



Energy and Climate Change Committee

Oral evidence: [UK New Nuclear: Status Update](#), HC 176,
Tuesday 24 May 2016

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Members present: Mr Angus Brendan MacNeil (Chair), Mr Alistair Carmichael, James Heapey, Matthew Pennycook, Dr Daniel Poulter, Antoinette Sandbach

Questions 136 - 264

Witnesses: **Vincent de Rivaz**, Chief Executive, EDF Energy, and **Humphrey Cadoux-Hudson**, Managing Director, Nuclear New Build, EDF Energy, gave evidence.

Q136 Chair: Thank you, Mr de Rivaz and Mr Cadoux-Hudson, for coming back to give evidence to this Committee. First, will you please introduce yourselves and your roles for the record?

Vincent de Rivaz: I am Vincent de Rivaz, CEO of EDF Energy.

Chair: Thank you. Merci.

Humphrey Cadoux-Hudson: I am Humphrey Cadoux-Hudson, Managing Director of New Build Nuclear for EDF Energy.

Q137 Chair: Mr de Rivaz, I understand that you would like to begin with a brief opening statement of no longer than two minutes.

Vincent de Rivaz: Thank you, Chairman. Let me begin by acknowledging why you asked me to come back in front of your Committee. At the time of the last hearing in March there was an expectation that we would have taken the final investment decision on Hinkley Point C by now. That was my hope, too. Much has been said about the project in the media recently; let us look at the facts. Last time I was here, I said that EDF could not progress with HPC until the overall financial plan to secure the company's futures investments was in place.

We are operating in a market where the dramatic fall in wholesale energy prices has created difficult conditions for all energy companies. I said that EDF was working with its main shareholder, the French state, to secure its financial trajectory. I explained what was being

discussed, at that moment, between EDF and the French state. I described an overall plan, including asset disposals, greater operating efficiencies and a stronger balance sheet—a plan to address the overall situation of EDF, not specifically Hinkley Point C.

Since then, this overall plan has been presented to the EDF board by the chairman, with the agreement of the French state. This is, therefore, also great news for HPC. The combination of the money coming from EDF and from CGN, our Chinese partners, means that the money is there. That done, the chairman of the group decided to consult the French trade unions about HPC through the French company's Works Council to seek their advisory opinion. Social dialogue is an important process, which is at the heart of our group. Let me be clear, the current position of some of the French trade unions is to postpone the project for two to three years. Our position is that there is no need for a delay, because the project is ready. No project has been better prepared than Hinkley Point C, as a result of the intensive work over the last decade. We must absolutely not delay it, because the UK needs the electricity from Hinkley Point C at the time it is due to come online.

Those are the terms of the discussions at the Works Council. There is common ground between us all about the huge importance of this project in all its dimensions for EDF and the need to get it right. I am therefore very confident that the consultation will build on that common ground and assess all the issues and concerns. At the end of the consultation, the Works Council will be invited to give its advisory opinion, after which the chairman will present HPC to the board, and the board will make its decision. Last time I was here, I could not give a precise date for that decision, and that remains the case, simply because I do not want to prejudge in any way the outcome of the consultation. Let me say, though, that the sooner we have a final investment decision, the better.

May I take this opportunity to repeat that, contrary to recent media reports, the cost of £18 billion has not changed? Equally, I want to reassure everyone that the support from our partner, CGN, is as strong as ever. The support of the French state—EDF's major shareholder—is also very strong. I am aware that the French Minister for the Economy and Industry, Emmanuel Macron, has provided a letter of evidence to your inquiry in which he describes HPC as an “outstanding co-operative effort by France and the UK” and reiterates that the French authorities are giving full support to the project.

Lastly, I can tell you that the numerous teams working on the project are motivated and determined. The project is not on hold. As we speak, the project continues to prepare for the final investment decision, at which time we will confirm the date of commissioning.

In summary, EDF has secured its overall financing. We are consulting with the trade unions, and the teams are still working hard on the project. Hinkley Point C is a strategic project for France and for China. It is as essential for EDF as it is for the UK. We are ready to deliver it on time and on budget.

Q138 Chair: Thank you very much, Mr de Rivaz. When you were last in front of the Committee about two months ago, I am sure that all those reasons you have given were live, but you were very clear at that point that a final investment decision would be made in early May. My colleague James Heapey was first to figure out that 15 May would be halfway between early May and late May, and that we would have a decision by the middle of May, but that decision did not come forward. You mentioned that the unions want to postpone for

two or three years. Given all the reasons you have mentioned that were live in early March, what has changed? What was the reason for the delay to the decision on Hinkley Point C and the final investment decision not being forthcoming in early May, given that those other matters were all live and pertinent?

