

# The British nuclear power programme: A failure of public policy?

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Steve Thomas ([stephen.thomas@gre.ac.uk](mailto:stephen.thomas@gre.ac.uk))  
Professor of Energy Policy and Director of Research  
PSIRU ([www.psiru.org](http://www.psiru.org)), Business School  
University of Greenwich

# Introduction

- If we had known in 2006 what would be required to get nuclear plants built in UK, policy would never have survived
- What were we promised and what will we get?
- What institutions failed and why?
- Is the deal done?
- What will happen now?

# What were we promised? What will we get?

No subsidies: would compete in the market on equal terms with all other sources

Competitive with gas-fired generation generating at £31-44/MWh

Construction cost of £2bn per reactor

Contract for 40 years with unknown price escalators and government guarantees

Most expensive power on the system, £95-100/MWh, more than double wholesale electricity cost

Construction cost of £7bn per reactor

# What were we promised? What will we get?

First power 2017

Competition between  
developers and between  
technologies

10 reactors, capacity 16GW

First power 2023?

'Hobson's' choice of EDF +  
European Pressurised Water  
Reactor. ABWR not an option  
for 5-6 years

1-2 reactors, capacity 1.6-  
3.2GW

# How did we get here?

- Is it Blair's legacy? Programme followed with equal zeal by Brown and Cameron. Pro-nuclear ministers (Hutton, now Chair of NIA) replaced by previously anti-nuclear ministers (Huhne & Davey) with no change
- Is there a powerful, well-funded UK nuclear lobby? CEGB, BNFL, UKAEA and GEC all ceased to exist long ago. Who in UK benefits financially from a nuclear programme?

# Why did civil servants provide such inaccurate advice?

- 2008: Energy ministry said construction costs of £2bn & generation costs as little as £30/MWh, figures less than a third of what they will turn out to be
- Uncritical acceptance by government of assurances from three consortia that subsidies would not be needed
- Office for Nuclear Development created within DECC & has operated as a promoter of nuclear power, apparently at arm's length from the rest of DECC rather than the normal role of civil servants giving impartial advice to ministers

# Will we know what we have agreed to?



- 02/13 Davey (SoS DECC): Under the Energy Bill, all investment contracts must be published and laid before Parliament.
- 01/13 Hayes (Energy Min): It is possible that some contracts may contain detailed financial information belonging to a generator that [are commercially confidential]. Disclosure of such information could significantly harm the interests of a generator. One result of that would be to discourage businesses from entering into that kind of relationship. If they felt that the bill did not provide adequate protection of their interests...it is unlikely that they would want to be involved in negotiations that might lead to an undesirable outcome for them in respect of their competitive, business & shareholder interest.
- We will know what is in contracts if costs do go up, because our bills will go up but that will be too late

# Checks and balances?

- Contracts for 10 reactors for 40 years commit us (& our great great grandchildren) to pay £500bn (£10,000 per person). Someone should have noticed.
- Parliamentary Energy Committee has been equivocal and has not monitored closely enough
- Public Accounts Committee & National Audit Office operate *ex post*. Environmental Audit Committee lacks political power
- Treasury involved in negotiations but too late to influence basic structure of the deal



# Will agreement mean construction starts?

## State aid



- Contract illegal if it is judged illegal state aid. 3 tests
- Is it state aid: Yes, there is a benefit, it is given by a state undertaking & provided by the state (consumers)
- Does it distort markets: Yes, it favours certain undertakings or production of certain goods. It is liable to distort competition & affect trade between Member States
- Is there an applicable exemption from state aid rules?  
Renewables exempt from state aid rules but nuclear is not

# Will agreement mean construction starts?

## State aid



- If state aid guidelines are revised to be 'technology neutral' no state aid case. New rules by December 2013. Will there be a political majority in the EU for pro-nuclear rules?
- British government is keeping Commission informed and hopes for 'fast track' (3 months) approval
- But 11 other member states want option of state-backed CfDs so very significant precedent. Full-scale investigation would take years

# Will agreement lead to construction?

## EDF's position



- EDF's debts are too high. If it doesn't reduce them, its credit rating might fall. Will finance be available at the cost expected?
- If Hollande's objective to bring nuclear down to 50% is pursued, EDF needs no EPRs in France for decades, so no strategic need for EPR
- The EPR humiliated EDF in France, Olkiluoto has gone badly wrong, does EDF believe in the EPR? Is the EPR viable?
- It has spent little on Hinkley (<£1bn) much easier to write this off if the contract is risky than commit to >£14bn

# What will happen & will we learn from it?



- Government will do all it can to force through a contract for 1 or 2 reactors but costs so high programme will be quietly forgotten then - cf Thatcher's programme of 1 reactor order/year for 10 years
- Consumers pay for this but bigger cost, opportunity cost of not pursuing options like renewables & energy efficiency that meet goals on cost, reliability & environmental quality
- Did no politician have the courage to admit the waste of public time & money? Leave it to the next minister?
- In 10-15 years, will the nuclear industry be back with another set of technologies and promises & will a new generation of politicians fall for it again?