



THE UK PERSPECTIVE: FINANCING NEW NUCLEAR

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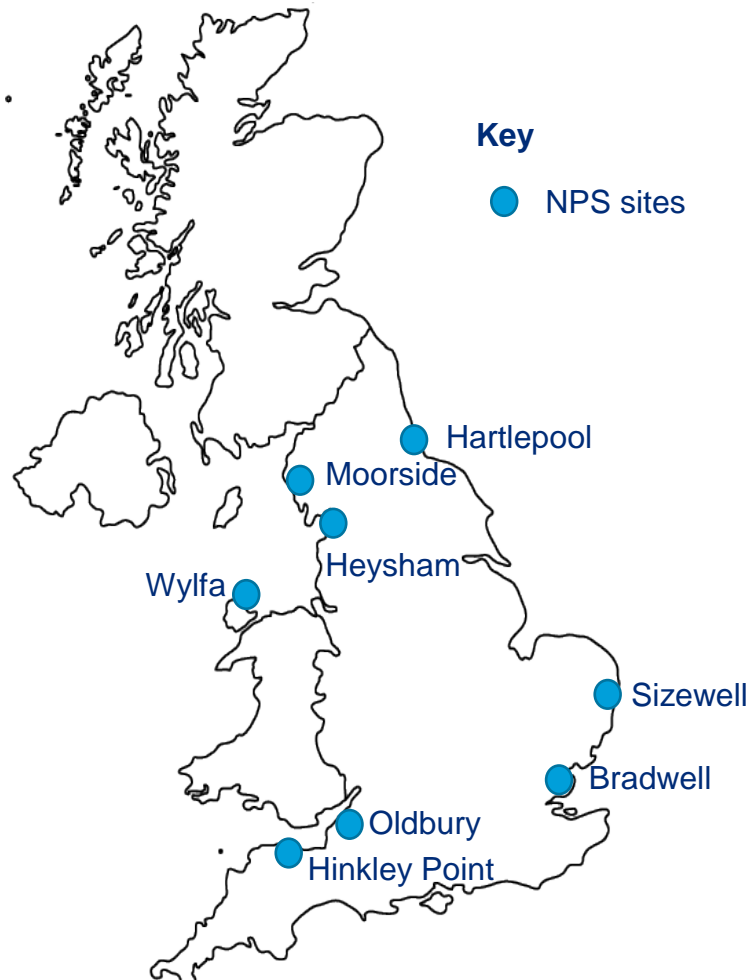


The UK Policy Context

- The Government's energy policy objectives:
 - Ensure the UK has a secure and resilient energy system
 - Keep energy bills as low as possible
 - Secure ambitious international action on climate change while reducing carbon emissions cost-effectively at home
- The UK has a strong ambition to bring forward new nuclear in this context
- Industry has proposed 18GW of new nuclear projects, representing 30-35% of UK electricity generation by the 2030s



The UK's nuclear new build programme



The map shows 8 sites that the UK has identified as potentially suitable for nuclear new build in the National Policy Statement (NPS).

There are firm site development plans for Hinkley, Sizewell, Wylfa, Oldbury, Moorside and Bradwell.

