

Compensation as Means for Local Acceptance The Case of the Final Disposal of Spent Nuclear Fuel in Eurajoki, Finland – 8222

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ABSTRACT

The paper sheds light on the local negotiations on compensation as a part of the site selection for the spent nuclear fuel repository in Finland. The negotiation took place between the representatives of the Municipality of Eurajoki, the nuclear power company Teollisuuden Voima Ltd (TVO) and the nuclear waste management company Posiva Ltd in the late 1990s. The compensation negotiation process and the development of the requirements are elucidated in detail on the basis of the analysis of the minutes of the meetings of the Vuojoki working party. The paper helps to understand the smooth site selection process in Finland. The context of the local decision-making is viewed from the policy, institutional and economic aspect. It is concluded in the paper that when trying to understand the progress of the Finnish site selection process more emphasis should be put on the role of TVO, the economic dependency of the Municipality of Eurajoki on TVO and the partnership between TVO and the leading local politicians.

INTRODUCTION

The aim of the paper is to analyse the local negotiations on compensation as a part of the siting process of the repository for spent nuclear fuel in Olkiluoto¹ in Finland. The paper sheds more light on the milestones of the compensation negotiation process which has not been analysed before in detail [on local decision-making in Eurajoki see 1, 2]. The paper is empirical in nature.

The analysis of the compensation negotiation is needed to better understand the success of the site selection process in Finland. Furthermore, the case of Eurajoki enables us to consider the influence of the participatory approach used for achieving local acceptance. A number of papers [3, 4, 5, 6, 7, 8, 9] highlight the smooth site selection process and describe the Finnish setting for nuclear waste management, but they do not mention the compensation negotiations nor do they try to evaluate the role of compensations in the process although it was known that compensation was paid [10, 11]. This may be due in part to the lack of comprehensive knowledge about the negotiation, and it may in part even be a conscious choice to keep silent.

The main questions posed in the paper are how the compensation negotiations were carried out in the Vuojoki working party and what kind of a discussion took place between the contracting parties. Special focus is put on the Vuojoki working party. It is argued in the paper that the Vuojoki working party in which the Municipality and nuclear industry were represented was the main arena for the compensation negotiations. By analysing the minutes of the working party the development of the requirements of the contracting parties can be reconstructed.

The minutes of the Vuojoki working party, the main research material of the paper, were first available for the research only after the decision of the Supreme Administrative Court (3520/2/04) in June 2006.

¹ The Olkiluoto site is located in the municipality of Eurajoki some 240 kilometers to the northwest of the capital, Helsinki on the Finnish west coast by the Gulf of Bothnia.

The Vuojoki working party held 21 meetings between the establishment of the party on 22nd January 1998 and on 24th January 2000 when the Municipal Council of Eurajoki decided by 20 votes to 7 to approve the positive statement on the Decision-in-Principle application of Posiva for the spent nuclear fuel repository. Posiva is the nuclear waste management company responsible for the management of spent nuclear fuel produced by its owners the nuclear power companies Teollisuuden Voima (TVO) and Fortum (former Imatran Voima, IVO).²

The Municipal Council of Eurajoki approved the so-called Vuojoki Agreement on 3rd May 1999. In accordance with the Agreement Eurajoki Municipality leased its Vuojoenlinna estate (the Vuojoki Mansion) to Posiva and Posiva lent the municipality 6.9 million € for the construction of a new old people's home. With the rent income the municipality paid the loan back. Other agreements between the municipality and TVO, the main shareholder of Posiva, were approved later in January 2000. These agreements, including the Vuojoki Agreement, are referred to as compensation in this paper.

The structure of the paper is as follows. In Section 2 some general aspects helping to understand the decision-making context of the local negotiations are introduced. In the third section the development of the relationship between the Municipality of Eurajoki and TVO is scrutinised more closely. The fourth section is focused on the development of the negotiations. In the fifth section the conclusions of the paper are drawn.

ASPECTS OF THE CONTEXT OF LOCAL DECISION-MAKING

The establishment of the Vuojoki working group in January 1998 cannot be studied without understanding the context of the decision-making. The working party did not come out of the blue. The decision-making context can be analysed from a number of aspects. The first aspect, the policy aspect [12], looks at the progress of the Finnish nuclear waste policy both at national and at local level.

