

## DECC Consultation on Electricity Market Reforms – Response of Stop Hinkley

### Market reforms are a hidden subsidy to nuclear

Timed as they are to coincide with the proposals to build a series of nuclear reactors at sites around the UK, it is clear that these proposed reforms are primarily designed to enable nuclear “new build” in this country. The promoting companies themselves – both EdF and the Horizon consortium (E.ON and RWE) – have made it publicly clear that the economics of their power stations would not stack up unless they were supported by some sort of additional incentive, in particular an artificially raised carbon price.

The government has repeatedly said that it will not support new nuclear power generation in this country with any sort of subsidy, and yet the support mechanisms proposed under these reforms would provide exactly the sort of financial support that the industry has requested. The fact that they may also benefit other low carbon generation options does not mask the fact that they have clearly been specifically designed with nuclear in mind.

This is not just Stop Hinkley’s view. The *Daily Telegraph*, for example, pointed out that “years of lobbying by nuclear companies has finally paid off, as (on Thursday) the government will reveal plans to subsidise the price they are paid for generating electricity.”<sup>1</sup> The *Financial Times* described the government’s argument that nuclear is not being subsidised, because other generation options will also benefit, as “Derren Brown-style mind tricks”.<sup>2</sup>

A further downside of the proposed reforms is that they will increase electricity bills, partly in order to support nuclear developments. Although estimates vary, the price comparison website energyhelpline.com concludes that gas and electricity prices will almost double over the next decade.<sup>3</sup>

There is also the potential, in a constrained financial climate, for investment capital to move away from low carbon renewable projects into nuclear. This would be disastrous for the already challenging target for 15% of all UK energy to be generated from renewable sources in 2020.

Stop Hinkley is in favour of measures which penalise methods of power generation that create pollution, including the emission of carbon dioxide. At the same time it is crucial to encourage sources of new generation capacity which do not contribute to climate change and are free from other unsustainable features such as the production of residues of radioactive waste. Renewable sources such as wind, solar, biomass and marine power are already supported by the Renewables Obligation and, at a small scale, by the recently introduced “clean energy cash-back” scheme, a type of feed-in

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<sup>1</sup> [www.telegraph.co.uk/finance/newsbysector/energy/8204683/UK-government-agrees-to-subsidise-nuclear-power-companies-prices.html](http://www.telegraph.co.uk/finance/newsbysector/energy/8204683/UK-government-agrees-to-subsidise-nuclear-power-companies-prices.html)

<sup>2</sup> [www.blogs.ft.com/westminster/2010/12/huhne-under-pressure-over-hisdefinition-of-nuclear-subsidy](http://www.blogs.ft.com/westminster/2010/12/huhne-under-pressure-over-hisdefinition-of-nuclear-subsidy)

<sup>3</sup> <http://www.dailymail.co.uk/money/article-1339771/Fuel-poverty-hit-5-5m-homes-Coalitions-green-energybill.html#ixzz18eLjPmQU>

tariff. Although it might well make sense to extend the feed-in tariff model to all renewable developments, of whatever size - as is already the case in other European countries - it makes no sense to use such a system to encourage nuclear, with all its attendant health and safety issues.

One absurd result of the proposed reforms is that, despite the government's clear desire to support new nuclear build, the introduction of a carbon floor price would also benefit existing nuclear plants. The Worldwide Fund for Nature (WWF) and Greenpeace have estimated that introducing a carbon floor price reaching £40 per tonne in 2020 would result in windfall profits to existing nuclear operators of £3.43 billion.<sup>4</sup>

We therefore urge the government to concentrate on reforms which support genuinely clean energy options free from pollution and do not prop up a technology which historically has failed to live up to its safety, environmental and economic promises.

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<sup>4</sup> "Energy bills to rise as nuclear gets £3.43bn for doing nothing"  
[www.wwf.org.uk/wwf\\_articles.cfm?unewsid=4630](http://www.wwf.org.uk/wwf_articles.cfm?unewsid=4630)