

27 March 2017

WRITTEN STATEMENT TO PARLIAMENT OF ENERGY SECRETARY GREG CLARK, 27TH MARCH

In a Written Statement to Parliament issued today, 27 March, the Energy Secretary Greg Clark has made the following announcement in relation to the management and decommissioning of twelve nuclear reactor sites in the UK.

1. Termination of NDA contract with Cavendish Fluor Partnership (CFP)

The contract with CFP was for the management and decommissioning of 12 redundant Magnox nuclear power sites. The NDA ran a £6.1 billion tender process in 2012 which resulted in a 14 year contract being awarded to CFP. However, in the statement issued today the Government said it had become clear that *“there is a significant mismatch between the work that was specified in the contact as tendered in 2012 and awarded in 2014, and the work that actually needs to be done.”*

The statement continues to say that the scale of the additional work *“is such that the NDA Board considers that it would amount to a material change to the specification on which bidders were invited in 2012 to tender”*.

The NDA is consequently exercising its right to terminate on 2 years' notice.

The Government in the statement emphasised that the termination *“is no reflection on the performance of Cavendish Nuclear or Fluor”* and that they will continue to manage the sites for another 2.5 years, during which time the NDA will establish arrangements for a replacement contracting structure to be put in place.

2. Settlement of Outstanding Litigation

In the same statement the Government announced that the NDA has settled outstanding litigation claims against it by Energy Solutions and Bechtel in relation to the 2014 Magnox award. NDA has withdrawn its appeal against the judgment of the High Court of 29 July 2016. The settlements were made without admission of liability on either side, but it was clear the statement said *“that this 2012 tender process, which was for a value of up to £6.1 billion, was flawed”*.

Because of the amount of the settlement payments and the costs (£76.5 million to Energy Solutions and £8.5m of costs, and \$14.8m to Bechtel plus costs of around £462,000) there will be an inquiry into the conduct of the 2012 procurement process and the reasons why the 2014 contract proved unsustainable.

The inquiry will be led by Steve Holliday, the former Chief Executive of National Grid.

We will update on this situation as it develops.

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