At the national level an important change was the Amendment of the Nuclear Energy Act in 1994. Shipment of spent nuclear fuel produced in Loviisa NPP to the Soviet Union and later to Russia was stopped due to the ban by the Parliament of Finland. Also, importing of nuclear waste was prohibited. The state-owned nuclear power company IVO was forced to reorganize its spent nuclear fuel management. IVO and TVO had cooperated in the Nuclear Waste Commission of Finnish Power Companies (YTJ) since the late 1970s, but the driving force in search for the disposal site was TVO. IVO considered a site selection a process of its own [13] but probably only for tactical reasons. Soon after the Amendment of 1994 TVO and IVO established a new joint nuclear waste management company Posiva in 1995 because of the changed nuclear waste policy. At national level attention must also be paid to the fact that the construction of the new NPP was rejected by Parliament in September 1993. One important argument for MPs was the unresolved management of spent nuclear fuel [14]. Nuclear waste management was no doubt one theme where TVO tried to learn from the lessons of rejection of 1993 as the company later in the mid 1990s began to prepare a new attempt to apply for parliamentary approval for the further construction of nuclear power. [14] One remarkable change in the site selection strategy was the turn from the systematic strategy to a more flexible one during the 1990s. Due to the turn, social acceptance at the local level was emphasized as the site selection criterion which in turn made the local negotiations on acceptance more important. [2]

² Parliament ratified the Decision-in-Principle of the repository in May 2001 for 4000 tU and an enlargement for additional 2500 tU in May 2002 after the vote for the construction of a new 1600 MW NPP unit. Fortum operates two VVER reactors whose lifetimes were extended to 2027 and 2030 in July 2007. TVO operates two BWR reactors and a third unit, EPR, is under construction. In August 2007 the construction project was 18 months behind schedule.

At the local level, in the Municipality of Eurajoki, in which the NPP of TVO is located, progress took place already in December 1994 as the proponents of the nuclear industry managed – after a vote of the local council – to remove the sentence of the Municipal Report forbidding the disposal in the municipality of Eurajoki. In August 1995, only some eight months later, a Cooperation Agreement was signed by TVO and the Municipality of Eurajoki. By signing the Agreement the company aimed at developing the nuclear waste management at Olkiluoto site. The agreement included e.g. the idea for compensating the proven costs of the municipality due to the activities of TVO. The company ensured the taking into account of the interests of the municipality in the company's activities, too. The municipality in the first place aimed at safeguarding the tax income paid by TVO. The municipality ensured that decisions related to the activity of the company were made objectively, with sufficient expertise and without delays. [2, 16]

Another aspect for understanding the decision-making context is institutional [e.g. in the case of citizen participation see 11]. The municipalities have traditionally enjoyed a great deal of independence and autonomy in local decision-making in Finland. In the field of nuclear waste management this was safeguarded by the right of veto in the Nuclear Energy Act of 1987. The siting process of a nuclear facility requires a favourable statement by the local council before the process can proceed. For example, in Sweden the municipalities have the right of veto, too, but there have been doubts whether the veto would hold in the case of a conflict of interests between central and local government [17]. The Finnish legislation left no room for such uncertainty on the interpretation on the veto of the Nuclear Energy Act. Thus, the central role of the candidate municipalities, and to be more specific, their local councils, which decide on the use of veto, was safeguarded by the Nuclear Energy Act.

However some proponents of the repository voiced fears related to the role of the municipality during the preparation of the Municipal Strategy of 1998 in Eurajoki [18, 2]. They voiced two fears. The first of these concerned the storing of the spent nuclear fuel. According to the proponents spent nuclear fuel might stay in the water pools above the ground at the Olkiluoto NPP site or waste could be shipped to some other municipality. In the views of the proponents these options would have severe economic implications as the municipality would lose the tax revenue of the disposal facility in the both cases. The second fear concerned possible governmental action. The proponents feared that if the Government took the initiative in the site selection, the candidate municipalities, there were four of them in the late 1990s, would lose their negotiating positions in relation to the nuclear industry. An account was made on the function of the Nuclear Energy Act of 1987 in the case of the spent nuclear waste management [19], but the Finnish nuclear waste management never reached a dead end needing the strong governmental action feared by some proponents in Eurajoki. Thus, the fears voiced should be seen more in the light of the local struggle over the changing attitudes of the local councilors. The fear of governmental action was used as one argument for the Municipality of Eurajoki to be proactive in the negotiations on the site selection issue.

