

29 July 2016

## HINKLEY POINT C: DECISION DELAY

“At its meeting on 28 July 2016, EDF’s Board of Directors made the final investment decision and gave the President the authorisation to ensure its full execution in the framework of the signature process of all the contracts and agreements necessary to build the two nuclear reactors at Hinkley Point C (HPC) in Somerset, in south-west England.” So reads EDF Energy’s press release.

However, the decision has suffered a last minute hitch with Business Secretary Greg Clark now saying that the government will "consider carefully" before backing it, much to the consternation of EDF’s CEO and no doubt many others.

After months of delays, rumours and counter rumours, two senior executive resignations, and voicing of serious reservations by the French unions, the board of EDF has finally given approval to its two-thirds share of the £18bn construction cost of Hinkley Point C nuclear power plant.

This is certainly a major decision by the French utility giant. Not only is it investing in a country which has recently decided on Brexit from the European Union, but one-third of the finance is being stumped up by the Chinese. Much has also been made of the £92.50 per megawatt-hour “strike price” the UK government has guaranteed it will subsidise, with the National Audit Office saying that future top-up payments would rise from about £6bn to nearly £30bn over the 35-year length of the contract. This does not necessarily mean the consumer will pay more than it would have done – estimated at £10 per year - because of the way the plant is financed.

Hinkley Point C will comprise two European Pressurised (water) Reactors (EPRs) providing 3200 MW(e) or 7% of the UK’s electricity supply for 60 years. By comparison, its neighbours the Hinkley Point B twin Advanced Gas Cooled Reactor delivers 955 MW(e) but will close in 2023 after 47 years operation, and the first generation Hinkley Point A delivered ~470 MW(e) between 1965 and 2000. If successful, more EPRs will follow at Sizewell in Suffolk to add to the ones under construction in Finland, France and China. The ones currently under construction have faced various well publicised difficulties, but EDF and its Chinese partners clearly have the confidence that these will be overcome by the time Hinkley point C starts its 10-year construction period in 2019.

It is interesting to note that it is financial risk which is causing most detractors of the project their concerns, rather than nuclear risk; even Greenpeace’s executive director focused on the “terrible value for money”. This is despite the events at Fukushima-Daiichi and other countries moving away from nuclear such as Germany, Switzerland, Japan and, of course, Scotland.

So what benefits may the development of Hinkley Point C bring? A quick look at EDF Energy’s website and you will see a plethora of statistics: 25,000 employment opportunities over its 10-year construction, £100m per year into the regional economy at peak construction with £40m per year during its operation, and more than 60% of the construction value will go to UK suppliers.

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Hinkley Point C will also contribute to the UK's obligations to meet its emission reduction targets, along with solar and wind power, but, crucially, it will provide baseload power which some sources of power cannot.

Why is the UK government now apparently having second thoughts? No doubt there is more to this perhaps than meets the eye. There has been talk of security concerns this morning, centering on the involvement in the Hinkley Point C project of a major Chinese state owned enterprise. The Government is now saying that its final decision will be made in the "early autumn". Heathrow's third runway decision has also been deferred until around then. We will continue to monitor the situation.

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