



**FUSION
FOR
ENERGY**

BRINGING
THE **POWER**
OF THE **SUN**
TO **EARTH**

COVID-19 and F4E's supply chain

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ENRIITC Workshop
18 June 2021



Fusion for Energy has
received funding from the
European Union budget



Starting in April 2020 “make cash available, quickly”:

- **Reduce time to pay, from 45 days (obligation) to 30 days (target) – all contracts**
- **Suspend recovery of pre-financing during 2020-2021 (if possible) – upon contractor’s request**
- **Renegotiate payment schedule, create additional intermediate payments (if possible) - upon contractor’s request**

Level 1: Additional costs incurred by contractors which are covered by existing contractual obligations

- *Examples:* claims for Change in Law (FIDIC extension of time, costs for mandatory PPE, ...)

Level 2: Additional support which F4E may provide to safeguard project milestones (schedule *critical*)

- *Examples:* incentive schemes, acceleration

Level 3: Additional support that F4E may provide to reinforce contractors and their supply chains (schedule *not critical*)

- COVID-19 per se does not constitute force majeure
- Case-by-case assessment is required
- No additional payment only due to force majeure

FIDIC contracts		Non-FIDIC contracts	
Exceptional events which: <ul style="list-style-type: none"> • Are beyond a party's control and could not reasonably have been provided against • Having arisen, could not reasonably have been avoided or overcome • Not attributable to the other party 		<ul style="list-style-type: none"> • Unforeseeable, • Exceptional, • Beyond the control of a party • Prevent from performing 	
Mere circumstance that performance becomes more difficult not sufficient; impossibility must be interpreted in good faith			
Force majeure affecting subcontractor's performance not automatically force majeure for the contractor			
No additional payment by F4E			
Non-invoking party may terminate for convenience after 84 days		Non-invoking party may gain right to terminate for convenience	
Extension of time for completion; no delay damages			

- Member States introduced new laws obliging specific Health & Safety (H&S) measures
- ITER site remained open and onsite work could continue with these new obligatory H&S measures
- These H&S measures caused disruption of the work progress and delays

FIDIC contracts	Non-FIDIC contracts
New or modified obligatory legal requirements after contract signature	Same, but except employment, social and tax
Causal link (contractor's performance is affected)	Causal link
Measurable difference between planned and actual contractor's performance caused by new requirements	Subsidiarity (applies only if not covered by other mechanisms of the contract)
If contractor already in delay when new law kicks in, then no entitlement to prolongation cost	
<i>Cost impact:</i> Actual costs + profit + extension of time	<i>Cost impact:</i> Actual costs

	Examples	Applicable to FIDIC	Applicable to Non-FIDIC
Direct expenditure for safety measures	PPE, gels, extra on-site cleaning and office re-arrangement	Yes	Yes
Past work slowing/loss of productivity	Salary costs for employees who could not work effectively, base salary* + allowances	Yes**	Yes**
Future work loss of productivity	On-site circulation constraints, hygienic measures, additional H&S <i>Translates to additional manpower needed to complete works</i>	Yes**	Case by case
Fixed costs for delay and prolongation	Management/head-office costs* , site infrastructure costs, crane & vehicle rental	Yes**	Case by case

*In red: this item may be partially reimbursed by Member State through national support measures (more info later)

**Under certain conditions

- **Case by case evaluation by contractors (request or not) and by MS (accept or not) – many conditions, no general rule**
- **Examples:**

Member State	Measure	Contribution	Duration
France	<i>Chomage partiel</i>	Up to 70% gross base salary	1000 hr/employee
	<i>Chomage total</i>	Up to 70% gross base salary	12-36 months
Italy	<i>Cassa integrazione in deroga</i>	Up to 80% gross salary	18 weeks
Spain	<i>Expediente de Regulacion Temporal de Empleo</i>	Up to 70% gross base salary	6 months

Impact evaluation: example Tokamak Complex construction contracts

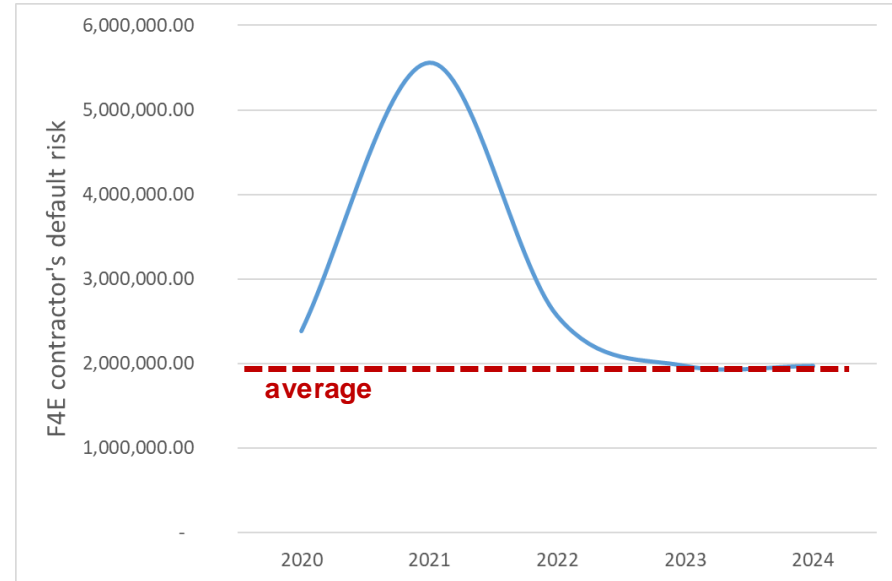


	Notes
1) Direct expenditure for safety measures	Cost before 31/05/2020: actual incurred, supported by invoices Cost after 31/05/2020: estimated on the basis of previous incurred, up to end-2021.
2) Work slow down	Delta planned vs actual March to May 2020, costs incurred net of what actually covered through <i>chomage partiel</i> . Extra allowances (housing, travel) not covered.
3) Loss of productivity for future works	78 min/day claimed, i.e. 16.25% increase in resources needed, applied to work until end-2021.
4) Fixed costs for delay and prolongation	Delays in work completion due to (2) and (3)
5) Head-office overheads	Coefficient applied to (1) to (4)
6) Additional logistics	Change of storage areas

Impact evaluation: totals

	April 21 estimate				September estimate	June 20 estimate	April 20 estimate
	EAC base (MEUR 2008)*	EAC _{risks} (MEUR 2008)		EAC (MEUR 2008)	EAC (MEUR 2008)	EAC (MEUR 2008)	EAC (MEUR 2008)
		Residual risk **	Acceleration				
Scenario 1	34.9	12.3	0.0	47.2	53.7	55.7	65.1
Scenario 2	0.0	0.0	0.0	0.0	3.9	13.7	17.9
total	34.9	12.3	0.0	47.2	57.6	69.4	83.0

- **F4E's average contractor default risk (Moody's data)**
 - 1.97 MEUR/year
- **Probability of default in 2021 up to:**
 - 5.6% for large company**
 - 13.2% for SME**
- **Additional COVID risk:**
 - **5.6 MEUR for 2020-2023**





Thank you



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