Vincent de Rivaz: As I said, there was an expectation that we would have taken the final investment decision on Hinkley Point C by now. That was my hope. I said at the last Select Committee that EDF and the French state were working on securing an overall financial plan for covering the challenges of the company in a very changing market for the next few years, with huge investments—Hinkley Point C is part of them, but only one part of them.

The good news is that that plan has been secured. We spent a lot of time explaining what would be the main areas of discussion between the French state and EDF. Everything I said has been done, including the three dimensions of the plan—asset disposals, operating efficiencies and strengthening the company's balance sheet. That is very good news, because it was clearly, as the Chairman put it earlier, a condition precedent for Hinkley Point C to go ahead. That condition has been met, and it is important to reiterate that the money is there from Chinese partners, CGN and EDF.

At the same time, the chairman of the group made a decision which had the consequence of delaying the final investment decision. The decision is to proceed with the consultation of the French Works Council. He made the decision based on the fact that, having secured the financial dimension that he wanted to secure before making a decision, he was in a position to say, "Now, that is done, let us look at the issues that you, the unions, have put before us. Let us discuss them in good faith. Let us look at your points and the company will answer".

This process started immediately after 2 May. On 9 May, I spent five long hours with my colleagues in France. A very dense and rich discussion took place. We provided all the information that was required for the company Council to work on the case and form their opinion. That process is now going on in good faith. We are working on it to make it a success. That is the only point. A decision has been taken to consult the unions on a specific case, once the financing of the group has been secured.

Q139 Chair: If I may stop you there. You said in your opening statement that you cannot give a precise date for when the final investment decision would be made. What precise dates can you give us? Can you give us dates for the end of the consultation period or the time needed to analyse responses or the earliest possible date for the final investment decision being made? That would be some sort of progress if we could understand the earliest date. We would not hold you to it, because as we are beginning to learn, things do slip with this project, but what would be the earliest date that you could give us?

Vincent de Rivaz: I understand the impatience that you express. That is a good sign for me that you support the project. In a sense, I have the same teams that have the same impatience. At the same time, we have to remain calm and dispassionate. If I prejudge the outcome of this consultation process, I will harm the process. I will not prejudge because I do not want to harm the process. Therefore you can understand that it is a question of expecting

that the final investment decision is taken the sooner the better. It is in the best interest not to prejudge the consultation to make sure that everything goes seamlessly.

Q140 Chair: The final investment decision could go either way. It could go yes or no.

Vincent de Rivaz: To be very precise, Mr Chairman, the consultation is about seeking an advisory opinion. At the end of the consultation, it is for the board of EDF to make its decision.

Q141 Chair: Okay, can we have some clarity? When did the consultation period start and when will it finish? Two simple questions.

Vincent de Rivaz: It started on 2 May.

Q142 Chair: The consultation period started on 2 May. When will it finish?

Vincent de Rivaz: There is a practice according to which the consultation from the start—

Q143 Chair: This is with the Central Works Council of EDF?

Vincent de Rivaz: It could take 60 days from the consultation. At the same time it is not yet set in stone that that will be the case, because it will depend on how the consultation unfolds and I do not want to prejudge it. I can say it started on the basis that the company did what the company has to do, which is to gather all the information needed. As expected, our partners the unions in the Works Council ask many questions and we are responding to them one by one.

Q144 Chair: I am trying to paint a picture for those who are watching and looking for answers. You are saying that it could be a minimum of 60 days. What is the maximum it could be?

Vincent de Rivaz: I am not going to give you a precise date, because if I did, I would prejudge the result of the consultation. I think I am making the right assumption that all the parties are entering this consultation process, this dialogue, in good faith. There is common ground, as I have said, which is that this project is a major project for the company and the unions are all in agreement with us that such a major project has to be examined in such a way that we get it right. There is a difference of opinion at the moment which we hope will be resolved through the consultation.

Q145 Dr Poulter: Thank you for coming to speak to us today. I want to pick up on this issue. What do you imagine, or what do you know already, are going to be major issues that the trade unions are going to raise as potential concerns about the project?

Vincent de Rivaz: I think we have a pretty good idea of their concerns and their views. Their first concern was the overall financial situation of the group. In simple words, can the EDF group afford it? I think the chairman of the group was in a position to address this concern through a very efficient dialogue with the French state, its main shareholder, and with a plan which secured for the group, in the next few years, its overall financial trajectory. This plan is in place, it has been approved by the French state, so this concern has been addressed.