Although the institutional aspect was strong in relation to the right of veto in Finland the institutional aspect should not be marginalized only to this kind of potential use of ultimate power. Namely, the Finnish candidate municipalities and civil society in general seem to have had much weaker institutional roles in knowledge production and information dissemination compared to Sweden, where the municipalities are granted funding from the Swedish Nuclear Waste Fund for information work concerning the final disposal of spent nuclear fuel. [20] In Finland the municipalities could nominate their representatives, for example, to the steering group of social science studies during the Public Sectors' Research Programme on Nuclear Waste Management JYT2001 in 1997–2001. However, they did not have the same option for taking part in the steering of the technical studies on disposal safety. [21] Neither did they have institutional status for ordering state funded studies or consulting in their own interests. Nor were the municipalities willing to invest their own funding in the matter. Thus, from the institutional aspect the municipalities were more like mere objects of knowledge production and

dissemination, not active partners that learn by commenting on and stretching the research programmes and the results.

The institutional aspect is connected to the economic aspect, too, for the taxes paid by the nuclear power companies e.g. on the nuclear facilities and on jobs, was a major incentive for the municipalities in the site selection process. Posiva estimated that the repository's real estate tax would be at highest about 1.8 million € in 2021. [22] Once again there is a clear institutional difference from Sweden, where the municipalities do not collect taxes on real estate as in Finland. The Finnish taxation system regarding the nuclear facilities was reformed in the early 1990s as the practice of levying the presumptive tax on business income was abolished from 1991 onwards and was replaced by a real estate tax based on the value of the property. The reform shocked the economics of the Municipality of Eurajoki and caused an extra trace on the compensation negotiations as the payments of tax compensations were connected to the negotiations. [16]

As already mentioned above, the economic aspect was crucial, especially for the Municipality of Eurajoki. In 1984–1990 the tax revenue from TVO was 18.5 million € to the municipality. The annual amount was one third of the total tax revenue of the municipality. [23] TVO has been the biggest employer in the municipality for years. Thus the economy of the Municipality of Eurajoki was heavily dependent on TVO.

Whatever the applied aspect is, the aspect can be sharpened by identifying and focusing on the main players. For example the municipality should not be understood as only one actor but an actor consisting of conflicting interests and action of, for example, local political parties, individual politicians, local authorities, and local opposing/supporting groups. In Eurajoki an interesting group of actors is the proponents of nuclear industry. The group has not been studied but it can be argued that a few individual politicians played an important role in shifting the undertaking of the municipality related to approval of the siting issue in the 1990s. Without the activity of some proponents the municipality would not have had such close connections with the nuclear industry and thus the mutual understanding of each others' interests may have developed more slowly and differently.

THE DEVELOPMENT OF THE RELATIONSHIP BETWEEN THE MUNICIPALITY OF EURAJOKI AND TVO

It is important to understand how close the interaction between the Municipality and TVO was already when the negotiations on compensation began. The atmosphere was far from hostile although it must have been somewhat tense and reserved because of known contradictions in the opinions in Eurajoki and later because of the emerging competition between the municipalities due to the new candidate, the nuclear community of Loviisa.

The situation in Eurajoki had changed rapidly in the early 1990s. In 1993 the local councilors still decided after a vote to retain the sentence forbidding the siting of the repository in Eurajoki as part of the Municipal Report. The local party group of the National Coalition Party was the most anxious to press for a change. In 1993 the party group of National Coalition Party proposed that the municipality should immediately establish a co-operation organ with TVO to calculate the financial impacts of the final disposal repository for Eurajoki. The party group stated that disposal activity is a high tech industry with nonexistent negative impacts. Furthermore, the repository would safeguard the tax revenue for the municipality according to the party group of the National Coalition Party. [24] A new attempt, this time a successful one, was made to remove the forbidding sentence in 1994. Now the case was to redefine the stand of the municipality regarding the siting of the repository. As mentioned earlier, in 1995 a co-

operation agreement was signed by the municipality and TVO aiming at safeguarding each others' interests. [16, 1]

What caused the change? Aspects introduced in the previous section can be used to explain this. The most important institutional change between the vote of the local council in 1993 and in 1994 was the Amendment of the Nuclear Energy Act. Parliament prohibited both the export and import of nuclear waste. Thus there was a legal demand for final disposal, an important factor in a legalist culture like Finland, and at the same time the threat of import was swept away, at least partially. From the policy aspect a local will was expressed to make some progress as the forbidding sentence was removed. The economic aspect played an important role at local level as the Municipality tried to safeguard tax income paid by TVO. The local councilors were given to understand that the repository could be planned in the neighboring municipality only some hundred meters away from the Olkiluoto site. Also, the real estate income would have found its way into the coffers of the neighboring municipality. The real estate from the repository was an incentive some local councilors were afraid of losing. [1]

How then was the relationship between the municipality and the nuclear industry organized in the late 1990s? In this paper all the informal contacts, however interesting they would be, between the organizations and individual persons are beyond the scope of the study, because studying such activity would require other research methods than those used in this paper. Only formal arenas considered in light of the minutes available. Contacts between the municipality and TVO were made in the following working parties described below.

