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## **EDF should stop building Hinkley Point C now before its financial quagmire gets even worse**

The poor state of EDF's finances is threatening to leave UK and French taxpayers and electricity consumers with a huge bill if construction of Hinkley Point C (HPC) is not stopped as soon as possible, according to a new report by Emeritus Professor of Energy Policy, Steve Thomas.

The 2017 National Audit Office (NAO) report noted that the outlook for EDF and its ability to finance its investments had changed significantly for the worse since the project was initiated. The cost of life extending its 58 operating reactors in France is much higher than expected - at least €4bn per year till at least 2030. The financial collapse of Areva in 2015 has left EDF with the unwelcome requirement by the French government to take over its unprofitable reactor division. The problems at the two EPRs under construction in Finland (Olkiluoto) and France (Flamanville) continue to get worse and even the two Chinese reactors of the same type as HPC have suffered significant delays. The emergence of quality control (QC) problems including falsification of QC documentation going back 50 years at Areva's key forge facility, Creusot Loire and the quality issues with the reactor vessel installed at Flamanville and the vessels made for HPC have left the reputation of Areva NP in tatters.

EDF has been unable to take up the offer of UK Government loan guarantees because its Flamanville reactors won't be in commercial service by the end of 2020 - a condition of the loan guarantee. This has left EDF with the serious problem of how to raise the capital it needs to build Hinkley Point C.

By the end of 2018 EDF claimed to have spent €7.5bn (£6.25bn) on HPC but with borrowing costs of only €108m (£90m) suggesting virtually all expenditure to date had been paid for by equity. The expected remaining cost at the end of 2018 using the most recent cost estimate is £15.3-17bn and if the project is to be completed by end 2026 as EDF now claims, this implies an average annual spend of £2.2-2.4bn of which two thirds (£1.45-1.6bn) would come from EDF, significantly more than its total net profit (€1177m or £980m) for 2018.

It has long been clear that the record of nuclear projects being built to time and cost is so poor that no bank will lend money for one unless the risk falls on someone else, by, for instance, a government providing sovereign credit guarantees, according to the report.

This begs the question: how is the EDF consortium expecting to finance construction of Hinkley?

Stop Hinkley spokesperson, Roy Pumfrey said:

*“Taxpayers and consumers should be told how EDF intends to fund its share of Hinkley Point C construction costs. If it can’t come up with a satisfactory answer, which at this stage looks extremely unlikely, it should be told by the Government and regulators to cease construction immediately. We already know that HPC would add about £50bn to consumers’ bills. Whilst cancelling the project now might incur a cancellation cost of a few billion pounds, consumers could save almost £1.5bn per year for 35 years from 2027 if the deal is scrapped.”*

It is clear now that EDF is unsustainable because it cannot finance life-extension, clean-up liabilities and HPC. As well as finding £1.45-1.7bn per year until 2026 to finance the construction of Hinkley Point C, EDF has to find money to upgrade its 58 French reactors, as well as for funding decommissioning and waste management amongst other things. It seems that completing Hinkley will need an open-ended commitment by both the British and French Government’s. The sensible course is to abandon the plant now before more public money is wasted. The EDF consortium has already spent about £6.5bn on HPC but with £18bn or more to spend, writing this off is a much better option than completing a loss-making plant. The EPR technology has failed and EDF should abandon it. The French public will have to pump tens of billions into EDF to keep it afloat and the additional burden of financing Hinkley would impose would be unwelcome. The only logical decision is to abandon Hinkley and all the successor projects now.

**END**

The report “Financing the Hinkley Point C project” by Steve Thomas is available at <https://www.nuclearconsult.com/wp/wp-content/uploads/2020/01/HPC-finance-Steve-Thomas.pdf> and <https://teags.org/core/wp-content/uploads/2020/01/HPC-finance-final.pdf>.

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