

UK starts talks on public investment in nuclear power

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Japan's Hitachi and the UK government have decided to enter negotiations on the proposed Wylfa Newydd project. In a statement to Parliament yesterday, UK Business and Energy Secretary Greg Clark said actions the government is taking will support a "long-term pipeline" for new nuclear projects in the country.



Hitachi owns Horizon Nuclear Power, which plans to deploy the UK Advanced Boiling Water Reactor (UK ABWR) at two sites - Wylfa Newydd, which is on the Isle of Anglesey, and Oldbury-on-Severn, in South Gloucestershire.

Clark told Members of Parliament: "This is an important next step for the project, although no decision has been yet taken to proceed, and the successful conclusion of these negotiations will of course be subject to full government, regulatory and other approvals, including but not limited to value for money, due diligence and State Aid requirements."

Hitachi said today it will make its final investment decision for the Horizon project "after applying project assessment in terms of economic rationality as a private company while continuing discussion with the British government".

Value for money

If the Wylfa project were to go forward following this period of negotiation, it would provide around 6% of the UK's current electricity needs until nearly the end of the century, Clark said, whilst supporting thousands of jobs during construction and operation, particularly in Wales.

Noting that nuclear power currently meets around 20% of the UK's electricity demand, Clark said nuclear has an important role to play in the country's energy future as it moves to a low-carbon economy.

"However, we have always been clear that no technology will be pursued at any price: new nuclear must provide value for money for consumers and taxpayers," he said.

Next project

In 2016, the government agreed to support the first new nuclear power plant to be built in the UK - at Hinkley Point C in Somerset.

"As I said at the time the contract for Hinkley Point C was agreed, the government expects future nuclear projects to provide lower cost electricity than Hinkley Point C," Clark said.

Wylfa Newydd is the next project in the pipeline, using Hitachi's reactor design, which has been

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deployed on time and on budget in Japan, and last December completed the Generic Design Assessment process run by the UK's Office for Nuclear Regulation.

Horizon CEO Duncan Hawthorne said Clark's announcement is "fantastic news" for Anglesey, the nuclear industry, and Horizon, as well as a "clear signal" of the government's commitment to delivering a low-carbon future for the UK.

"Building on last year's regulatory acceptance of our tried and tested reactor technology, it shows real momentum behind the project which will bring huge benefits everywhere from Anglesey to Wales and the UK and Japan. Our focus now is to ensure we continue to deliver on our key project milestones as we move towards construction," Hawthorne said.

Horizon submitted its application for Development Consent Order (DCO) to the Planning Inspectorate on 1 June for permission to build the Wylfa Newydd plant.

The company said today the Planning Inspectorate has 28 days to decide whether the DCO application "meets the robust standards" that will enable it to be accepted for examination, including consideration of Horizon's pre-application consultations which date back to 2014.

If the DCO is accepted for examination by the Planning Inspectorate, members of the public and other stakeholders will have the opportunity to comment on Horizon's plans as part of the process. The DCO process takes about 17-18 months from submission to determination.

Horizon has also submitted key applications for a Marine Licence, Operations Combustion permit, Operations Water Discharge permit and Construction Water Discharge permit from Natural Resources Wales.

Focus

Clark said a key focus of discussions with Hitachi has been “ and will continue to be “ achieving lower cost electricity for consumers.

"Both the National Audit Office and the Public Accounts Committee have recommended that the government consider variations from the Hinkley Point C financing model in order to reduce costs to consumers. In line with the NAO and PAC's clear findings and recommendations, for this project the government will be considering direct investment alongside Hitachi, and the Japanese Government agencies and other parties.

"Our partnership on this project would serve as a further example of civil nuclear collaboration between the UK and Japan, building on the Memorandum of Cooperation that was signed in 2016 with that country," he said.

New capacity

The UK is likely to need "significant" new nuclear capacity in order to meet its carbon reduction commitments at least cost, Clark said, "particularly as we electrify more of our transport and heating".

He added: "So alongside entering negotiations in relation to Wylfa Newydd, the government will also continue to engage with the other developers in the UK new nuclear market on their proposals for further projects."

This engagement currently includes: EDF's plan for a follow-on EPR project at Sizewell C; China General Nuclear's (CGN's) proposals for an HPR1000 reactor at Bradwell; and Toshiba on the future of the NuGen project at Moorside; as well as Hitachi over potential further ABWR units at Wylfa and Oldbury.

Zheng Dongshan, CEO of CGN's London-based subsidiary CGN UK, said the start of negotiations over the financing of the Wylfa Newydd project is "another positive development" for new nuclear power in the UK.

"As investors in the Hinkley Point C and Sizewell C projects, and as lead investors in the proposed Bradwell B power station, CGN UK is hugely encouraged by the government's continued commitment to our sector," Dongshan said today.

"In China, CGN has a long track record of delivering new power stations safely and efficiently. One of the reasons for that is the so-called fleet effect that results from having a workforce and supply chain which gains experience from working on many projects. Therefore, the progress at Wylfa, in addition to Hinkley Point C, and our proposed Sizewell C and Bradwell B projects, can only help to bring costs down and raise the productivity of our entire industry. That is why this announcement is so welcome," he added.

Private sector

Clark says it remains the government's objective in the longer term that new nuclear projects, like other energy infrastructure, should be financed by the private sector.

As a result, it will be reviewing the viability of a regulated asset base model as a sustainable funding model based on private finance for future projects beyond Wylfa, he said. This could deliver the government's objectives in terms of value for money, fiscal responsibility and decarbonisation, he added.

Tom Greatrex, chief executive of the Nuclear Industry Association, said Clark's statement will stimulate the UK industrial supply chain, its partnerships with Japanese counterparts, and provide highly skilled jobs and growth in North Wales.

Greatrex said the industry "particularly welcomes" the news of government commitment to consider different funding models, including direct investment, for financing nuclear new build projects. "This will reduce overall project costs and, in turn, the cost to consumers as we transition to a low-carbon electricity system able to meet our future energy challenges," he said.

Support

Clark also said government support for nuclear is "reiterated" in the Nuclear Sector Deal, which it will publish with the sector shortly.

That deal, which the government has developed in close partnership with the nuclear sector, will also include ambitious proposals to drive down costs across the sector, including by reducing the cost of construction in new build and by investing in innovation in advanced nuclear technologies, he said.

The actions the government is taking will "support a long-term pipeline for new nuclear projects in this country and will provide the visibility needed to enable the industry to invest in the skills - including through the National Nuclear College" and the UK supply chain capabilities across the country," he added.

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Matt Rooney, engineering policy adviser at the Institution of Mechanical Engineers, said Clark's statement that the government may invest directly in electricity generation is a major development.

"It recognises the important role that state financing could play in reducing the cost of large-scale, low-carbon energy projects," he said.

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