

PRESS RELEASE**THE ENERGY WHITE PAPER****THE END FOR NUCLEAR POWER IN THE UK?**

The White Paper on Energy summarises very well the challenges facing the UK - tackling climate change and ensuring secure, clean and affordable energy. However, it contains little in the way of Government taking positive action on how we deliver these admirable objectives.

A clear example of the lack of positive action is in the debate about building new nuclear power stations. The Government appears on the face of it to be positive about the role of new nuclear build. It believes in diversity and flexibility in the energy mix and a policy framework that allows the full range of low carbon options. However, the Government continues to make clear that any decision to invest in new nuclear build will be made solely by the private sector, the “market”, and without any public sector support, although the statement that “energy companies meet their full decommissioning costs and their full **share** of waste management costs” perhaps leaves open a window for some subsidy.

The Government correctly, in our central view, identifies the need to invest in around 30-35GW of new electricity generation capacity over the next two decades with some two-thirds needed by 2020 if the “lights are to stay on in the UK”. The range of uncertainty is, however, greater than the Government indicates in the White Paper.

Pöyry Energy Consulting models the electricity market in some depth and has found that the most likely outcome is that the vast majority of new build generation up to 2020 will be gas fired combined cycle stations. The important factors are:

- The economics of new nuclear probably need high prices for carbon: the White Paper uses €36/tCO₂ to derive its favourable numbers – this is much higher than we see now and will be politically difficult to deliver in the future since it means significantly higher electricity prices for all consumers.
- The lead time for new nuclear build, even taking account of planning reform and streamlining approval of technologies, is long. The White Paper assumes 13 years for the first new nuclear stations and 10 years for the subsequent plants. This means that the UK is unlikely to see a new nuclear plant generating electricity before 2021 at the very earliest.
- In order to fill the gap up to 2021, by which time some 20GW might be needed, fossil fuel plant will be developed. We predict that this will be predominately CCGTs, with some new coal plant in addition (though, despite considerable publicity, no new coal projects have yet been committed)
- With the building of around 20GW of fossil fuel plant, the need for nuclear may be large pre-empted. A low (or conceivably zero) rate of demand growth would similarly pre-empt the need for new nuclear.

PRESS RELEASE

David Cox, Managing Director of Poyry Energy Consulting said today:

“In our opinion, the Energy White Paper could spell the end for nuclear power in the UK. Government appear unwilling to provide the type of support, in the form of high and certain carbon prices, to reduce risk to an extent where it is possible for energy companies to bring forward new nuclear plants.

The most likely outcome is that, while further talking and lobbying goes on, the need for new capacity in the short to medium term will largely be met by new gas fired projects with their three year lead time. The additional capacity so provided will then further increase the risks for new nuclear build meaning that little or none will progress.

We do not believe that this is the Government’s intentional policy but unless it recognises the real risks in the market the outturn will be that the UK will be increasingly dependent on gas fired generation post 2015 with the associated risks for security of supply as well as significantly higher carbon emissions as our existing nuclear power stations retire.”

END OF RELEASE

11 June 2007

NOTES TO EDITORS

Poyry Energy Consulting (formally ILEX Energy Consulting) is a leading independent energy markets consultancy, specialising in competitive electricity, gas and carbon markets in the UK and continental Europe.

Background

Poyry Energy Consulting will be reporting shortly with a detailed analysis of the economic conditions, prices and risks facing prospective power station developers.

The ILEX market report is called:

“The developing electricity generation capacity gap out to 2025 – the end for nuclear power?”

Further information

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