



**Tom Burke**  
Political  
commentary

## Nucléaire nouvelle génération. Non merci!

**DECC could yet come a cropper in counting on France for a new generation of UK nuclear power stations.**

The first anniversary of the nuclear meltdown at Fukushima on 11 March draws near. For 100,000 Japanese this brought a sudden end to life as they knew it. They will never return to their homes. For the Japanese taxpayer, there is now a bill that could rise to half a trillion dollars. In Germany, Italy and elsewhere this has brought an already faltering nuclear renaissance to an abrupt halt.

But in the UK, it is as if nothing happened. The government, its opposition, a clamouring claque of extra-parliamentary voices and an echo chamber media are still steaming blithely into the nuclear past. The Office for Nuclear Regulation was quick with its reassurance even though we are at least five years from knowing what actually happened inside the reactor cores.

The political reality in the UK is that the government has too much invested in the current policy to turn back. The nuclear lobby is strong, well-financed and growing as the supply chain bait is spread around a range of domestic interests. It is confident, capable and will vigorously contest any effort to reverse the government's policy.

So is new nuclear UK inevitable? Not necessarily.

The revival of nuclear power in the UK has been driven primarily by the government of France. The much-anticipated life extension for the current fleet of French reactors was very good for electricity utility EDF (big cash flow from sunk capital). But it was terrible for Areva, the French publicly owned reactor maker, with a two-decade gap emerging in the flow of orders from EDF.

The French government, with Gallic aplomb, came up with a clever resolution to this problem. Britain would be persuaded to replace its ageing advanced gas cooled reactors with Areva's European pressurised water reactor (EPR). This was the strategic rationale behind the greatly overpriced purchase of British Energy by EDF. With an institutional base established in the UK, the way was now clear for EDF to promote a nuclear renaissance.

This was considerably assisted by employing Andrew Brown, Gordon Brown's brother, to run its public relations. The lobbying campaign thus launched was very successful. An energy white paper sceptical of nuclear, published in 2003 as a result of an extensive analysis, was replaced in 2007 by a hastily prepared and enthusiastically pro-nuclear white paper (ENDS Reports 338, pp 26-32 and 389, pp 40-42).

The way was then clear for EDF to buy nuclear reactors from Areva to build in Britain. To protect its exposed flank as a foreign state-owned company, EDF needed a British partner. Centrica, a company with no previous experience of building or operating nuclear power stations, obliged. It has the option to take a 20% interest in the 6.4 gigawatts of new nuclear power proposed for

Hinckley Point and Sizewell. Thus the French government has secured an order flow for Areva to be paid for by British taxpayers and consumers.

So far, so clever – of the French.

But not so clever of DECC. Whether or not the nuclear power stations counted on to ensure a secure supply of low-carbon electricity get built depends entirely on decisions made by foreign-owned utilities. If they decide not to go ahead, DECC's current low-carbon energy policy collapses.

To deal with this risk DECC officials have put huge effort into dreaming up ever more devious ways to disguise the level of public subsidy needed to guarantee construction.

Even so, such has been the impact of Fukushima that it is now clear all the non-French utilities are having second thoughts, despite their protestations to the contrary.

This is hardly surprising given repeated messages from the City that it is in no rush to finance new nuclear in the UK. Combine this with the extreme capital intensity of nuclear power stations and only EDF, with the implicit backing of the French government, realistically has the balance sheet strength to contemplate such a large-scale and risky investment.

In effect, the UK has handed over control of a major part of its energy future to the French government. DECC's unworried acceptance of this uncomfortable situation seems founded on the belief that the subsidy bribe can be made big enough to guarantee its participation.

Leaving aside the thought that the Treasury might not be so accommodating as the full cost to the UK economy is revealed, there are two other reasons why DECC may be disappointed: Centrica may find it hard to keep up its end of the bargain and EDF may find better things to do with its capital than building EPRs in the UK.

**The nuclear lobby is strong, well-financed and growing... It is confident, capable and will vigorously contest any effort to reverse the government's policy**

Centrica's market capital is about £15bn. Taking up its option in the deal with EDF would cost some £5bn. This is a huge part of Centrica's value to be gambled on a high-risk investment in a sector where the firm has no previous experience with the technology.

Leaving aside the risk premium that the City might exact for its participation, there is a growing risk that Centrica's shareholders will balk at the prospect.

That would leave EDF to decide whether or not to go ahead on its own. That decision will be made in Paris, not London. Then factor in the likely election of a French president committed to reducing reliance on nuclear power and the recent report from the French National Audit Office advising that the EPR be abandoned as too expensive. This does not look so certain to go the way DECC has assumed.

Adding to these doubts will be electricity market reform. This has already been bent well out of its ideal shape to find a way to cover the revenue risk for investors in new nuclear build. But recent indications that the contracts for difference this relies on might not actually be justiciable contracts will undermine investor confidence further.

None of this will make EDF's UK chief executive Vincent de Rivas any less assertive about going ahead. But do not be surprised if his assertiveness is accompanied by a continued slide in the date for his final decision. ■

*Tom Burke is a founding director of E3G and a visiting professor at Imperial and University Colleges, London. He also advises Rio Tinto*