The liaison group between the Municipality of Eurajoki and TVO was already established in the late 1970s. The main tasks of the group were to offer an arena for discussing a number of practical questions related to the activities of shared interests of the municipality and the company. The themes discussed covered a fixed list of subjects starting from the updating of the latest news to taxation, safety issues, municipal planning, real estate issues, fire and rescue, tourism, personnel and housing, nuclear waste management and other issue. Thus the issues raised in the liaison group might concern almost anything related with the relationship between the co-operation parties. In 1996–1999 the liaison group met five times per year. However, 1997 was an exception as the group met only three times. The representatives of the municipality were nominated by the local council. The Municipal Manager was also present in the meetings.

Another, more focused liaison group between the Municipality of Eurajoki and TVO served as an arena for discussion and information exchange in issues related to bedrock investigation. The group was established towards the end of the 1980s when the preliminary site characterization began. After 1996, with the establishment of Posiva, TVO was replaced by Posiva in this liaison group for bedrock investigations. Preparation and implementation of the EIA process were discussed in general in this liaison group. Other issues were communication and site investigations. The group met irregularly in 1996–1999 as there were five meetings in 1998 when the EIA was implemented but only one meeting in 1996 and 1999.

As mentioned, the Vuojoki working party was established in January 1998.³ The new working party was established because of discussion related to the further development of prerequisites for the cooperation between the municipality and the nuclear industry. The momentum was created in 1996 when the Managing Director of Posiva raised the siting issue. The idea of replacing the existing old people's home,

³ In the first phase the Vuojoki working party consisted of nine members: five from the municipality, one of them was the Municipal Manager and the rest local politicians, two from Posiva (e.g. the Managing Director) and two from TVO. Later as the negotiations were intensified due to the initiative of the municipality to approve the siting the party was enlarged.

the Vuojoki Mansion, with a brand new one was raised in the liaison group between the Municipality of Eurajoki and TVO in August 1997. Before this some local politicians had already touched on the idea in public. [16] Unfortunately it is not recorded what kind of a discussion took place in Eurajoki on the conversion of Vuojoki Mansion as a possible headquarters of the nuclear power company. It is, however, known that idea was introduced at the latest in the 1980s. Thus the Vuojoki working party was a kind of working glove for solving some practical questions for making progress in the field of nuclear waste management.

The minutes of the above-mentioned liaison groups serve as secondary material for analysing the minutes of the Vuojoki working party. In some cases minutes of the liaison groups help to trace the course of some events and arguments not recorded or somewhat unclearly recorded in the minutes of the Vuojoki working party. The minutes of the Vuojoki working party were written in a condensed form.

The relations of the different co-operation arenas are as follows. The Vuojoki working party was the arena in which the most intensive negotiations on compensation took place. The Vuojoki working party was the core group in setting the course for the future. Sub-grouping was used for preparation work in the Vuojoki working party but the minutes of the sub-groups, if ever recorded, were not available. From the Vuojoki working party information was disseminated to the broader forum, the liaison group between the Municipality of Eurajoki and TVO, and further to the municipal board and the local council of Eurajoki. The formal decisions were taken in accordance with the principles of representative democracy but the preparation was carried out in the Vuojoki working party. It is, however, important to keep in mind that the representatives of the Municipality of the Vuojoki working party had some negotiations of their own on certain issues without the representatives of the nuclear industry. It is not known what kind of mandate was given by the local council groups for their representatives on the Vuojoki working party. According to the minutes mandates were indeed requested in autumn 1998 before the compensation negotiations took place. The representatives of TVO needed to ask for advice and a mandate from the Board of TVO. They also conveyed some messages of the Board to the negotiations. The discussions of the board members of TVO are not known to the present author.

DEVELOPMENT OF THE REQUIREMENTS DURING THE COMPENSATION NEGOTIATIONS IN 1998–2000

The development of the requirements during the compensation negotiations can be viewed in four phases: 1) setting the targets for the working party (early 1998), 2) the initiative of the municipality (August 1998 – January 1999), 3) compensation for the decreasing tax revenue (February – April 1999) and 4) compensation to offset the loss due to the new appeal of TVO (January 2000).

