



3rd March 2015

For Immediate Release

Stop Hinkley calls on Labour to re-examine Hinkley Deal

The Stop Hinkley Campaign, along with Friends of the Earth, Greenpeace and the Nuclear Free Local Authorities, has written to the Shadow Secretary of State for Energy and Climate Change to ask her to commit to re-examining the deal between the UK Government and EDF Energy regarding Hinkley Point C in the event of the Labour Party winning the next election.

Regrettably Tom Greatrex, Labour's shadow energy minister, has recently said he believes nuclear power must remain a part of the UK's energy mix, but he has also called for the Hinkley deal to be scrutinised by the National Audit Office (NAO) to make sure it's the best deal for the UK taxpayer.

Stop Hinkley Spokesperson, Roy Pumfrey said:

"The recent renewable energy auction held under the new "contract for difference" pricing mechanism has now shown that, without doubt, most renewable energy is cheaper than nuclear power, and costs are continuing to fall. (1) The least that the Labour Party can do now is to commit to re-examining the Hinkley deal, before consumers are forced to pay for over-priced and unnecessary electricity for the next 35 years."

END

Stop Hinkley Contact:

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Notes

- (1) Carbon Brief 27th February 2015 <http://www.carbonbrief.org/blog/2015/02/uk-renewables-auction-pushes-down-costs/>

Letter sent by e-mail 20th February 2015

To: Caroline Flint MP
Cc Tom Greatrex MP

Dear Shadow Secretary of State,

We are writing to ask you to commit to re-examining the deal between the UK Government and EDF Energy regarding Hinkley Point C in the event of the Labour Party winning the next election. We note that Shadow Energy Minister Tom Greatrex has already called on the National Audit Office (NAO) to scrutinise the deal. (1)

It is now clear that the various Parties involved in the Hinkley proposal will be unable to reach agreement before the General Election. (2) This offers the new Government in May a unique opportunity to re-examine what has turned out to be a potentially very expensive deal likely to cost electricity consumers double the market rate for electricity produced. But the current Secretary of State for Energy and Climate Change recently pointed out that the NAO wouldn't normally examine a deal like this until after it has been agreed. (3) So there is unlikely to be any further examination of the deal in the light of recent events in time to prevent it being implemented, unless a new Government commits to one.

We are mindful of the pressing need to decarbonise the UK energy system and that in the short term this will involve additional investment costs. As you will know, under the proposed deal EDF Energy will be guaranteed a Consumer Price Index-linked strike price of £92.50 for each megawatt hour (MWh) of electricity generated at the 3.2GW Hinkley Point C.

This contract will last for 35 years. On the other hand, contracts for renewables are much smaller and support is only being offered for 15 years, meaning that renewables will have at least 2 generations of technology change whilst Hinkley remains on its old index-linked price.

The speed of change in energy technology and costs is what makes this contract potentially such bad value for consumers. Major banks such as UBS are already advising investors to avoid big centralised plant like Hinkley because they will be rendered redundant in 10-20 years (i.e. not long after Hinkley is due to start operating) by advances in cheaper decentralised renewable and smart grid technologies. (4) Levelised costs for renewables are continuing to fall, and are likely to be much cheaper than Hinkley before it is even built. (5) A recent report from the Vienna Ombuds-Office for Environmental Protection suggested that consumers across Europe could save between 37 and 74% on their electricity costs by going for renewable sources rather than nuclear. (6)

UK consumers could therefore be 'locked into' a large expensive contract until almost 2060 which already looks like a white elephant before any electricity is delivered. Some projections have offshore wind looking competitive with this price for nuclear by the 2020s

The lack of transparency of the proposed contract compounds the questions over alternative options for low-carbon power supply. The current Government has refused Freedom of Information requests to publish the modelling underlying the Hinkley deal so consumers have no way of knowing the full costs and risks behind its supposed good value. However, an analysis by the *Financial Times* suggests that UK consumers will only be better off if gas price rises are high. (7) Although only one of the issues that affect the costs of a low-carbon system, recent falls in gas prices make the case for re-examining this deal overwhelming.

In 2006 the then Chancellor Alastair Darling said it will be up to the private sector to "*initiate, fund, construct and operate*" new nuclear reactors. Although the UK Coalition Agreement included a similar commitment to "*no public subsidy*", the EU approval of State Aid for the plant explicitly accepts that subsidy is being provided. The Environmental Audit Committee recently argued that there is no case for treating subsidies to mature technologies, such as nuclear power, where there is little likelihood of future cost reductions, in the same way as subsidies to new technologies which may eventually be able to be competitive without subsidy. (8)

We urge you to continue your campaign on behalf of electricity consumers against high electricity prices whilst recognising the challenge of climate change, and give a commitment now to the re-examination of this deal after the General Election.

Yours sincerely,

Sue Aubrey, Chair of the Stop Hinkley Campaign

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Notes

(1) Financial Times 20th Nov 2015 <http://www.ft.com/cms/s/0/41934cb8-70ca-11e4-9129-00144feabdc0.html>

(2) See Telegraph 12th Feb 2015 <http://www.telegraph.co.uk/finance/newsbysector/energy/11407745/Hinkley-Point-new-nuclear-plant-faces-further-delays.html>

(3) See Q57 & 58 here <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/energy-and-climate-change-committee/decc-annual-report-and-accounts-201314/oral/17713.pdf>

(4) Big power out, solar in: UBS urges investors to join renewables revolution, Guardian 27 August 2014 <http://www.theguardian.com/environment/2014/aug/27/ubs-investors-renewables-revolution>

(5) According to Deutsche Bank for example "Solar at Grid Parity in Most of the World by 2017", Renew Economy 12th January 2015 <http://reneweconomy.com.au/2015/solar-grid-parity-world-2017> and the Global Wind Energy Council says "Wind power is the most competitive way of adding new power generation capacity to the grid in a rapidly increasing number of markets around the world, even when competing against heavily subsidized incumbents." Global Wind Energy Council 10th Feb 2015 <http://www.gwec.net/global-wind-power-back-track/>

(6) Vienna Ombuds-Office for Environmental Protection, “Renewable Energy versus Nuclear Power – Comparing Financial Support”, December 2014: Summary – <http://www.wuawien.at/images/stories/publikationen/renewable-energy-versus-nuclear-power-summary.pdf> Full report - <http://www.wua-wien.at/images/stories/publikationen/renewable-energy-versusnuclear-power.pdf>

(7) McDermott, J. “The Hinkley Point price is a great big nuclear hedge”, Financial Times 21 Oct 2014 <http://blogs.ft.com/off-message/2013/10/21/the-hinkley-point-price-is-a-great-big-nuclear-hedge/>

(8) House of Commons Environmental Audit Committee, Energy Subsidies, Volume 1 2nd Dec 2013 <http://www.publications.parliament.uk/pa/cm201314/cmselect/cmenvaud/61/61.pdf> para 69.