

New Fennovoima owners

The Fennovoima nuclear project

Fennovoima was established in 2007 as a collaboration between Germany utility E.ON and Finnish industrial, retail and municipal power companies. Fennovoima's sole purpose was to build a nuclear power plant in Finland.¹

The company political approval from the Finnish parliament in July 2010. According to the approval, Fennovoima had to apply for a construction license by 1 July 2015. After receiving the initial bids from Western and Japanese nuclear power plant suppliers, most of Fennovoima's shareholders left, including the largest owner E.ON.²

To replace the ownership gap, Fennovoima started co-operation with Rosatom. Rosatom became the project's largest stockowner, supplier and promised funding. However, Rosatom's reactor model (VVER-1200) was not among the reactors approved by the parliament in 2010 and Fennovoima had to seek for a new license approval from the parliament.

After intensive debate, the parliament decided in favour of allowing a Russian reactor but set the condition of at least 60% ownership in the project from EU/ETA area.³

This condition was initially supposed to be covered by the Finnish state utility Fortum. Fortum tried to negotiate contract where Gazprom would have sold a controlling stake in North-Western Russian hydropower assets to Fortum with Rosatom as minority partner. This deal never came through and Fortum didn't buy shares in Fennovoima.⁴

Fennovoima returned their construction license application on June 30th. The application lists a Croatian company Migrit Solarna Energija as owning 8.89% of the project's shares.⁵

With Migrit Energija, the company's EU ownership would reach 63.75%. However, even that amount includes a number of companies with a total ownership of around 4% who have said that they won't invest in the project but haven't found anyone to buy their shares.⁶ Therefore, Fennovoima's possibility to fulfil the ownership criteria even with Migrit is unclear, with several reluctant companies that have no interest to invest in the project involved. If Migrit's 8.89% would be considered non-EU area ownership, the list of EU owners would sink below the 60% regardless of whether the unwilling owners are considered by the Ministry.

¹ Fennovoima. Application for a Decision-in-Principle Regarding a Nuclear Power Plant. January 2009.

<http://www.fennovoima.fi/userData/fennovoima/doc/dip/dipapplication-supplements.pdf>

² Bloomberg. EON Withdraws From Finnish Nuclear Project on Price Slide. 24.10.2013.

<http://www.bloomberg.com/news/2012-10-24/eon-to-withdraw-from-finnish-fennovoima-nuclear-reactor-project.html>

³ World Nuclear News. Parliament approves Fennovoima's amendment. 5.12.2014. <http://www.world-nuclear-news.org/NN-parliament-approves-Fennovoimas-amendment-5121401.html>

⁴ Fortum. Fortum not yet in agreement on TGC-1 hydro power - If restructuring proceeds, ready to take a minority stake in Fennovoima nuclear project. 24.6.2015. <http://www.fortum.com/en/mediaroom/pages/fortum-not-yet-in-agreement-on-tgc-1-hydro-power-if-restructuring-proceeds-ready-to-take-a-minority-stake-in.aspx>

⁵ Fennovoima. Voimaosakeyhtiö SF:n kirje Hanhikivi 1 –rakentamislupahakemuksen täydentämiseksi. 30.6.2015.

https://www.tem.fi/files/43420/Fennovoiman_rakentamislupahakemuksen_taydennys_-_VSFn_omistus.pdf

⁶ These companies are Boliden, Kuopion Energia, Ovako, S-Voima, Kestra and Valio via Majakka Voima.

Evaluating domestic ownership criteria

The definition of domestic ownership is a controversial topic. A company can be registered in the EU by foreign nationals or entities, as is the case with the Finnish Rosatom holding company RAOS Voima Oy. It is also relatively easy to channel financing directly or via third countries to the EU. A hypothetical case could include Russian financial entities transferring funds to an Israeli bank, which would then transfer the money to banks or individuals operating in the EU area.

Ensuring company's status must necessarily include an overview of the company's activities in broader sense than just the location and activities. Since it is in the end inherently impossible to define EU ownership in a fully consistent way, the deliberation must be based on a thorough analysis of the general credibility and trustworthiness of the company.

Migrit Energija's connections with Russian construction industry

The Moscow-based Russian citizen Mikhail Zhukov founded Migrit Energija in 2012. Zhukov is Vice President for Finance at the Russian construction company Inteco.⁷ Migrit Energija purchased a small solar power company and changed its name to Migrit Solarna Energija.