Setting the Targets for the Vuojoki Working Party

The first phase in the development of the requirements, setting the targets for the working party, covers the period from the establishment of the working group January 22nd 1998 to the middle of May 1998. During that time the members discussed the views of the municipality and the companies on ownership and governance issues of the mansion. The starting point of the municipality was to replace the old people's home located in the Vuojoki Mansion with a new building and to use the mansion for activities serving nuclear waste management and nuclear energy production. The companies stated that the planning of the new old people's home was the responsibility of the municipality and that the working party should focus only on finding a beneficial use for the mansion creating added value for the municipality, Posiva and TVO. For example according to the Posiva the mansion and the use made of it should create a positive image both for the municipality and the companies. The mansion was not seen useful as office space. TVO wanted the municipality to have say in the use made of the mansion in the

future, too. According to TVO the compensation issues should also be considered e.g. because capital transfer tax might be raised to an intolerable level. [25]

The parties agreed that they would present their respective alternative development ideas for the mansion. The other possible co-operation parties would also be consulted. The negotiating parties agreed on the processing schedule and the four sub-targets of the Vuojoki working group: 1) specified alternatives for the use to be addressed in the next meeting, 2) processing of the governance and financial plans for the mansion by August, 3) discussion of the renovation plan and the cost estimate by November and 4) the report of the working group was to be completed by the end of 1998. The parties agreed that the media would be informed in a moderate way. [25] For example, in the second meeting the parties decided to inform outsiders in general that the working party had been organized and that it was planning alternative ideas for the use of the mansion.

By the end of spring 1998 the working party had concluded that it would be advisable to separate the activities in the mansion and the ownership for the sake of flexibility. A foundation in charge of the activities would be easy for non-owners to join, too. Moreover, a foundation could gain status as a generally beneficial undertaking. Ownership would be organized by establishing a real estate company. The municipality could then sell the shares to the other owners. [26]

The Initiative of the Municipality of Eurajoki

According to the minutes the representatives of the Municipality in the Vuojoki working party held their first meeting on 6th August 1998. In the meeting the members were acquainted with the renovation plans of the Vuojoki Mansion. The most important issue, however, was the decision to ask for a mandate for the negotiations from the political groups of the Social Democratic Party, the Centre Party and the National Coalition Party on the local council. The aim was to get compensation for the Vuojoki Mansion. The compensation should cover 1) the cost of building a new old people's home and 2) a moderate payment covering the planning phase of the repository, 2000–2010, when no real estate tax would be paid. It was planned to inform the local council, the local board and the leading civil servants later in autumn. [27]

This phase of asking for a mandate and setting aims for the compensation negotiations was an input of the preparation of the new municipal strategy of Eurajoki. The task set down by the local council was to create long-term visions of the future of the Municipality of Eurajoki. The preparation began in early 1998 within an extended liaison group between the representatives of the Municipality of Eurajoki and the local entrepreneurs. In February 1998 during the preparation of the strategy the repository was interpreted as an option. The municipality could negotiate an additional financial benefit, which would be paid as compensation until the real estate revenue took effect (according to the timetable in 2020). As an example of the compensation for the early years of "low income" a reference was made to the old people's home project. [24] In June 1998 the local Social Democrats demanded that the municipality should decide as soon as possible whether or not it would approve the locating of the repository in Olkiluoto. According to the party group of Social Democrats a positive attitude would enable the development of basic health and social services of the municipality. A health and social services building was mentioned as an example. The new strategy, the Olkiluoto Vision, was approved by the local council in December 1998. The vision contained a positive attitude to the construction of a new NPP and a final repository [2, 16] and it was a strong signal of readiness to approve the locating of the repository in Olkiluoto.

The aims for the compensation negotiation were specified by in September. The requirements now included the renovation cost of the mansion and the payment covering the planning phase could be paid as funding for developing the business life of Eurajoki. The representatives of the municipality in the Vuojoki working party decided to get an estimate of the price of the new old people's home before negotiating with TVO. In the meetings of the liaison group of the Municipality and TVO the company

was regularly informed on the progress of the planning of the new old peoples' home. The representatives of the municipality also decided to discuss with the Minister of Trade and Industry, Antti Kalliomäki, and the Minister of Finance, Jouko Skinnari, both Social Democrats, on the promise of paying real estate tax before the operation phase of the repository. The promise was included in the Energy Policy Account of 1997. As the best option for governance they envisaged the real estate company taking care of the facilities and a foundation taking care of the activity. A foundation was seen as a flexible solution enabling new actors to join. [28] The view of the municipality on ownership and governance was also set as a starting point to be further developed for the final report of the working party [29]

