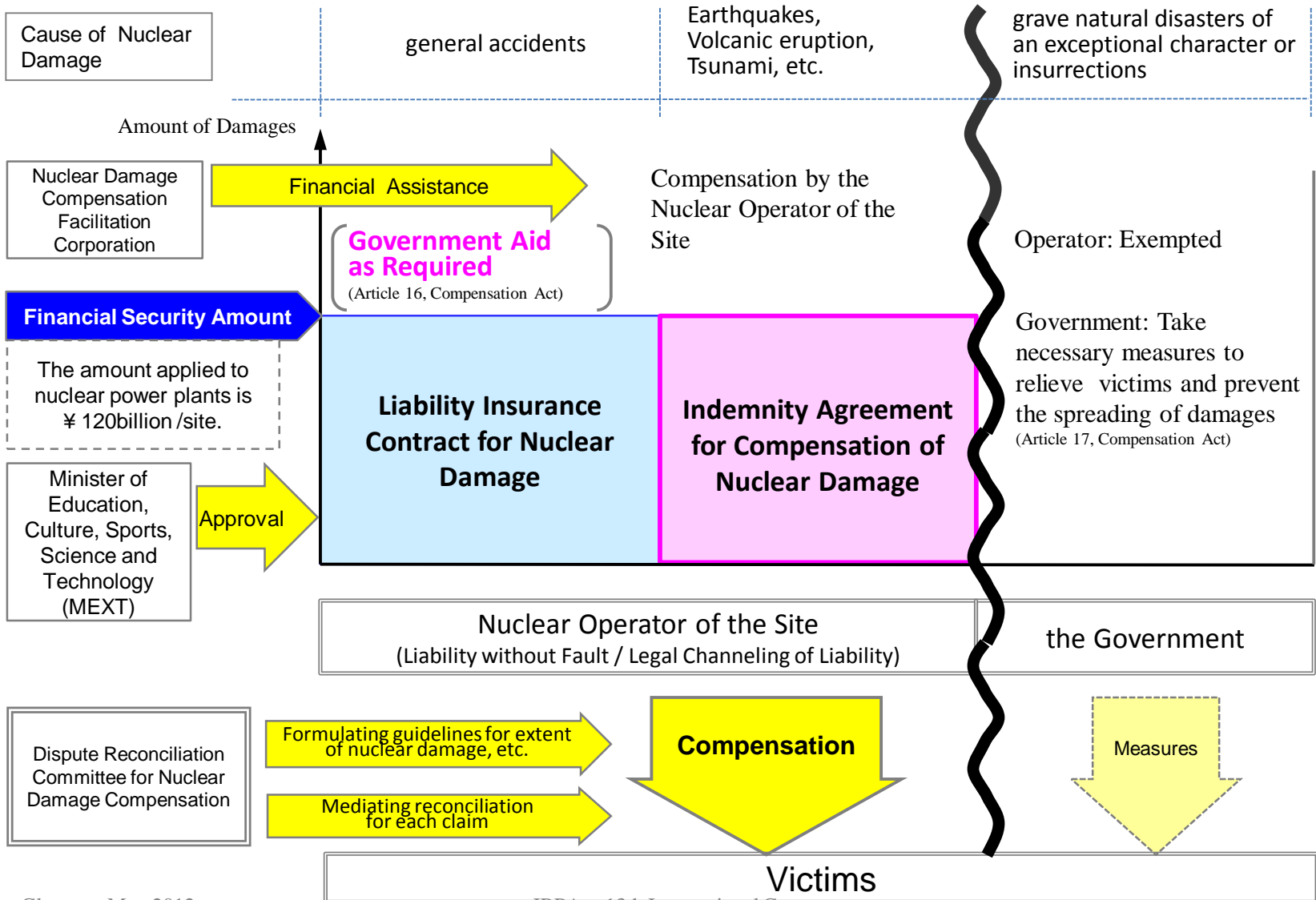


# TEPCO Fukushima Daiichi accident

## Financial support scheme

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## Overview of the Nuclear Liability System in Japan

