NUCLEAR ENERGY (FINANCING) PUBLIC BILL COMMITTEE – URENCO EVIDENCE

ABOUT URENCO

1. Urenco is an international supplier of enrichment services and fuel cycle products with sustainability at the core of its business. Operating in a pivotal area of the nuclear fuel supply chain for 50 years, Urenco facilitates zero carbon electricity generation for consumers around the world.

2. Headquartered in London, Urenco's global presence ensures diversity and security of supply for customers through enrichment facilities in Germany, the Netherlands, the UK and the USA. Urenco is committed to continued investment in the responsible management of nuclear materials; innovation activities with clear sustainability benefits, such as nuclear medicine, industrial efficiency and research; and nurturing the next generation of scientists and engineers.

EXECUTIVE SUMMARY

3. Nuclear power has a key role alongside renewables in the clean energy transition through supporting both reliable, low-carbon electricity generation and the future production of hydrogen. It is welcome, therefore, that Parliament has shown clear support for the continuation – and expansion – of the nuclear industry in the United Kingdom. Banks and other financial institutions around the world are now looking closely at how to invest in new nuclear infrastructure projects. We firmly believe the Government has identified a viable funding model in the Regulated Asset Base (RAB), which could significantly reduce the cost of capital by attracting investors satisfied with a secured lower rate of return, thereby helping to reduce the overall cost of nuclear new builds and protecting consumers with thorough regulation and safeguards. We welcome the opportunity to submit evidence to the Public Bill Committee and encourage the Committee to consider the following:

    - **There is a great deal of support across the UK from businesses, trade unions, and the supply chain who are all ready to deliver on the next generation of nuclear power and Urenco - as an international supplier of enrichment services and fuel cycle products - look forward to playing a role in supporting the UK's nuclear ambitions.**
    - **Urenco is advancing the next generation of nuclear technologies and fuels as an important part of achieving greater efficiencies within the industry and making a valuable contribution to the UK's decarbonisation goals. The Government should seek to implement tangible and meaningful support for the nuclear fuel sector to preserve the UK's world-leading capabilities in the industry.**
    - **In particular, the construction of more nuclear generating capacity, financed through a RAB model, would provide a significant boost to the UK's nuclear sector, as well as its energy security, in a way which is compatible with Net Zero.**
    - **The RAB model can avoid the compounding of finance costs. This would bring down the overall cost of capital to developers compared to Hinkley Point C – and thus the total cost envelope to consumers (Government estimates that RAB will cost consumers less than £10 each through 2024, and less than £10 over the course of construction).**
    - **The construction of more nuclear generating capacity would also have wider benefits, such as ensuring there is a pipeline of skills which will be critical as the UK seeks to develop the next generation of nuclear technologies including small modular reactors (SMRs) and advanced modular reactors (AMRs).**

THE NEED FOR NUCLEAR AND GLOBAL NUCLEAR/ENRICHMENT MARKET

4. Nuclear is one of the largest sources of clean, low carbon, energy used today and will continue to play a critical role in providing baseload electricity. The Government should continue to take the necessary near-term enabling steps (in key policy areas such as siting and planning) to support delivery of the UK's Net Zero ambitions.

5. To maximise the contribution nuclear power plays in the delivery of Net Zero will require the upfront funding of further large-scale nuclear plants, as well as smaller / advanced reactors which can contribute to meeting the need for heat and hydrogen, as well as electricity.

6. Urenco is well positioned to support nuclear new build projects in the UK. An important aspect of the post-pandemic recovery and economy will be to have more resilience built into our systems, as well as greater self-sufficiency in critical materials, resources and sectors. Nuclear fuels are a strategic capability of the UK. There are robust and resilient supply chains for fuel, enhancing the case for the upfront funding and development of new build nuclear in the UK, both large- and small scale, due to the presence of critical infrastructure in the UK operated, in part, by Urenco.

7. Parliament should, therefore, seek to implement tangible and meaningful support for the nuclear sector by committing funding to new nuclear developments and preserving the UK's world-leading capabilities in the industry.

REGULATED ASSET BASE

Cost-Savings

8. The RAB is a viable funding model for new nuclear which could significantly reduce the cost of capital by attracting investors satisfied with a secured lower rate of return, thereby helping to reduce the overall cost of nuclear new builds and protecting consumers with thorough regulation and safeguards.

9. The RAB model can also avoid the compounding of finance costs. This would bring down the overall cost of capital to developers compared to Hinkley Point C – and thus the total cost envelope to consumers (industry estimates that RAB will cost consumers less than £10 each through 2024, and less than £10 over the course of construction).

10. While it is important to acknowledge that consumers will face some costs during the development and construction phases under the RAB model, the lifetime consumer benefit through reduced energy bills (Government estimates that RAB for nuclear will make the electricity system £30 billion - £80 billion cheaper, or £10 per household), and a significant increase in the likelihood that the UK will reach Net Zero by 2050, should outweigh the short-term risk to consumers.

11. The RAB model is already used widely in the UK to finance certain infrastructure projects, such as in the electricity, gas, and water networks. In 2016, it was also used to help secure funding for the Thames Tideway Tunnel (TTT) sewerage project. By allowing Thames Water bills to rise slightly to pay for the TTT, analysis estimates that the project will be approximately three times cheaper for consumers than initially envisaged[1].

[1] https://www.cps.org.uk/files/reports/original/210419162349-CPSBRIDGINGTHEGAP.pdf

Skills

12. The urgent timescale of implementing the RAB is crucial in ensuring the nuclear industry can maximise the benefits of transferring the workforce between projects and delivering value for money to the consumer.

13. Failing to introduce the RAB model and supporting the construction of new nuclear risks losing essential jobs and skills that will be difficult and expensive to replace in the future. In the case of Sizewell C, the current business case for its development relies on a specific timetable, with a Final Investment Decision expected at end of 2021 or early 2022; this would then allow for the rapid transfer of the skilled workforce and supply chain from Hinkley Point C to Suffolk, maximising the benefits of the repeat-effect.

14. This pipeline of skills will be critical as the UK seeks to develop the next generation of nuclear technologies including small modular reactors (SMRs) and advanced modular reactors (AMRs) following the Government's announcement of £210 million in funding to Rolls Royce SMR to develop the design for one of the world's first small modular reactors[2].

Established Model for Infrastructure Investment

15. The RAB model is an established mechanism which is well-known to the investment community, and has been used to finance infrastructure projects, such as airports, railway upgrades, electricity/gas transmission, and water. For example, the separation of BT from Openreach was financed via a RAB, as was the separation of Scottish Power and Scottish Hydroelectric in 2005.

Urenco
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[2] https://www.gov.uk/government/news/uk-backs-new-small-nuclear-technology-with-210-million