The first compensation negotiations between the municipality and TVO took place on 15th January 1999 in accordance with the compensation aims defined by the representatives of the municipality in the Vuojoki working party earlier. The first reactions of TVO were not recorded, but as the negotiations progressed TVO did not reject the initiative. [30, 31] Nor was the initiative a surprise for the company. The plans related to the final disposal and Posiva were prepared by the Director of Finance of TVO and the Municipal Manager on the mandate from the liaison group of the municipality and TVO issued in February 1997. In this phase the financial problems of the municipality due the decreasing state subsidies and real estate revenue were known. [32] The possibility to start planning an old people's home project replacing the existing one in the Vuojoki Mansion was announced in the liaison group of the municipality and TVO in August 1997 under the issues related to the nuclear waste management. Thus the idea of using the Vuojoki Mansion for bargaining was born sometime between April and August 1997 because according to the minutes of the co-operation group the municipality had no plans to replace the old people's home with new one in April. [33, 34] According to the minutes of the Vuojoki working group the second round of the compensation negotiations took place one month later, on 18th February 1999. The representatives of the municipality in the Vuojoki working party decided to keep their compensation aims unchanged, which indicates some kind of bargaining on behalf of the nuclear industry. During the negotiations TVO and Posiva had proposed leasing the mansion. [30, 31] The municipality was willing to do so – thus it did not demand the establishment of a real estate company seen as the primary option in autumn – but it wanted the rental income and loan arrangements to be paid in advance. A long-term commitment was also emphasized. A draft of a leasing and loan agreement was delivered to the members of the working party at the end of February. [35]

Compensation for the Decreasing Tax Revenue

The initiative of the municipality had opened up a new phase in the compensation negotiations. The atmosphere became even more tense due to the tax appeal of TVO concerning the real estate tax of the NPP facilities in 1993. The appeal was submitted in early 1999. Later, at the end of December 1999, after the Supreme Administrative Court had rejected the appeal of the municipality against the judgement of the Administrative Court on the TVO's appeal regarding the real estate tax of 1993, TVO appealed against the real estate tax of the NPP facilities for the tax year 1994. The Managing Director argued that the Board of TVO and the operative management might have been called to account unless an appeal from taxation had been submitted to the Administrative Court. [18] In addition, as the outcome of the appeals the economic dependency of Eurajoki on TVO intensified.

The intensive negotiations of the working party lasted two months until the end of April 1999. The participants at the meeting on 26 February decided that in future the real estate tax issues would be handled in the working party, too.⁴ The original aim of the Vuojoki working party was thus broadened.

⁴ Interestingly at the meeting of the liaison group of the municipality and TVO on 1st March 1999 a decision was made that the task of the Vuojoki working party was enlarged by giving all the issues related to the possible disposal plan to be handled in the Vuojoki working party. A similar decision was already

Therefore the importance of the working party increased as it became an arena for negotiating on the means for compensating the possible decrease of tax revenue in such a way that both TVO and the municipality would benefit. The Managing Director of TVO participated in person in the negotiations at the working party meeting for the first time on 26 February 1999. The municipal accountant and later also the chair of the local council joined the working party. [35] The minutes do not record if the representatives asked for a new mandate for the negotiations because of the new task. On the other hand the working party was strengthened by the new members.

TVO's Managing Director presented a plan for a tax compensation package in March. According to the plan TVO would pay in compensation a 20 per cent share capital loan and a 0.5 million € capital loan investment for an ice hockey stadium project in Eurajoki. Furthermore, the message of the top management of TVO was that fixing the Vuojoki loan arrangement would be possible for taking care of the tax compensation. A sub-working group had also considered different options for tax compensation, e.g. the funding of the Eurajoki Business Development Fund, housing production in Eurajoki, the development of the local upper secondary school as a mathematics and natural sciences oriented school and sponsoring local events and associations thus reducing the support supplied by the municipality. [36]

However, the municipality had some new initiatives related to compensation. The Municipal Manager presented the plans to take fiscal legal initiatives related to the real estate tax of the repository and for not counting the real estate tax as part of taxation equalisation. The municipality required that these initiatives should be processed before the municipality's statement on the siting of the repository in Eurajoki. TVO and Posiva heavily criticized the municipality's plan, arguing that the initiatives jeopardised the Vuojoki Agreement, because the companies could not influence on the initiatives and furthermore that the planned schedule for the Decision-in-Principle application might be delayed due to preparation and processing. [32, 2] The negotiating parties agreed to a waiting period of two weeks.