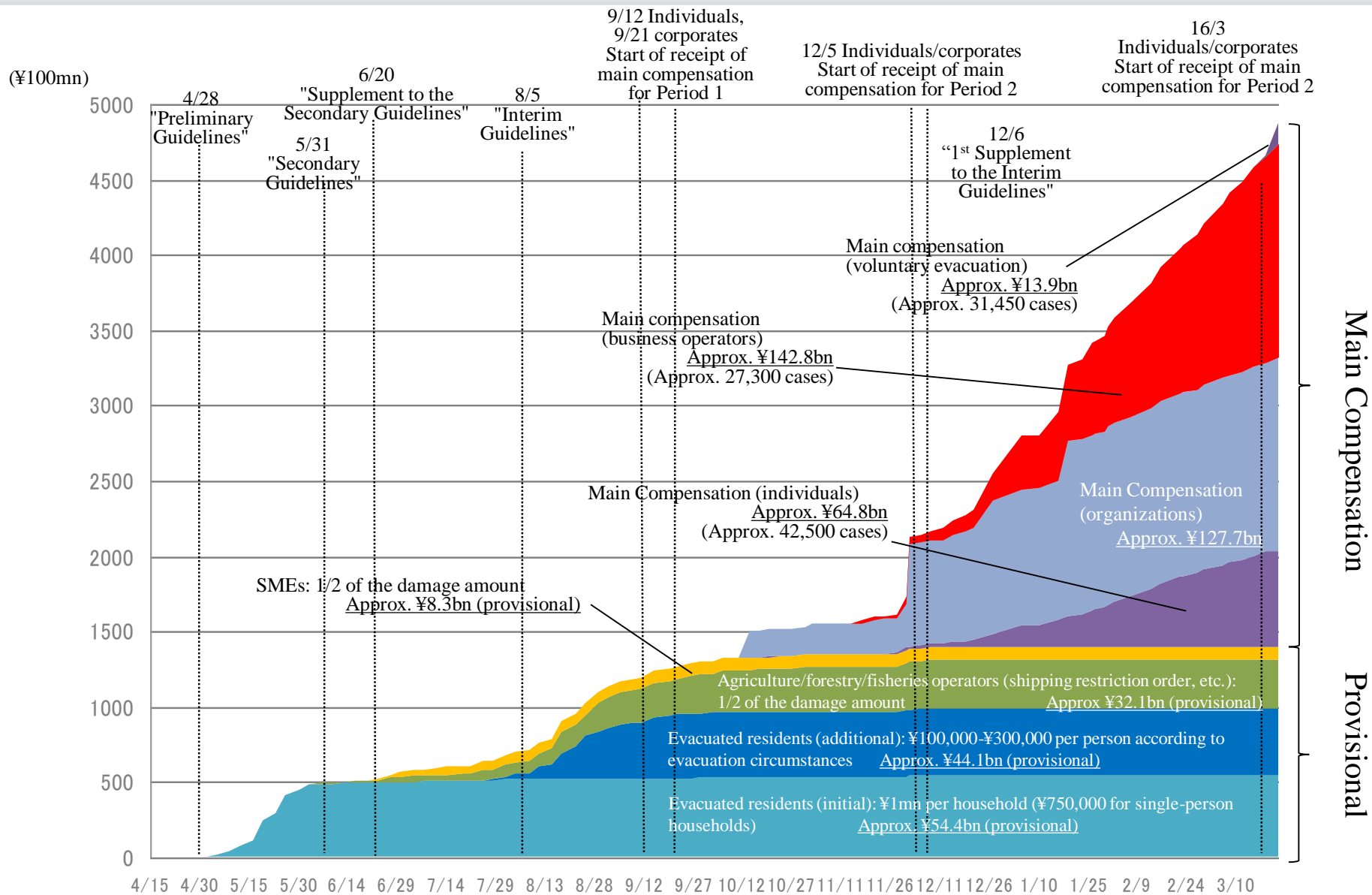


## Claims Handling

- **TEPCO solely liable for claims handling**  
<http://www.tepco.co.jp/en/comp/index-e.html>
- **Committee for Smooth Payment of Compensation for Nuclear Damage**
  - Established by Government at the end of December 2011
  - **Members:** Vice-Minister of MEXT; Senior Vice-Minister of Ministry of Economy, Trade & Industry (METI); Executive Director of the Nuclear Damage Compensation Facilitation Corporation; Vice President of TEPCO ...
  - **Purpose:** forum to share information and resolve issues between the parties concerned by the payment of compensation to the victims

## Compensation amounts paid by TEPCO

- **Provisional payments by TEPCO**
  - TEPCO started provisional payments to evacuees, agriculture/forestry/fisheries operator and SMEs from April 2011
  - **As of 23 March 2012, ¥142 billion already paid**
- **Start of main compensation payments in Sep. 2011**
  - Reconciliation Committee published Interim guidelines in August 2011
  - More than 13,000 people involved in payments work
  - **As of 23 March 2012, ¥349.2 billion already paid**
- **As of 23 March 2012, a total of ¥491.2 billion have already been paid by TEPCO in compensation**



## TEPCO's Financial Situation

- **TEPCO posted a bigger-than-expected annual loss of \$9.67 billion on 14 May 2012 and warned of tough times ahead**
- Mainly due to
  - massive costs to deal with reactor meltdowns
  - increased imports of fossil fuels.
  - **increase in projected compensation payouts**

## Governmental Financial Support

*Where nuclear damage occurs in excess of the financial security amount, Government must give the operator such aid as is required for it to compensate the damage and as approved by the National Diet  
(Article 16 Compensation Act)*

- Governmental support necessary even though against market rules and principle of self-responsibility,... because:
  - victims need to receive sufficient compensation
  - liquidation or bankruptcy would increasingly burden the procedure to claim compensation and victims may not receive special treatment
  - prevent stable supply of power

## FIRST PHASE: State Provisional Payments

- ***Cabinet Decision Sept 2011***: benefits **tourism-related SMEs** in 4 prefectures (Fukushima, Ibaraki, Tochigi and Gunma) which sustained **unfounded rumour damage** for which payment of compensation by TEPCO is expected to require some time
- From Sept 2011 until 29 Feb 2012:  
**approximately ¥1.7 billion paid for 50 cases**
- Number of applications decreasing with progress of TEPCO's compensation payments
- Government acquires the rights of claims of the indemnified victims against TEPCO



