



The Greens | European Free Alliance
in the European Parliament

To:
Mr Joaquin Almunia, Commissioner for Competition,
Mr Günther H. Oettinger, Commissioner for Energy

Cc:
Commissioners of the College, President of the Commission

Brussels, 9 July 2013

Concern: **UK plans on state aid for nuclear power**

Dear Commissioner Oettinger,
Dear Commissioner Almunia,

The UK government has been for months in lengthy negotiations with the French energy provider EDF over subsidy payments for planned nuclear reactors at Hinkley Point C. These subsidies, known as Contracts for Difference are meant to cover the financing costs of the project. The duration and amounts discussed are out of scale: guaranteed and indexed payments over 40 years¹ amounting to £100/MWh² (€117/MWh), including a 10% rate of return on EDF's investment³. The discussed price is at least double the current market price for electricity and much higher than the "feed in tariff" payments for most renewable energy sources, notably onshore wind and solar, because it is guaranteed over a much longer time period (40 years instead of 15-20 years).

State aid can be cleared by the Commission in some specific cases under the guidelines for environmental protection (2008) and under the Internal Electricity Market directive (2009). In the first case, energy efficiency and renewables are exempted, whereas in the second case, the state can subsidise infant technologies or projects designed for remedying problems of security of supply.

However, none of these categories apply to EDF's planned European Pressurized Reactor at Hinkley Point, which is neither a renewable technology nor very efficient, nor an infant technology. Indeed, it is no more than an incremental advancement on an established technology. Finally, the last point on security of supply cannot be argued either since UK has sufficient capacity and projects in the pipeline (30 GW) to cover the phase out of 26 GW in the coming years.

Even if there was a final agreement on the contract in the immediate future, recent experiences (EPR in Finland, France) suggest that a new nuclear power plant will not be up and running

¹ <http://www.guardian.co.uk/business/2013/feb/19/edf-40-year-contract-nuclear-plant>

² http://www.utilityweek.co.uk/news/news_story.asp?id=198046&title=Nuclear+strike+price+rumoured+to+go+below+%26%23163%3B100%2FMWh

³ <http://www.bbc.co.uk/news/business-21654697>

before 2020-2023, when the sharpest security of supply problems of the UK will have been overcome.

Attached you can find a legal analysis which shows **that nuclear power does NOT qualify for state aid under the existing EU state aid rules and can therefore only be rejected by the relevant services of the European Commission.**

This is also reflected by the fact that the Commission previously never allowed for state aid payments to nuclear power plants and this should remain so with a case by case analysis when need be.

The UK has not yet notified its plans but is in intense discussions with DG Competition on the topic. Given this critical situation, it is very regrettable that the Commission process on the revision of the state aid guidelines currently is very intransparent and that no clear information about the process or the content of the envisioned changes are given to third parties.

In this context, it is also fundamental to create a **transparent debate on costs associated to the different technologies in the European power sector** (see second attachment):

- 1) Renewables cause no or only little externalities such as air pollution, climate impacts, and nuclear accident risks, waste or decommissioning.
- 2) Renewables show positive learning curves and are cheaper today than new nuclear.
- 3) When the different technologies are compared on the basis of their associated external costs and the support schemes, nuclear and fossil fuels are and will remain more expensive than renewables in the future.

The costs for Fukushima have been estimated to far exceed €100bn, but in Europe, insurance costs for nuclear power plants do not even come close to these estimates, with €50million in the Czech Republic or €1bn in the UK. It is unacceptable that the nuclear industry does not pay its fair share for risk costs, waste management or decommissioning. Instead of even considering allowing for further financial support for nuclear power plants, we expect the European Commission to put an end to the numerous privileges of this industry. Similarly to the banking sector, where EU legislators have learnt from the past, a fully-fledged liability scheme should be introduced.

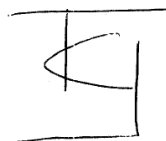
The costs of the different technologies including externalities are central elements which need to be discussed much more publicly and need to be taken into account if a level playing field between different technologies is to be created, as decided by Heads of State in May this year.

We insist that you, Commissioner Almunia and Commissioner Oettinger, do not give in to pressure from the UK government to make nuclear subsidies under the form of Contracts for Difference eligible under the existing or the revised guidelines for state aid.

Yours sincerely,



Rebecca Harms
Co-President of the Greens/EFA Group



Claude Turmes
Vice-President of the Greens/EFA Group