The Municipality did not, however, withdraw the initiatives, but was ready to adjust some details. The companies stated again that the Decision-in-Principle procedure could not wait for the processing of the initiatives which moreover might cause delays and unexpected political repercussions. The companies tried unsuccessfully to convince the municipality that the initiatives should be included in the statement on the Decision-in-Principle application. [37] The municipality submitted the initiatives to the Ministry at the end of March. However, the companies gained a very important chance in the arguments evinced by the municipality to justify the higher real estate tax. In a draft the municipality referred to the increased safety risks of the final disposal, but due to the comments by the industry this argument was removed from the final wording of the initiative document. [37, 38, 39]

The draft of the leasing and loan agreement was further discussed and agreed on in the two meetings of the working party in April. Thus it was the delay of the Decision-in-Principle procedure and political uncertainty which might have followed the fiscal initiatives that the companies were most worried about. The outlines of the tax compensation of 1993, consisting of 0.5 million € loan as part of the Vuojoki Agreement (totally 6.39 million € + 0.5 million €) and the remaining 0.5 million € as a shareholder loan for the new ice stadium company, were agreed on in the working party while the details were settled in the sub-working party. [40, 41]. As a summary on the agreement package the Managing Director of Posiva stated that all the economic benefits the municipality had required from Posiva related to the repository for spent nuclear fuel were recorded in the agreements. The rental income on the mansion and the loan for the new old people's home were interpreted also to cover the "some other payment" during the research and construction phase of the repository, which was required by the municipality in the fiscal initiative to the State. [42, 39] The municipal board of Eurajoki proposed that the local council approve

made in the working party a week earlier on 26th February. The example indicates the use of power by the Vuojoki working party.

the Vuojoki Agreement on the condition that Posiva should consider Eurajoki as the sole site for the repository. This condition was not discussed according to the minutes in the working party. The local council approved the proposal on 3rd May by 20 votes to 7. The agreement was signed by Posiva and the Municipality of Eurajoki on 26th May 1999. At the same day Posiva submitted the Decision-in-Principle application to the Council of State.

At the end of 1999 the Vuojoki working party were delegated by the liaison group of the municipality and TVO to prepare a proposal for the continuation of the programme for future work. The programme was presented in the Vuojoki working party in the end of November and in the liaison group a few days later. The aim of the programme was to prepare a sufficiently detailed plan to ensure that the renovation would not be delayed and that the organising of the activity for the mansion would be completed in time. [43]

Compensation for Covering the Loss due to the New Appeal of TVO

In January 2000 the most urgent issue in the Vuojoki working party was the negotiation of the tax compensation related to the appeal of TVO from the real estate tax of 1994. The new appeal meant that the municipality needed to reimburse TVO to the extent of 1.19 million € in March 2001. The reimbursement was a severe setback for the liquidity of the municipality. The preparation of a proposal for tax compensation for 1994 was given as a task for the working party [44] thus TVO was well prepared for the negotiations as the representative of the company had already a mandate from the Board of TVO to negotiate on buying the share of the municipality of the Olkiluoto and Orjasaari water area for 0.84 million €. The company also undertook to pay 50,000 € per year for five years to the Business Development Fund in Eurajoki.⁵ Furthermore, TVO was ready to help the liquidity of the municipality with a loan of 2.35 million € at an interest rate of 0.75 x euribor 3 months or 6 months. The requirement of the municipality was that tax compensation worth 1.19 million € in total should be agreed before the meeting of 24th January, at which the local council would decide on its statement concerning the Decision-in-Principle application for the repository. According to the municipality the compensation should be 1.19 million € but TVO could decide the means for its implementation. TVO also undertook to pay the cost of the turns of the schools of Eurajoki held in the ice stadium. TVO negotiated the payment directly with the ice stadium company. [46, 47] The total cost was not mentioned in the minutes.

The representative of TVO stated that TVO neither deemed it necessary nor did it want a separate umbrella agreement on the issues addressed because the separate agreements would lead to the desired legal effects. Neither did TVO want to connect the agreements in any way to the real estate tax issue, because the company could not compensate legally required taxes. [47]

The positive statement on the Decision-in-Principle application of Posiva prepared in the Vuojoki working group was approved by the local council of Eurajoki by 20 votes to 7 on 24th January 2000. The decision of the local council became legally binding on November 2000, when the Supreme Administrative Court had rejected the appeal against the judgement.

CONCLUSIONS

Compared to the previous papers on the site selection process and decision-making in Finland [3, 4, 5, 6, 7, 8, 9, 10, 11] the development of the compensation negotiations in Eurajoki was analysed in detail in the paper. It is suggested in the paper that when trying to understand the progress of the Finnish site selection

⁵ In 2004 TVO and Posiva decided to pay the Business Development Fund in Eurajoki a further 150,000 € during the period 2005–2009. [45]

process more emphasis should be put on the role of Teollisuuden Voima, the economic dependency of the Municipality of Eurajoki on TVO and the partnership between TVO and the leading local politicians.