## ***SECOND PHASE: Establishment of the Nuclear Damage Compensation Facilitation Corp.***

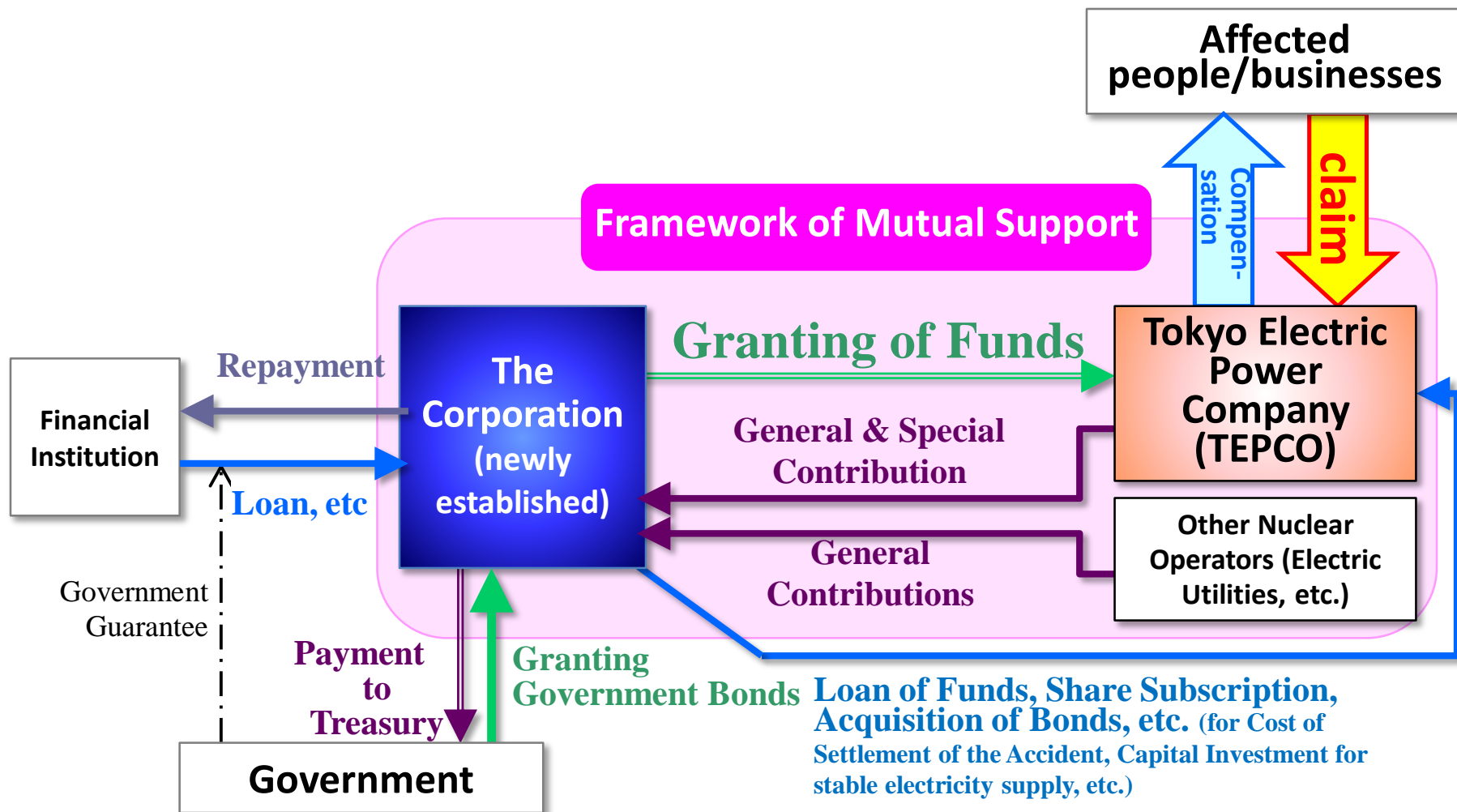
- **Established on 12 Sept 2011**
  - registered capital of ¥14 billion
  - equity shared 50/50 between the Government and private investors (in practice nuclear operators such as TEPCO and J-POWER)
- **Purpose:** if actual amount to be compensated by an operator exceeds the financial security amount, the Corporation will provide necessary support so that compensation measures are implemented promptly and appropriately by the operator, while ensuring the smooth management of the business activities associated with the nuclear installation concerned and a stable supply of electricity

## Financial Support Financed by Operators' Contributions

- Operators of nuclear installations in Japan to contribute based on fixed criteria such as the volume of electricity generated
- Contributions are kept by the Corporation as reserves
- Corporation to provide financial assistance by way of:
  - issuing funds
  - share subscription and corporate bond acquisition
  - loan funds
- Guarantee liabilities associated with borrowing of funds
- When they have received funds from the Corporation, the operators have no duty to repay the funds

