



Newsletter November 2013

Hinkley Point: nuclear power plant gamble worries economic analysts

Liberum Capital analysts flabbergasted by UK government's deal with EDF on nuclear power station

The Guardian, Wednesday 30 October 2013

The government's agreement to underwrite the £16bn Hinkley Point nuclear power station could prove to be "economically insane" and hugely costly to consumers, City analysts have warned.

Analysts at stockbroker Liberum Capital said the tie-up with France's EDF will make Hinkley Point the most expensive power station in the world.

"Having considered the known terms of the deal, we are flabbergasted that the UK government has committed future generations of consumers to the costs that will flow from this deal," the analysts said.

The government gave the go-ahead last week for an EDF-led consortium to build the Hinkley Point C plant in Somerset. Its two reactors will cost £8bn each and will provide enough power to supply 7% of Britain's homes for 60 years.

The energy secretary, Ed Davey, has gambled that the cost of fossil fuels will rocket by the time Hinkley Point starts operating in 2023, according to Liberum's analysts Peter Atherton and Mulu Sun in a report published on Wednesday.

The government has also given EDF so much leeway on time and cost that the consortium's risk is negligible, they argued.

The analysts said: "The UK government is taking a massive bet that fossil fuel prices will be extremely high in the future. If that bet proves to be wrong then this contract will look economically insane when HPC commissions. We are frankly staggered that the UK government thinks it is appropriate to take such a bet and underwrite the economics of any power station that costs £5m per MW and takes nine years to build."

Davey agreed a minimum price of £92.50 for every megawatt hour (MWh) of energy Hinkley Point generates – almost twice the current wholesale cost of electricity. The price is also index-linked to inflation, meaning EDF can expect revenue of about £121 per MWh by 2023, the analysts

calculated. That means the price of gas will need to increase by at least 130% to make the government's agreement pay by making nuclear power more attractive than gas.

Caroline Lucas, the Green Party MP for Brighton Pavilion, said: "When City analysts tell you a contract is 'economically insane', it's time to admit that you might have got it wrong. The analysis doesn't even take into account the fact that they are only expected to meet a 'share' of the costs of dealing with the toxic waste created by their generators, with the public facing another bill for clean-up costs in future."

The deal means consumers' bills will pay for the electricity generated by the plant. The agreement has sparked controversy after four of the big six energy companies increased their prices by an average of 9.1% this month.

The government predicts lower bills from investing in nuclear power but Atherton and Sun said there was a high chance that consumers would lose out compared with investing in fossil fuels.

EDF will make about £1bn a year pre-tax profit when the plant starts operating – almost half the total profits made by the big six energy suppliers last year from their power generation arms, the analysts said.

EDF said the deal was fair and that consumers would not pay anything until Hinkley Point C was operational: "Hinkley Point C is competitive with or cheaper than all other large-scale options for new-build generation in the next decade. It is also the cheapest of all low-carbon technologies."

The Department of Energy and Climate Change said cost estimates needed to include the average price of energy over the life of the plant as well as building, operating and decommissioning expenses.

A spokesperson said: "Taken together, we expect the deal on Hinkley Point C to be competitive with gas-powered generation in the 2020s. The impact on consumer bills of Hinkley Point C should be considered against the costs of alternative generation mixes, and we expect consumers to be better off in a market that provides diversity in our energy supply, and which includes new nuclear."

Strike price – a stab in the dark

Stop Hinkley Press Release, 22 October 2013

The government's announcement yesterday of an eye-watering £92.50 strike price is nothing more than 'grandstanding' according to campaigners in the south west. Nikki Clark, Stop Hinkley spokesperson said "Yesterdays announcement was much ado over nothing and despite all the fanfare and visits of the rich and famous to Hinkley, there is no legally binding agreement, nor will there be until the government get their plans past the European Commission which, according to various media outlets, would be summer 2014 at the earliest."

Globally nuclear power is increasingly unpopular thanks to the ongoing crisis in Fukushima (including in China where there have been massive protests against the Chinese nuclear industry). We think that the chances of getting approval from the EU are small to none.

Energy minister Ed Davey claimed in a news conference yesterday that, unlike Finland and France, HPC will not experience cost over-runs because of the Generic Design Assessment process that EDF's proposed reactor has been through. However this is nothing more than an attempt by the Energy minister to wallpaper over the cracks in their plans.

