



Nuclear Free Local Authorities Steering Committee

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CNFE
Cities for a Nuclear Free Europe



NFLA / CNFE / Stop Hinkley Joint Media release, 11th March 2014

The European Commission should reject UK Government deal with EDF for financing Hinkley Point nuclear reactors. It is illegal state aid and a distortion of the electricity market.

On the third anniversary of the Fukushima disaster, the UK & Ireland Nuclear Free Local Authorities (NFLA) have joined up with the Cities for a Nuclear Free Europe Network and the influential local Somerset group 'Stop Hinkley' (SH) to submit a detailed submission to the European Commission as part of its public consultation process. It calls on the Commission to reject the UK Government's deal with EDF for the financing of two new nuclear reactors at Hinkley Point. (1)

In October 2013 the UK Government announced a 'strike price' agreement of financial support and guarantees with EDF for the £16 billion funding of the first new nuclear reactors to be potentially built in the UK for two decades. The deal offered EDF a 'strike price' of £92 per megawatt hour of output (MWh) of electricity in a contract that would run for 35 years and be indexed to the inflation rate. The strike price would come down to £89.50 MWh if EDF also constructs two more new nuclear reactors at Sizewell in Suffolk. (2)

The deal has to be authorised by the European Commission to determine whether it is a legitimate form of state aid to a utility company and whether it will have a negative effect on the workings of the internal energy market. The deal is seen as a 'test case' which will dictate state support for new nuclear projects being considered by other EU member states. The Commission started to scrutinise the agreement last year and its initial view raised a number of significant concerns. It has now updated those initial comments and has just opened a one-month consultation seeking additional views, before it makes its decision later this year. (3)

In its joint submission, the NFLA, CNFE and SH conclude:

1. Nuclear power is a mature technology. Whilst there may be a case for subsidising new technology which can eventually lower costs and compete without subsidy, there is no case for subsidising a well established technology like nuclear power.
2. Hinkley Point C would almost certainly not go-ahead without the proposed subsidy. The operators are being offered a price for the electricity produced which is more than twice the current market price for electricity in the UK.
3. Renewable technologies will be unfairly constrained by the size of the Levy Control Framework funds available, the bulk of which will probably be used up by Hinkley Point C after 2023, despite the fact that solar and offshore wind are likely to be cheaper by then.
4. Britain's solar industry says it has the capability to deliver the same amount of electricity every year as is expected to be produced Hinkley Point C within 24 months and at a comparable cost.
5. It is medium sized solar projects (50kW to 5MW), which are likely to reach parity with grid electricity prices first in many countries, and therefore no longer require subsidies. Yet it is this size of project which is being particularly unfairly treated in the UK.
6. There has been a dramatic reduction in the UK Government's ambition for offshore wind from 32GW in 2020, down to 10GW or less in 2020. Despite the fact that several companies

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believe offshore wind could be cheaper than nuclear by 2020 or not long after, the UK Government appears to be planning to allocate the bulk of funds for available for energy subsidy to new nuclear reactors after 2023.

7. Although it is not clear yet what the Levy Control Framework Cap will be after 2020/21, it is clear that new reactors at Hinkley Point C will use up the lion's share of any funds available after the reactors open sometime after 2023. This is certain to unfairly curtail the solar and offshore wind industries, despite the fact that electricity from these two sources is likely to be cheaper by then or on a downward trajectory towards being cheaper shortly afterwards.
8. **The question the Competition Commissioner must surely answer is whether the subsidies to Hinkley Point C are required in order for the UK to meet its energy security and climate change objectives? The answer is clearly no. In which case, is spending money on the subsidy the most cost efficient way of reducing carbon emissions? Again the answer is no - it would be better to spend the money elsewhere. Finally, does awarding subsidies to one form of low carbon technology constitute unfair treatment of other forms of low carbon technology which might be available from elsewhere in Europe? The answer is clearly yes.**
9. **NFLA, CNFE and Stop Hinkley therefore call on the European Competition Commissioner to declare the State Aid which the UK Government proposes to give to Hinkley Point C as illegal.**

NFLA Chair Councillor Mark Hackett said:

"I welcome the European Commission's critical consideration of the UK Government's exorbitantly expensive and competitively unfair deal with EDF to build new nuclear reactors at Hinkley Point. Our joint response with Cities for a Nuclear Free Europe and Stop Hinkley provides ample evidence that the proposed strike deal will completely distort the electricity market. It will also threaten the rapid and welcome growth in renewable energy and we argue it is not required for either our energy security or climate change objectives. I urge the Commission to reject the agreement as an illegal state subsidy."

CNFE Chair and Deputy Mayor for the Environment in Vienna Municipality Ulli Sima said:

"The nuclear industry has had the chance to prove itself technically and economically since the 1950s. Never in industrial history has any other industry been so heavily subsidised, despite disastrous accidents, the lack of a backend waste strategy and constantly rising prices. New nuclear power stations are not a practical solution to our energy requirements nor necessary to face the challenges of climate change. Subsidies for such a mature technology as nuclear power will contradict the strategies for renewable energy, the Single Energy Market and the reduction of greenhouse gas emissions in the EU. I urgently call on the EU Commission to reject the proposed subsidy for Hinkley Point C as an illegal form of state aid."

Nikki Clark, a spokesperson for the Stop Hinkley campaign group said:

"There is no case for subsidising an industry, which in over seventy years of existence, has never been able to survive in a free market and has constantly produced an insoluble problem - nuclear waste, with an essentially unknowable cost to all of society in economic and health terms into the far future. The Stop Hinkley campaign believes that this is unacceptable. It shows a lack of commitment from the UK Government to transforming our energy system. The UK and particularly Somerset can't afford to sink under the costs of public subsidies for the government's nuclear obsession. We call on the EU to declare the proposed state aid for Hinkley C illegal."

Ends

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Notes for editors:

- (1) The NFLA, CNFE and Stop Hinkley submission is attached with this media release.
- (2) DECC Media Release, 21st October 2013
<https://www.gov.uk/government/news/hinkley-point-c>
- (3) European Commission, 18th December 2013
http://ec.europa.eu/competition/state_aid/cases/251157/251157_1507977-35_2.pdf

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