list of priority projects of the Comprehensive Program.

As a guiding principle, revenue generating projects would be considered for international loan financing and Ukrainian domestic resources. Non-revenue generating projects, directly related to the closure of the Chernobyl Nuclear Power Plant, would be considered for international grant financing and, taking into account the financial and economic situation in Ukraine, Ukrainian domestic resources.

VI. Implementation Review

9. Representatives of Ukraine, the G-7, and the international financial institutions will meet at least annually to monitor implementation of the comprehensive program of the closure of the Chernobyl Nuclear Power Plant and consider any technical and financial issues that represent potential obstacles to realizing its objectives.

Done in Ottawa, this 20th day of December 1995, in duplicate, in the English and Ukrainian languages, each text being equally valid.

SUMMARY OF CURRENT FINANCIAL RESOURCES FROM THE INTERNATIONAL COMMUNITY (US \$ MILLIONS)			
	GRANTS (1)	IFI AND EURATOM LOAN FINANCING (2)	TOTALS (3)
POWER SECTOR RESTRUCTURING	43		43
ENERGY INVESTMENT PROGRAM	102	1,809	1,911
NUCLEAR SAFETY & DECOMMISSIONING	349		349
SOCIAL IMPACT PLANNING	4		4
TOTALS	498	1,809	2,307

1. *Committed*
2. *Some loans are pending subject to approval based on necessary feasibility studies.*
3. *Ukrainian in-kind and financial contributions will be defined as projects are developed.*

Please see stories on pages 2 and 4.