Said Clark "The Generic design assessment was supposed to approve reactor designs at a Generic level in order to remove cost uncertainty created by major design changes made after construction has begun, as traditionally happens with nuclear reactors. However, there are many outstanding problems with the reactor design that the regulators have failed to resolve, which means that we will be left with the exact problem that the process was supposed to prevent – spiralling costs. Therefore Davey's claim of cost certainty due to the GDA is a deliberate attempt to mislead an already sceptic public, the truth of which will be borne out in the coming months and years."

However, 2014 is long way away yet – and a lot can happen in a year, not least the boringly predictable further construction delays and cost increases expected among the unfinished reactor projects abroad - we get the feeling that if approved by the EU, the British, French and Chinese states may find themselves wishing to renegotiate the terms upwards as costs escalate, which, if it happens, will make a joke out of the idea of fixing the terms for a period as long as 30-40 years.

As for the government claims that bills will be less than £77 a year on average in 2030 this strike price is nothing more than a stab in the dark - children probably have as good a chance of predicting 2030 prices as the Department of Energy and Climate Change.

Undemocratic state to control British nukes

Stop Hinkley Press Release, 20 October 2013

Stop Hinkley Campaigners today labelled George Osborne's coalition deal with China as 'reckless'. China is experiencing significant home-grown opposition to it's nuclear plans with officials cancelling a significant nuclear project amidst protests back in July.

Said spokesperson Nikki Clark "The coalition government having dug themselves into a hole - desperate as they are to implement their half-baked energy strategy, it seems don't know when to stop digging - they'll go to any lengths to create more nuclear power stations. They claim we need nuclear for climate change but as well as the long predicted construction delays translating into carbon target delays, the nuclear establishments green credentials are highly contested. The coalition government also claim that we need nuclear power to keep the lights on but this latest move is akin to giving away the light switch! Since when is Russia having control of our gas taps more problematic than the largest most powerful authoritarian state in the world having control of our most dangerous technology – nuclear?"

China is a nuclear weapons state, and has NO basic nuclear safety laws and very limited regulations, despite generally accepted global standards of 20 to 40 people (regulators) per station, China's regulatory body has less than a 1,000 staff to regulate it's 17 operational reactors and 30 planned reactors. According to the World Nuclear Association the nuclear power workforce in China is "another factor affecting nuclear safety in China".

In 2011 Prof He Zuoxiu, a Chinese atomic bomb scientist called Chinese plans for a 20-fold increase in nuclear power by 2030 as potentially 'disastrous' saying China is 'seriously under-prepared on the safety front' whilst in the same year Wikileaks revealed that there were serious concerns held by the global nuclear establishment over China's weaknesses in management and regulatory oversight.

Ms Clark said "It's not just investment that the Chinese are looking to make by getting involved in nuclear technology in the UK – they want a say in the day to day operations of any future Hinkley or Sizewell C. The government can't have it all ways – on the one hand they claim we need to renew Trident the Nuclear so-called deterrent, and on the other, they now want to give control of our most dangerous technology to precisely the kind of regime that many of the British public would feel the need to be protected from - an unaccountable, undemocratic, authoritarian regime. This raises

serious security issues and can't possibly be in the public interest."

Successive governments have been influenced by the power of the nuclear establishment and it's never-to-be-realised promises. Nuclear power is being revealed to be the same way it always has - dirty dangerous and expensive and now the government want to give the Chinese control over it. We feel that bringing an authoritarian regime such as China is a step to far, the prospect of their being brought in with no approval from the public, when all along the country has been promised that government energy policy is going to give us energy security is a recipe for disaster. Said Nikki "We think the coalition are going to have a fight on their hands."



On the day that the strike price was announced, anti-nuclear activists responded by holding a spontaneous protest at EDFs shop in Angel Place in Bridgwater.

A banner was dropped above the shop that read

"No more EDF b**s***t!

They take our £££ and dump **waste** on us"

Members of the public then dumped manure on the doorstep (onto a piece of plastic!) of the EDF shop.

A talking cow appeared with a placard in Chinese – a message to China not to invest here. The Cow then talked to crowds of bemused passers-by. Many expressed support and some applauded the protestors.

