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State Aid for nuclear

Giving public support to an expensive technology failure?

The UK government has been since months in lengthy negotiations with the French energy provider EDF, over subsidy payments for planned nuclear reactors at Hinkley Point C. These public subsidies, known as Contracts for Difference (CfD) are meant to cover the financing costs of the project, and need to be notified to the Commission. However, as demonstrated by the two documents presented at a press breakfast (Wednesday 10th July 2013 with Rebecca Harms and Claude Turmes) there are no valid economic or legal grounds for Commission to validate the CfDs. ---------- Cost assessment of different energy technologies: renewables are cheaper than nuclear and fossils

- Over the last 30 years renewables have shown falling technology costs whereas costs for nuclear power are rising.
- Over time falling technology costs will further reduce costs for support schemes.
- Renewables have negligible externalities (health, risk and climate costs) and are therefore reducing the societal costs for the energy system that currently is dominated by fossils and nuclear.
- Nuclear on the other hand has high externalities, and will never be able to cover risk costs associated with accidents, decommissioning and waste. Therefore it will require greater and longer term policy and fiscal support than renewable energy. If environmental costs are included in the price, renewables produce cheaper power than both nuclear and fossil fuel sources.
- Public support to nuclear through a guaranteed price such as currently planned in the UK at Hinkley Point will further distort the already unfair level playing field especially between nuclear and renewables.

Under existing legal provisions nuclear is not eligible for public support

- Only renewables and energy efficiency are eligible for state aid under the current State aid guidelines for environment.

- Under the internal electricity market directive public support is allowed "in theinterest of environmental protection and the promotion of infant technologies". EPRs such as the one in Hinkley Point do not qualify for any of these criteria.

- Security of supply, another criterion under the internal electricity market directive, allows for state intervention. However in the specific case of the UK there is no issue of security of supply since 30GW of new gas and renewables projects are in the pipeline to replace the old 26GW of installations that are to be phased out in 2015-2016. Hinkely Point would anyway only be operational in 2020-2023, years after UK's sharpest problems of security of supply.

Conclusions The only way for EU Commission to clear any subsidies for new nuclear reactors, and thereby giving in to pressure from the UK, would be to create a completely new set of state aid guidelines in the field of energy, which is illegal under current conditions. In addition, the cost assessment of different technologies clearly shows that technology costs as well as external costs for nuclear and fossils are much higher than for renewables. It therefore seems economically fallacious and environmentally unsafe to guarantee a fixed state aid over 40 years' time in the case of Hinkley Point. Instead of creating a new subsidy regime for nuclear, deepening the already existing uneven level playing field we demand that: 1) Fossils and nuclear pay for their full costs including environmental costs such as air pollution, risks of nuclear accidents, decommissioning and waste management. 2) Requests for nuclear should be examined case by case under EU competition rules involving an in depth investigation including stakeholders and interested parties. 3) Legislation is adopted which includes segregated decommissioning and waste funds (pending since 2003 adoption of second electricity market directive) as well as full liability in case of accidents. 4) Climate and health costs are internalised in fossil fuel prices through the EU ETS or an EU coal tax. At the moment the flagging ETS completely fails to address the climate costs of coal. More Information:

- Re-assessing costs in the European power sector, Antony Froggatt, July 2013
- The new UK nuclear power programme, a FiT for nuclear and a blue print for illegal state aid? By Doerte Fouquet, Steven Thomas, December 2012
- Letter to Commissioners Almunia and Oettinger on nuclear
- Letter to Commissioner Almunia on renewables

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