

NEW NUCLEAR WATCH EUROPE (NNWE) POSITION PAPER

FIVE-POINT PLAN FOR THE UK NUCLEAR ENERGY INDUSTRY

INTRODUCTION

NNWE aims to set out a clear strategy for the future of the UK nuclear industry. Unless significant new nuclear capacity comes on stream in the next decade neither the security of the UK's energy supplies nor the achievement of our legally binding carbon emissions reduction targets can be guaranteed.

At present, none of the projects in the UK pipeline has an assured completion date. The continuing technical challenges faced by EDF at Flamanville pose a real risk that further delays at Hinkley Point C will occur. The Horizon project has not yet secured investors. Toshiba's financial problems have cast doubt on the future of NuGen. While the technology which CGN will deploy at Bradwell has yet to undergo its Generic Design Assessment (GDA) and may not be approved until 2022.

These uncertainties are aggravated by the prospect of UK withdrawal from Euratom, an unhelpful consequence of Brexit. This combination of circumstances means that without clear leadership from Government there is a danger that no new nuclear capacity will come on stream in the UK before 2030.

The Government can remove these uncertainties and restore the industry's confidence that the UK is a market worth considering by immediately clarifying five areas of policy.

1. DIRECT FINANCIAL SUPPORT DURING THE CONSTRUCTION PERIOD FOR NEW PLANT

NNWE has called for this for some time and we welcome recent reports that it is under consideration. Any individual project capable of meeting more than 1% of total UK electricity demand should be eligible for direct financial support in addition to a Contract for Difference (CfD). The high capital cost of building new nuclear plant, all of which must be met before any revenue is generated, makes nuclear a prime example of where direct support is justified.

If this support is given by way of loan, a timetable for repayment after the plant becomes operational can be agreed in advance. If it is by way of equity then government should retain a put option to allow it to sell its interest to other investors, again after the plant is operational.

In neither case would the Government's support constitute a permanent subsidy. It would however directly cut the cost of electricity produced by the new plant because the Government's borrowing costs will be lower than those of any private investor.

2. FOREIGN OWNERSHIP OF NUCLEAR PLANT

The most cost competitive technologies in the next few years are likely to be supplied by foreign vendors including China, South Korea and Russia. It is important to create conditions which encourage foreign investors and vendors to participate in the UK market.

NNWE supported the Government's decision last September to approve, with new conditions, Chinese investment in Hinkley Point C. The Government should now set out general principles to be applied to foreign ownership of nuclear plant.

Provided that the technology to be used has been approved by the Office of Nuclear Regulation (ONR), projects which have foreign participation should be permitted where:

- a) The shareholding of non-EEA state controlled entities is less than 40%;
- b) Operational control remains with EEA companies/organisations; and
- c) IT control systems are supplied by a trusted British vendor.

Projects which did not satisfy these criteria would still be able to seek approval but potential vendors and investors would be aware that these would be subject to greater scrutiny. In such cases the Government might wish to retain a golden share in the operating company.

NNWE welcomed the UK-China nuclear cooperation agreement signed in 2015. Consideration should now be given to negotiating a similar agreement with South Korea and to resuming discussions with Russia on the basis of existing Memoranda of Understanding.

Establishing clear guidelines will reassure investors that decisions about foreign ownership of UK nuclear infrastructure will be taken on the basis of objective criteria related to energy policy.

3. BETTER UTILISATION OF THE AVAILABLE NUCLEAR SITES

The UK has ten sites approved for new nuclear plant construction with three more considered worthy of further investigation. It is important that as many of these sites as possible should be utilised. At present only four are likely to be developed in the foreseeable future.

To discourage owners from holding on indefinitely to sites where there is little prospect of construction commencing, within eight years the Government should consider imposing a levy. This would be likely to lead to more sites becoming available and thereby increase the opportunities open to vendors who wish to enter the UK market

4. ACCELERATION OF THE GENERIC DESIGN ASSESSMENT PROCESS

One cause of delay in the new build programme is the time needed to go through the GDA process. NNWE recognises that confidence in the safety of the UK nuclear industry depends significantly on maintaining the independence and integrity of the ONR, qualities which command international respect. Care is needed to ensure that nothing is done which might compromise this in any way.

However, two steps should be taken to speed up approval of new technologies. Firstly, a fast track should be established for reactor designs which have already been tried and tested in safe commercial use in countries with a rigorous regulatory system. The aim should be to cut the time needed to secure a licence to two years instead of the current five.

Secondly, applicants seeking licences should be required to make a bigger financial contribution to the ONR budget. This will enable the ONR to recruit additional staff and process applications more quickly. Making a contribution will be at the applicant's risk and will not influence the outcome of the GDA process. This will prevent any threat to the ONR's independence.

5. MAXIMISING THE UK SHARE OF THE SUPPLY CHAIN

The new build programme can deliver substantial economic benefits to the UK. Securing these requires capturing a significant share of high tech and high value added supply chain work, for example in machinery, equipment and IT, for UK companies. To facilitate this the Government should consider what support these companies need and arrange to provide it.

CONCLUSION

A generation ago the UK had an opportunity to be a world leader in the nuclear industry. The combination of the dash for gas at the end of the last century and dithering over nuclear investment decisions in the early part of this century squandered that opportunity.

Today the nuclear industry in the UK is at a crossroads. A series of events threatens the future of the new build programme. At the same time, by taking decisive action now this Government can ensure the industry's future for decades to come. By adopting this Five-Point Plan the Government can redeem the failings of its predecessors.

The benefits of taking these steps go far beyond the nuclear industry itself. The urgency of the need to make sure that achieving the goal of phasing out coal by 2025 does not jeopardise UK energy security is growing rapidly. Immediate action to remove obstacles to the development of new nuclear plant is essential if UK decarbonisation targets are to be met.

In summary, the measures in the plan will improve the security of UK energy supplies, cut carbon emissions and deliver better value for UK consumers. We therefore urge the Government to implement them as soon as possible.

This proposal was sent to The Rt Hon Greg Clark MP, Secretary of State for Business, Energy and Industrial Strategy and Jesse Norman MP, Parliamentary Under Secretary of State, Minister for Industry and Energy.