

Transcript of Podcast

July 2007

WHAT NEXT FOR NUCLEAR?

Emily Busby

Hello and welcome to the D&W construction Vox. This Vox is designed to look at some of the challenges for the Nuclear sector especially in the light of the recent White Paper. D&W recently hosted several industry forums on this topic and so this Vox will also deal with some of the questions raised at the forums. We are privileged to be joined by Adam Dawson of the Department for Business Enterprise and Regulatory Reform, formally known as the DTI and Keith Parker, Chief Executive of the Nuclear Industry Association. We will also be hearing from Hamish Lal and Ann Faulds of Dundas & Wilson.

The long awaited white paper on energy, "Meeting the Energy Challenge", confirms the government's commitment to Nuclear power.

Hamish Lal

The government view is that it would be for the private sector to fund, develop and build the new nuclear power stations in the UK. This would include meeting the full cost of decommissioning such new builds and the full share of waste management costs. This is of course the government's preliminary view and, following the Greenpeace case, subject to the current public consultations.

Emily Busby

To tell us more about the consultation we are joined by Adam Dawson. Adam managed the development of the consultation document and will be leading the publication of the government's response in the autumn. So Adam, why is the government running this consultation exercise?

Adam Dawson

I think as everybody knows, back in 2003 the government published a white paper which didn't entirely rule out new nuclear power but we did say that before we would sanction a programme of new nuclear build we would do that only after the fullest public consultation. The government did run a consultation back in 2006 and that was the consultation that Mr Justice Sullivan in February this year found hadn't met the legitimate expectations of Greenpeace in terms of public consultation. So back on 25 May this year the government launched a new public consultation on the future of new nuclear power stations in the UK and it did that against a preliminary view that the government believes that private sector energy companies should be allowed the new nuclear power stations in order to tackle imperatives of climate change, addressing our security of supply as domestic oil and gas reserves run out and the need to replace a significant proportion of our existing electricity capacity in the next 20 years.

Emily Busby

Adam would you mind explaining how the government is running this consultation exercise?

Adam Dawson

The consultation that we are running now has three parts to it. It has the principal consultation about whether or not nuclear power should be allowed in principle and, as a sort of satellite to that we have two consultations which are bundled together on siting and on the process of justification. I think it's also worth mentioning that the government through DEFRA is also consulting at around the same time on the "Managing of Radioactive Waste Safely" programme.

Emily Busby

So what happens when the consultation closes?

Adam Dawson

The consultation, just to remind people, will close on 10 October. If we broadly believe that the response from the consultation is such that there are no further issues which would prevent us from changing our fundamental view that the private sector companies should be allowed to invest in new nuclear power stations, then we would go ahead and, as promised in 2003, publish a white paper setting out our proposals. I think that if the alternative scenario comes about in that something comes up which tells us that we can't go ahead with our original preliminary view and we cannot confirm it, then I think we would need to undertake a slightly more radical review of our energy policy, and indeed that energy white paper in 2007 does allude to some of the things we would need to do if nuclear wasn't going to be an option, but that wouldn't need to be followed by a white paper. The nuclear white paper, if there is to be one, we've said would be published in the Autumn. Currently we are figuring out internally how best to present the white paper, and also our analysis in more detail of the responses that we have received.

Emily Busby

If, as Adam predicts, the consultation supports the government's preliminary views, then we still have a potential planning problem. To tell us more on this point I am joined by Ann Faulds Head of Planning at Dundas & Wilson. Ann, the recent planning white paper "Planning for a Sustainable Future" surely removes any problems for the Nuclear Sector?

Ann Faulds

Well, it's definitely true that planning is always a risk, but I think it's important to keep the authorisation process in context because planning as a risk can be managed. Now the white paper should help by setting a very good context, it will provide certainty at national policy level and it will create a framework for far more effective community engagements and I think the way to manage that risk is to pull on the certainty of the policy framework and to make sure that enough work is done at the detailed local level, the site specificity to engage the community, address their concerns and manage the proposal through the planning process. So the white paper is very well timed to provide policy certainty, and to look at the process with a view to making it far more efficient. I think the government has to take this opportunity though, to look at every possible way to provide certainty at national and local level if we are to encourage investors into the nuclear market.

Emily Busby

The Nuclear industry association has others concerns. We are joined by its Chief Executive, Keith Parker.

So Keith, if the government's preliminary view is endorsed by the consultation what further problems do you foresee for the Nuclear sector?

Keith Parker

If the government declares its intention to go ahead with new build or allow the private sector to invest in new build, that is just the first step. There is an awful long way to go before investment will take place. As you know, there are other strands of the consultation process, or the measures that the government needs to put in place, which will extend beyond the consultation date. There are justifications, strategic sitting assessment, and there's the pre-licensing of reactor designs by the NII. What the industry needs is the momentum to be maintained by the government, but the difficulty that we foresee is that because nuclear stations have a very long lead time, there could well be temptation on the part of utilities to invest in gas-fired technology. There is a generating gap looming in 2015/2016. New nuclear won't be on the bars to meet that immediate need and the investment decisions that are likely to be made in the very near future will be for gas-fired stations. It's a question of getting the balance right so that you don't over invest in gas and therefore reduce the need for nuclear when it's available in 2017 or 2018. So that I think is a real concern that there may well be a second dash for gas. I'm not unduly pessimistic about this. I think the investment will be made in nuclear, but as I say the momentum needs to be maintained by the government to ensure that the investors have sufficient confidence to make that investment decision in the fairly near future.

Emily Busby

So, whilst there are still certain significant challenges for the Nuclear sector it is equally clear that the government is now seeking to create the right conditions for the private sector to get involved in new nuclear power.

Hamish Lal

That's right, the government is examining carbon pricing, long term energy market trends and last month, as discussed by Keith, began assessing the pre-licensing applications for the new nuclear reactors. As we know, the government also established the Nuclear Decommissioning Authority, the NDA, which has been operational since April 2005. More recently, the NDA has commenced a number of competitions, inviting the private sector to become what it calls "Pair and Body organisations" to several site licence companies, including those companies running Sellafield and the Magnox South portfolio. In short, it is clear the government's desire is not only that the Private Sector build a new nuclear power, but that it also play a significant role in the current waste management and decommissioning projects.

Emily Busby

If you would like to know more about the consultation exercise, the current decommissioning and waste management projects, or indeed anything else, please contact **Hamish Lal** at Dundas & Wilson on **020 7759 9932**.

This podcast is correct to the best of our knowledge and belief at the time of going to press. It is however written as a general guide, so it is recommended that specific professional advice is sought before any action is taken. We are required by law to protect personal data.

If you would like any further information on any of these cases or news items, or any other Construction issues, please call the person at D&W with whom you normally liaise, or one of the following specialists:

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