The paper argues that the local negotiation on compensation had a very important role in achieving local acceptance for the siting of the final repository for spent nuclear fuel in Eurajoki. The Vuojoki working party consisting of the representatives of the Municipality of Eurajoki, the nuclear power company TVO and the nuclear waste management company Posiva was the main arena of the compensation negotiation. The compensation negotiations took place in 1999–2000, but the general aims had been planned since 1997.

The municipality requested compensation for approving a positive statement on the Decision-in-Principle application of the final repository for spent nuclear fuel. The right of veto granted by the Nuclear Energy Act of 1987 empowered the local council. In practice this power of the local council was in the hands of a few leading politicians of the local political party groups. They took the initiative to negotiate on compensation with TVO. However, it should be noted that TVO had already approved the idea of compensation in the Co-operation Agreement signed by the municipality and the company in 1995. Furthermore, neither TVO as the main shareholder of Posiva nor Posiva itself were absolutely committed to the participatory approach they had developed since the early 1990s [48] when they decided to carry on the compensation negotiations.

In addition to the right of veto the political activity of the municipality related to the fiscal initiatives empowered the municipality. However, the discussions with the State on benefits could not be analysed on the basis of the minutes of the Vuojoki working party. The main motive of the municipality in the compensation negotiations was to safeguard the tax revenues from the nuclear industry and to gain some extra benefit. The negotiators of the municipality took advantage of the relative advantage of the nuclear community. The fact that the compensation requirement was moderate indicates that the negotiators could not be absolutely sure of their position in relation to the nuclear industry and the other candidate municipalities and political acceptance. During the negotiation process the municipality required to be proposed as the only site in the Decision-in-Principle application. The nuclear industry accepted this to ensure local approval of one site for the repository. The aim was to maintain the stable political setting in Eurajoki and thus safeguard the preconditions for the further development of TVO's business activities. The removal of the municipal's argument related to the heightened safety risks of the repository was an important achievement for the nuclear industry because the critical safety argument of Eurajoki would have no doubt influenced the way in which safety was discussed in public. After all, the local proponents seemed to have trust in safety and the capability of the Finnish authorities to manage safety issues. It can be argued that local trust in safety made it possible to negotiate on compensation.

The package of the compensation agreements did not concern only the repository for spent nuclear fuel. Not only did Posiva compensate the municipality for the repository but the real estate tax of the nuclear facilities of TVO was connected to the negotiations. With the separate agreements TVO compensated the tax reimbursements of the Municipality of Eurajoki. Thus the moderate compensation requirement and the tax compensations indicate that the contracting parties wanted to foster the partnership between the municipality and the nuclear industry for accommodating each others' interest and future collaboration.

According to the minutes of the Vuojoki working party the total amount of the compensation was as follows: The loan paid by Posiva 6.39 million €+ 0.5 million €for the construction of a new old people's home in Eurajoki. The loan was paid back by the Municipality of Eurajoki with the rental income of the Vuojoki Mansion from Posiva. The shareholder loan of 0.5 million €was paid by TVO for the Eurajoki ice stadium company. This shareholder loan of TVO and the 0.5 million €part of the Posiva's loan (in total 1.0 million €) compensated the reimbursement of TVO's real estate tax of 1993. The reimbursement of TVO's real estate tax of 1994 was compensated by TVO through buying of the Olkiluoto and Orjasaari

water area from the municipality for 0.84 million € and funding for the Business Development Fund in Eurajoki, in total 0.25 million €. Furthermore, TVO granted a very cheap loan of 2.35 million € to help the municipality with its liquidity problems.

For further research the paper provides a foundation for understanding the activities around the Vuojoki Mansion⁶ for mitigating the impacts of the spent nuclear fuel repository, for example, on the image of the Municipality of Eurajoki.

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⁶ The Vuojoki Mansion (www.vuojoki.fi) was used as the old people’s home of Eurajoki during the period 1936–2003. In November 2003, after the completion of the new service centre Jokisimpukka (in English ‘freshwater mussel’) the old people’s home was removed and a comprehensive renovation operation was started in the empire style mansion to restore it to its former glory. Today the mansion, owned by the Municipality of Eurajoki and run by the Vuojoki Foundation, serves as a centre for enterprises, tourism and culture. Posiva was one of the founders of the Vuojoki Foundation.

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