

# Scottish Government says UK will pay for nuclear until middle of century

The UK Government announced today that they and EDF Group have reached commercial agreement on the key terms of a proposed investment contract for the Hinkley Point C nuclear power station in Somerset.

This paves the way for the construction of the first new nuclear power station in the UK in a generation. Westminster says it will provide a stable source of clean power from 2023, generating enough electricity to power nearly 6 million homes or an area twice the size of London.

The Government said:-“Hinkley Point C (HPC) will be the first new nuclear power station to be built since Sizewell B, which started generating electricity in 1995. It will begin the process of replacing the existing fleet of nuclear stations, most of which are due to close in the 2020s. Once built, it will provide a clean source of home-grown energy, helping to keep the lights on, cut emissions and reduce consumer bills over the long-term.

“EDF Group and other investors will be responsible for funding this project. Consumers will pay for the electricity it generates from 2023 through their bills. Building a new fleet of nuclear power stations could reduce bills by more than £75 a year in 2030, compared to a future where nuclear is not part of the energy mix.

“The Government will ensure that the operator of Hinkley Point C will be responsible for the full costs of decommissioning and its share of the costs of waste management.

“Building HPC will have significant benefits for the UK

economy, including:

- A massive investment by EDF Group and its fellow investors of around £16 billion to build the plant. UK companies could benefit from getting up to 57% of the work;
- 25,000 jobs created during construction, with 5,600 people employed on site at peak of construction, and 900 permanent jobs over 60 years of expected operation;
- Power provided for nearly 6 million homes, an area almost twice the size of London, with the site meeting around 7% of the UK's electricity demand when running at full capacity; and
- A clean, home-grown source of electricity, which will reduce the UK's emissions by 9 million tonnes of CO<sub>2</sub> per year, helping to meet climate targets.

Prime Minister David Cameron said:-“Earlier this month I spoke about our new industrial policy that looks to the future, and about our determination to embrace new technologies and back new industries and energy sources so that they can flourish and help us build a rebalanced economy across the country.

“As part of our plan to help Britain succeed, after months of negotiation, today we have a deal for the first nuclear power station in a generation to be built in Britain.

“This deal means £16bn of investment coming into the country and the creation of 25,000 jobs, which is brilliant news for the South West and for the country as a whole. As we compete in the tough global race, this underlines the confidence there is in Britain and makes clear that we are very much open for business.

“This also marks the next generation of nuclear power in Britain, which has an important part to play in contributing to our future energy needs and our longer term security of supply”.

Energy and Climate Change Secretary Edward Davey said:-“This is an excellent deal for Britain and British consumers. For the first time, a nuclear power station in this country will be built without money from the British taxpayer. It will increase energy security and resilience from a safe, reliable, home-grown source of electricity.

“This deal is competitive with other large-scale clean energy and with gas – and while consumers won’t pay anything up front, they’ll share directly in any gains made from the project coming in under budget and from refinancing or equity sales in particular circumstances. We are creating one of the most attractive electricity investment markets in the world – and this is a clear sign that investors are already responding, even before our electricity market reforms become law.”

Henri Proglio, Chairman and CEO of EDF Group, said:-“The agreement in principle reached today with the British government significantly strengthens the industrial and energy co-operation between France and the United Kingdom. The EPR project at Hinkley Point represents a great opportunity for the French nuclear industry in a context of a renewal of competencies.

“This project will deliver a boost to the economy and create job opportunities on both sides of the channel and will enable the United Kingdom, a country in which EDF is already the leading producer of electricity, to increase the share of carbon-free energy in its production mix.”

The key terms include a “Strike Price” of £89.50 /MWh fully indexed to the Consumer Price Index. This price benefits from an upfront reduction of £3/MWh built in on the assumption that the developer would be able to share the first of a kind costs of the EPR reactors across the HPC and Sizewell C sites. If the EDF Group does not take a final investment decision on Sizewell C, the Strike Price for HPC would be £92.50/MWh. The

development of Sizewell C will be subject to relevant consent and regulatory and other approval procedures at the appropriate time.

The developer would separately be required to start putting money into a fund from the first day of generation to pay for decommissioning and waste management costs associated with HPC.

The EDF Group has also announced today the intent of two Chinese companies, CGN and CNNC, to invest in HPC as minority shareholders. This follows the signing last week by the Chancellor of a Memorandum of Understanding on civil nuclear energy cooperation between the UK and Chinese Governments.

The commercial agreement reached today on key terms is not legally binding, and is dependent on a positive decision from the European Commission in relation to State Aid.

An investment contract is an early Contract for Difference (CfD). CfDs are designed to provide the most efficient long-term support for all forms of low-carbon generation – including nuclear, renewables and Carbon Capture and Storage technology. They are being introduced through Government's reforms to the electricity market which are designed to keep the lights on and reduce emissions at least cost to consumers.

The support provided for HPC under the proposed investment contract is consistent with the Government's policy of not providing a public subsidy for new nuclear unless similar support is provided to other types of low-carbon generation. Similar support will be made available to other types of generation which are eligible for CfDs.

Energy Minister Fergus Ewing responded today to the UK Government's announcement about the nuclear plant

Mr Ewing said:—"Today's announcement confirms that consumers across the UK will be paying for nuclear generation until

after the middle of this century. The single nuclear station at Hinkley could be eligible for consumer funded payments totalling around £1 billion per year, depending on wholesale prices. These payments will apply for the length of the contract being awarded – which, at 35 years, dwarfs the 15 years being offered to renewable energy technologies.

“The cost of this single station alone is comparable to the £43 billion which the UK Government’s budget is assigned for all energy technologies between 2013/14 and 2020/21 and risks squeezing out home grown developments for imported nuclear technology.

“This UK Government’s misguided enthusiasm for nuclear comes at a time when other countries, such as Germany and EDF’s home nation France, are either eliminating or scaling back their dependence on nuclear generation and when we should be putting the support to our renewables energy industry and the jobs it will support across the country.

“The guarantee of support and subsidy under this contract until after the middle of this century also sits in sharp contrast with the lack of a UK Government commitment to support our offshore renewables sector and its potential beyond 2020.

“The Scottish Government has an ambitious but achievable target to generate the equivalent of 100% of electricity from renewable sources by 2020, alongside generation from thermal sources fitted with carbon capture and storage.

“Nuclear energy cannot be relied on for our energy needs. The output from Scottish nuclear generation fell to historic lows in 2006 and 2007 due to unplanned outages. Although output has increased since then, nuclear generation has not yet recovered to its pre 2006 levels.

“This underlines the susceptibility of nuclear to sudden interruptions, and supports the Scottish Government’s drive

towards a balanced energy portfolio, based on cleaner thermal generation and the advantages which our huge renewables potential offers to Scotland.”