

## Sector deal between government and the nuclear industry—key messages

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**Energy analysis: Rupert Cowen, senior commercial and nuclear energy lawyer at Prospect Law, highlights some of the key messages of the sector deal between the UK government and the nuclear industry.**

### Original news

£200m nuclear deal to secure UK energy mix, [LNB News 28/06/2018 94](#)

*The Department for Business, Energy & Industrial Strategy (BEIS) has announced a £200m deal with the nuclear sector to secure the UK's diverse energy mix and drive down nuclear energy costs. The deal includes £32m to kick-start a new advanced manufacturing programme to develop potential world-leading nuclear technologies like advanced modular reactors, and a commitment to increasing gender diversity in the civil nuclear workforce, with a target of 40% women in the sector by 2030.*

### What are the key messages and conclusions of the sector deal? Is there anything unexpected or new?

To those of us old enough to remember the 1970's, when the government of the day offered support to 'the white-hot heat of technology', the new industrial strategy is back to the future with its 'grand challenges' to put the UK at the forefront of the industries of the future.

Although the strategy promises government support in many sectors, it is a moot point whether nuclear can be said to be an industry of the future. Although, it is clear that some in this government believe that if the price of constructing generating capacity can be reduced, it does have a future in the UK.

As a mark of the confusion which reigns within the government authorities seeking to assist industry, even before the ink is dry on the nuclear sector deal, the National Infrastructure Council's National Infrastructure Assessment cautions against a rush to agree government support for multiple new nuclear power stations, and proposes that after Hinkley Point C in Somerset, the government should agree support for only one more nuclear plant before 2025. This following on from the government's refusal to support the Severn barrage.

Among the hyperbole of the nuclear sector deal, is the promise to 'transform our future'. The deal does at least make good on the promise of financial support with confirmation of £56m for R&D in advanced modular reactors (AMRs), £85m to replace the funding Culham lost because of the withdrawal from Euratom; and other promises include £40m toward a facility to develop advanced nuclear technologies together with support for an advanced manufacturing program and a national supply chain programme.

The stand out point is that, although there will be government support for AMRs, that support does not extend to the small modular reactors (SMRs). Despite its disappointment, Rolls Royce—who would have been the main beneficiary of government support for SMRs—said that it continued to believe that 'UK SMR can be a significant contributor to providing low cost, low carbon electricity'.

Nuclear energy supporters see AMR's as a lower cost alternative to traditional reactors which are struggling to compete with the rapidly falling cost of renewables.

The other stand out points were:

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- acknowledgement of the need for direct government advanced financial support to reduce the cost of construction of the existing planned nuclear development in the UK
- the new facility to develop advanced nuclear technologies is possibly going to be located at Trawsfynydd with support from the Advanced Manufacturing Research Centre (AMRC)

In return, those members of the industry who canvassed the Nuclear Industry Council have made a commitment to:

- reduce the cost of new nuclear build projects by 30% over the next 12 years
- reduce the cost of decommissioning old nuclear sites by 20%—reference is made to the current debate on the proper end state for legacy nuclear sites and the BEIS consultation on funding decommissioning

To the more cynical reader, the relationship between end state and cost reduction will not be lost.

This announcement comes only days after EDF announced that the cost of constructing Hinkley Point CC had increased by a further £1.5bn to over £20bn.

## **Are there any remaining unanswered questions?**

The government has indicated in a vague and unsubstantiated way that in the case of Wylfa Newydd, it might consider attaching taxpayer funds to the construction of the site, but with the ambition of achieving a strike price for the electricity that will be about £15/MWh cheaper than for Hinkley. Such a strike price would be about £77.50/MWh. This price is still higher than the £57.50/MWh allocated for UK offshore wind contracts in September 2017.

## **Are there any other important points worth mentioning?**

The sector deal does not help with the biggest own goal for the nuclear industry in the UK and ensuring it is not affected by Britain leaving the European Union, and to aim for continuity with Euratom arrangements to enable the nuclear industry to continue operating after 29 March 2019.

*Interviewed by Alex Heshmaty.*

*The views expressed by our Legal Analysis interviewees are not necessarily those of the proprietor.*