The ownership of Migrit Energija was switched to Grigori Edel in January and to Edel and Maksim Soloshtshanski in June. Both Edel and Soloshtshanski were born in Russia but neither of them live there anymore. Edel's father Konstantin Edel is Vice President for Strategy at Inteco and Soloshtshanski's father Oleg Soloshtshanski is the President of Inteco.⁸

Migrit Energija's office address and fax number are shared with a group of construction companies called Titan, a daughter company of Inteco. Titan's CEO Oksana Dvinskykh is also the CEO of Migrit Solarna Energija.⁹

Inteco is co-owned by the Russian billionaire Mikhail Shishkanov and Sberbank, a state owned Russian bank.¹⁰ Sberbank has a strategic partnership with Rosatom in nuclear exports.¹¹ The bank is targeted by the EU sanctions.¹²

Migrit's business activities have so far been limited. The balance sheet total of the Migrit group is 1 361 551 euro and the company's proceedings from 2014 state it's not planning any big investments.¹³ This being the status and strength of the company, it is difficult to see how any normal financial institution would finance an investment of this size through Migrit.

Migrit's normal bank is the Austrian Hypo Alpe Adria's Croatian arm, a bank that was involved in a corruption scandal that resulted in imprisonment of Croatia's former Prime Minister in 2012.

⁷ Bloomberg Business. Executive Profile Mikhail Zhukov. Fetched 6 July 2015.

<http://www.bloomberg.com/research/stocks/private/person.asp?personId=214046458&privcapId=21935489&previousCapId=81835368&previousTitle=Group%2520BIN>

⁸ Inteco. Top Management. Fetched 6 July 2015. http://inteco.ru/company/management/top_management/

⁹ Poslovna Hrvatska. Migrit solarna energija. Fetched 6 July 2015. <http://www.poslovna.hr/lite/migrit-solarna-energija/1264422/subjekti.aspx>

¹⁰ EmergingMarkets.me. Sberbank buys 5% stake in Baturina's Inteco. 7.9.2011.

<http://www.emergingmarkets.me/2011/09/sberbank-buys-5-stake-in-baturina-s-inteco/>

¹¹ Rosatom. ROSATOM and Sberbank of Russia signed an agreement on cooperation in international markets.

21.6.2015. <http://www.rosatom.ru/en/presscentre/news/0ccb29004012b545aa9dafee5ed17be1>

¹² E.g. Financial Times. Sberbank target of latest EU sanctions. 31.7.2014.

<http://www.ft.com/intl/cms/s/0/a1607b32-18ca-11e4-80da-00144feabdc0.html>

¹³ Balance sheet and proceeding fetched on 6 July 2015 from

https://sudreg.pravosudje.hr/registar/f?p=150:28:0::NO::P28_SBT_MBS:080796443

In response to a letter from Greenpeace, the bank asserted on 3 July 2015 that they are not involved in financing Fennovoima via Migrit.

It's highly questionable, where Migrit could find financing. Migrit's 9% share of the expected €6-7 billion cost of the project would imply total stake of €540-630 million. With the proposed funding arrangement, Migrit would need to provide €135-158 million of equity capital for its stake. According to Edell, the capital would come from "the Jewish community".¹⁴

Fennovoima is also a highly untypical investment. Fennovoima company structure doesn't allow dividends. Instead, the owners get power produced by the utility at cost price. Migrit would therefore have to set up a power company in the Nordic region to be able to sell their share to the Nordpool power market.

Conclusions

It seems clear that Migrit Solarna Energija does not have the financial stability and credibility of a company that would under any normal conditions be receiving financing for a project of this size and kind.

This alone raises serious questions – can Fennovoima rely on Migrit as a financier, and more seriously, where does the financing come from? If the financing is channelled through several banks and originates from individuals, it is impossible to prove the financing comes from EU/ETA area.

The reason for setting the 60% ownership requirement is avoiding Russian interest becoming too dominant in the project. The Russian background of the individuals behind Migrit Solarna Energija is so obvious, that we don't see how this company could fulfil the requirement on domestic/ETA ownership, based only on these facts.

Technically speaking, in the narrowest sense of the definition, Migrit Solarna Energija is a company based in EU/ETA. However, considering the Russian origin of the key people, and unclarity over the origin of the financing, we don't see how Migrit Solarna Energija could meet the requirements endorsed by the Parliament.

Furthermore, Migrit Solarna Energija does not have the financial and operational credibility to stabilize the Fennovoima project that is already crippled with several key investors leaving and other continuing reluctantly.

¹⁴ Kauppalehti. Migrit kiistää yhteydet venäläisiin - rahoitus juutalaisyhteisöiltä. 3.7.2015.
<http://www.kauppalehti.fi/uutiset/migrit-kiistaa-yhteydet-venalaisiin---rahoitus-juutalaisyhteisoilta/NGbREdaZ>