A YouTube film of the event can be seen here:

<http://www.youtube.com/watch?v=8ZyDuhaAUng>

South-West Against Nuclear enjoyed the event so much they want to explore further theatrical responses that can be taken to the streets easily.

<http://southwestagainstnuclear.wordpress.com/>

Behind the nuclear smoke and mirrors

Tom Burke, The Ecologist, 26th October 2013

There is an important question to be asked of Mr Davey. If there is no public subsidy for Hinkley C why are you having to make an application to the Brussels for state aid clearance?

The most important decision in this issue is EDF's decision to order the major components for Hinkley. Only when that has happened will it become too expensive not to go ahead.

If that has not been done, no deal has actually been made. All that has happened is that the price the British Government will pay for the output from Hinkley has been announced.

It is very unlikely that any such order will be made until after state aid clearance has been granted.

It has already become clear that there will only be limited scope for British companies to supply the high value components for Hinkley

On the most optimistic assumptions there will be no electricity from Hinkley before 2023.

The price announced by Ed Davey will be about double the current wholesale price of electricity. The wholesale price of electricity is the main component of energy bills. In order to set that price he has had to guess the wholesale price of electricity in 2058 since the contract will last until then.

This is courageous. It means that if wholesale prices fall, British consumers will lose out substantially. Wholesale prices for electricity in Germany have fallen about 30% in the past 12 months.

In short, this, not quite a deal yet, does nothing to reduce energy bills now, will not help to keep the lights on this winter and offers few high-value jobs for Britons.

It is another example of profit being privatised and risk being socialised. No wonder the private sector has declined to take this opportunity.

You might call this a behind the smoke and mirrors view of the 'deal'.

So why are the Coalition making such a fuss about it? Because it supports the political narrative that the Coalition is making the economy work and has made Britain an attractive place for inward investors. In other words, this whole farrago is about managing the headlines not the country.

Tom Burke is a former director of Friends of the Earth. Read the full article here: http://www.theecologist.org/blogs_and_comments/commentators/other_comments/2134515/behind_the_nuclear_smoke_and_mirrors.html

Chinese nuclear disaster “highly probable” by 2030

Chinadialogue.net, 19 March 2013

China is heading for a nuclear accident if it continues with current construction plans, says former state nuclear physicist and prominent critic He Zuoxiu

Some members of the nuclear power industry rely too much on theoretical calculations, when only experience can provide real accuracy.

Read the full article here:

<https://www.chinadialogue.net/article/show/single/en/5808-Chinese-nuclear-di>

Forum 21 Meeting in Minehead

Stop Hinkley leaflets were snapped up at Forum 21 in Minehead on Monday eve (18th Nov). The meeting brought together around 60 people eager to hear a talk by Johnny Goady of Regen South West about the renewable tidal projects in the South West.

There was a lot of interest in the Swansea Bay Tidal lagoon and Eva Bishop, director of the project, was on hand to answer many questions. Johnny gave a very encouraging perspective of how tidal energy can supply power locally and nationally. These cutting edge technology projects, involving many companies and universities in the south west, can be exported globally. It is heartening to see we are in an exciting time with real green renewable technology and tidal power emerging as a big part of that.

www.forum21.org.uk www.regensw.co.uk
www.tidallagoonswanseabay.com



Glastonbury Frost Fair Saturday 30th Nov

Stop Hinkley will do a joint stall like last year with SWAN in Avalon. It attracts lots of people from all round Somerset so it is a good opportunity to discuss latest news.

There are plans to have the street stall and theatre with the barrels and a Christmas EDF song (maybe we will have to add a verse in Chinese!). If anyone wants to help/come and sing/contribute to the day in any way it would be good to see you. Stall set up between 9 and 10.30am. We will probably stay till High Street shops close at about 5.30pm

Contact Jo Smoldon: 01278 459 099
josephine.smoldon@virgin.net

Events

Stop Hinkley meetings
Mondays 9th December, 13th January
and 10th February 7.30pm
in the meeting room at West Bow House in
Milton Place behind the Squibb Pub on
West Street in Bridgwater.

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Glastonbury Frost Fair
Saturday 30th Nov

Details above

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Stop Hinkley AGM
10th March 2014 7.30pm, as above.

Contacts

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