

## ENERGY WHITE PAPER SUPPORTS UK'S PROMINENT ROLE IN ADVANCED NUCLEAR TECHNOLOGIES

On Monday, 14 December the UK government published its long-awaited Energy White Paper *Powering Our Net Zero Future*, building on its Ten Point Plan, published last month, to provide more detail on the pathway to achieving its ambitious 2050 carbon neutral target. As anticipated, nuclear energy is to play a key role in the government's strategy, with the government setting an aim (but not a commitment) to reach a final investment decision on at least one nuclear new-build within the current parliamentary term, provided that it demonstrates clear value for money for consumers and taxpayers and achieves all necessary approvals. The government remains open to further projects "if the nuclear industry demonstrates that it is able to reduce costs and deliver to time and budget".<sup>1</sup>

Financing and affordability remain the key challenges. Large-scale nuclear is notoriously expensive to finance privately, given the long construction periods and tendency for budget overruns. Such concerns led to the unsuccessful conclusion of discussions between the government and Hitachi in relation to the planned nuclear plant in Wylfa Newydd. To address these challenges, the government has been considering introducing a regulated asset base (RAB) model alongside the existing Contracts for Difference (CfD) model as an alternative for financing nuclear new-build.

Concurrent with the White Paper, the government published the response to its February 2020 consultation on the application of a RAB model to new-build nuclear, which, despite reflecting expected concerns among some stakeholders about the passing of construction risks to consumers and/or taxpayers via RAB, makes clear that RAB remains under consideration as a credible option for financing large-scale nuclear projects.

Detail on the specific design of the model remains scant, with the government indicating that it will continue to develop a RAB model for nuclear with the developer of the next large-scale project in the pipeline, the Sizewell C project. The consultation response concludes that in order to attract private financing, the model is likely to require:

- "A variable £/MWh price allowing for the revenue stream to be adjusted by the Regulator as circumstances change.
- An Allowed Revenue during construction to reduce the scale and cost of financing, increasing deliverability and reducing total cost to suppliers and consumers.
- Some level of risk sharing between investors and consumers / taxpayers."<sup>2</sup>

The government appears to have taken a view on the balance between risk-sharing necessary for this infrastructure class to maintain attractiveness to investors, including the possibility of government finance during construction, and the overall needs of the stability of the electric power system. Nuclear appears to have a firm place in the UK's power and hydrogen future.

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<sup>1</sup> BEIS (2020), *Powering our Net Zero Future*, Energy White Paper, December 2020, p. 48 (available at <https://www.gov.uk/government/publications/energy-white-paper-powering-our-net-zero-future>)

<sup>2</sup> BEIS (2020), Government response to RAB model consultation on nuclear, December 2020, p. 20 (available at <https://www.gov.uk/government/consultations/regulated-asset-base-rab-model-for-nuclear>)

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