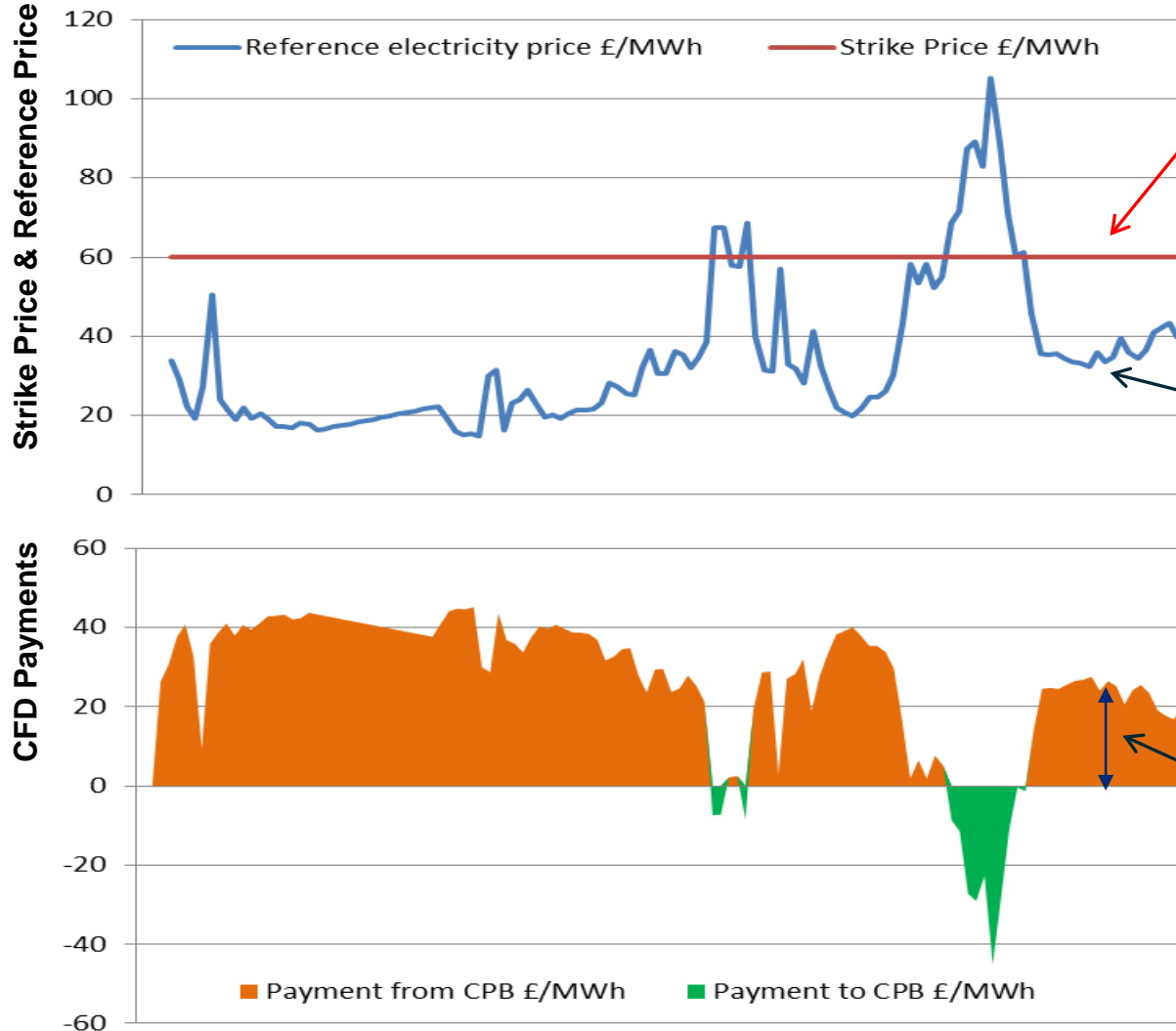


The UK Contract for Difference

- Private law contract between a low carbon electricity generator and the Low Carbon Contracts Company (LCCC), a government-owned company
- Generator paid the difference between the ‘strike price’ – a price for electricity reflecting the cost of investing in a particular low carbon technology – and the ‘reference price’ – a measure of the average market price for electricity in the GB market
- Greater certainty and stability of revenues to electricity generators by reducing their exposure to volatile wholesale prices, whilst protecting consumers from paying for higher support costs when electricity prices are high



The Contract for Difference in operation



Strike Price:

- Determined by competitive bidding (renewables) or bilateral negotiation (nuclear)

Reference Price

- a measure of the average market price (day ahead for renewables; season ahead for baseload)

Difference Payment





Contract for Difference for Hinkley Point C

- Strike price
 - Strike Price of £92.50/MWh, fully indexed, falling to £89.50/MWh if FID is taken on Sizewell C
- CfD payment duration
 - 35 years from the point at which each reactor becomes commercially operational or the last day of the target commissioning window for that reactor, whichever is earliest
- Change in law arrangements
 - Compensation could be paid or received, in relation to certain future changes in law (including in respect of specific tax clearances, and uranium and generation taxes).
- Political risk agreement
 - Compensation in the event of a political shut down other than for certain reasons including health, nuclear safety, security, environmental, nuclear transport or nuclear safeguards.



Contract for Difference for Hinkley Point C

- Opex Reopener
 - Strike Price could be adjusted, upwards or downwards, in relation to operational and certain other costs at certain fixed points
- Construction gain share
 - Savings made on the construction of HPC would be shared - 50% share up to a certain level; 75% share over a certain level
- Equity gain share
 - Project outperformance or equity sales that increase investors' realised equity returns above the base case would be shared
 - Equity gain share extends beyond the 35 year term of the CfD to the lifetime of the asset.



Funded Decommissioning Programme

- Energy Act 2008 requires all new nuclear operators to:
 - meet their full decommissioning costs; and
 - be responsible for their full share of waste management and disposal costs, so that the taxpayer will not bear the burden in future.
- Achieved through a Funded Decommissioning Programme (FDP) - must be approved by the Secretary of State for Energy and Climate Change.
- Operator's duty to set aside funds for waste and decommissioning costs from start of generation. Strike Price covers Hinkley FDP costs (c. £2/MWh).
- Nuclear-related construction cannot begin without an approved FDP in place.
- Operator expected to enter into Waste Transfer Contract with the Government. WTCs set out the terms under which Government will take title to and liability for the plant's spent fuel and intermediate level waste for a fee.