## Governmental Special Financial Assistance (beyond the reserves)

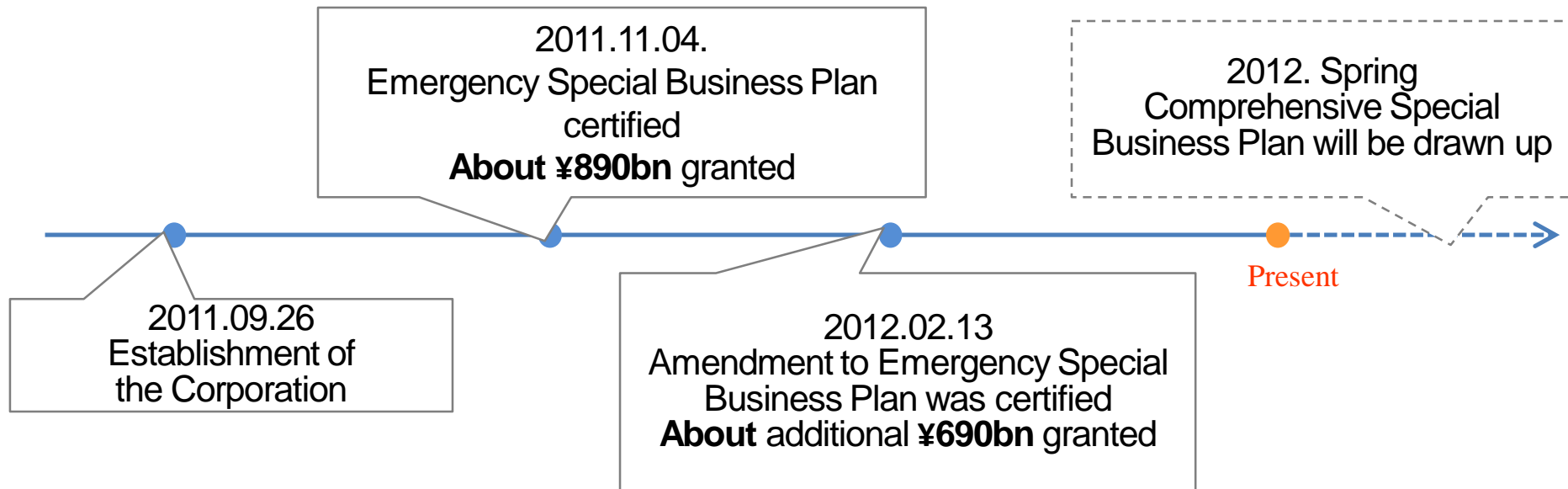
- **Government Bonds** which may be redeemed by Corporation at any time to provide funds to the operator
- **Pre-condition:** Special Business Plan needs to be drawn up jointly by Corporation and requesting operator which should among others specify business rationalization and clarify management accountability; pre-agreement of other interested parties who may have benefited from a liquidation
- **Repayment:**
  - requesting operator must pay a special contribution in addition to the normal contribution
  - Corporation has to reimburse Treasury from general contributions and special contribution, in effect electricity charges received by operators are used to pay the Treasury



## Financial support to TEPCO until now

- **October 2011:** the Corporation and TEPCO submitted a Special Business Plan to the Government
- **November 2011:** in consideration of urgency of the Special Financial Assistance, the government approved it as an emergency measure (the “Emergency Special Business Plan”) with a promise to draw up the “Comprehensive Special Business Plan” to carry out full-scale management reform in next spring. In this plan, the government approved a **Grant of Funds of about ¥890 billion** to TEPCO.
- **December 2011:** TEPCO applied for an amendment to the Emergency Special Business Plan. The government certified this and decided to **grant additional funds of about ¥690 billion**

## Implementation of Government Support (as of March 2012)



## *THIRD PHASE:* TEPCO's TEMPORARY NATIONALISATION

- **9 May 2012:** Government approved a ¥1 trillion bailout
- State controlling stake to be effective after TEPCO's annual shareholders meeting in June 2012

# END OF THIRD & LAST PART OF LEGAL SESSION