The second concern is the perception that some of the unions have that we may benefit from delaying the decision in sanctioning the project and reducing some of the risks associated with any large construction project. We have a different view. We think that this project is ready, that never in the history of EDF has a project been as ready as Hinkley Point C is. So there is their opinion and there is our opinion. We think it is ready and there is no benefit at all—on the contrary—in spending more time to be ready. It is now time to go ahead; that is our view. As a consequence of that, the opinion of some of them, because it is not a unique opinion, suggests, or it is their current position at the beginning of the consultation, that we should delay the decision significantly.

We think, first, that we are ready and should go ahead, and secondly, we absolutely should not delay it because we need to deliver this project for our client—the British Government, the British customers, the British energy market—when it is needed. We absolutely do not have the luxury of delaying it. We are ready, we cannot afford to delay it; that is our position. They challenge the fact that we are fully ready. They challenge the fact that we have to make the decision now. That is a healthy discussion. I am not saying that they do not have the right to have different views; they have, and it is our role to explain, to answer the questions and to participate in this dialogue in good faith.

Q146 Dr Poulter: I have two follow-up questions, because this is very helpful. Is one of the arguments you are deploying in your discussions with the unions, making the case, that if the project is delayed, it could become less financially viable for EDF to deliver it?

Vincent de Rivaz: I want you all to have in mind what has been done, year after year, to overcome all the challenges and difficulties and to deliver, step by step, the readiness. We strongly believe that, after nearly a decade of intensive work, we are absolutely ready. When you are ready and you have made such an investment, if you delay the decision, obviously it is detrimental for the project itself, in terms of its possibility and its optimum timing. In addition to that, we have a client—the UK Government. This country has put its confidence in us, and we are very proud of that. We think we deserve it, and we want to demonstrate that we deserve it by delivering the project. We cannot afford to keep the UK waiting; that is our clear view. This consultation is helpful because it will help us to come to the right conclusion.

Q147 Dr Poulter: This is my last question to you—I am going roll two questions into one. I don't want to detract from this and get into a discussion about the potential perils of Britain's leaving the European Union, but is that a factor weighing on the minds of the unions? If Britain were to decide to leave the European Union, would that influence some of the consultations with the unions? Is it an issue that would in any way concern you or affect your view as EDF about the future of this project?

Vincent de Rivaz: I observe that, within the Government, the people supporting Hinkley Point C are on the two sides of the European referendum debate. In DECC, it is no secret that the Secretary of State is a very strong supporter of the project as part of her energy policy and has done everything positively to make the project work. She is also a champion of the remain campaign, whereas the Minister for Energy, from whom you will hear in a moment, is not. I just observe that people on the two sides of the debate support nuclear policy. If I go to Somerset, I can meet people who are in favour of exit, but they all support nuclear policy. It means what? It means that nuclear policy and this nuclear project are

needed whatever the result of the referendum. We need it for 60 years, and we will have it for 60 years.

Chair: Come on, answer the question.

Q148 Dr Poulter: From your perspective as EDF and the perspective of the French Government, not from what may or may not be the views of the British Government and whatever the situation may be—obviously, the Government have expressed the view that they want to deliver the project—and given the union consultation, how are the unions going to think about the potential of Britain's leaving the European Union, in terms of the desirability of investing in this project?

Vincent de Rivaz: I think I have answered the question.

Dr Poulter: I don't think so.

Q149 Chair: What is the unions' view when it comes to Brexit?

Vincent de Rivaz: I have answered the question by saying that Hinkley Point C is needed for the country. The policy of decarbonisation, the policy of security of supply, the policy of affordability, the policy of having a strong industrial supply chain and the policy of partnership with France and China: all those elements are not dependent, in my view—you asked me for my view—on the result of the European referendum. That is my answer to the question. Hinkley Point C is needed in all circumstances for this country.

Dr Poulter: That is very helpful. Thank you. That was a very useful clarification. Finally, on the unions' view, you must have an idea of what the unions in France think about whether it is desirable to enter into a country with—

Q150 Chair: Is there a clear view from the unions in France on Brexit?

Vincent de Rivaz: On Brexit in general?

Q151 Chair: On Brexit affecting this. Have they expressed any view?

Vincent de Rivaz: I can tell you that in the discussions I have had with them, in all the meetings we have had and in all the documents they have put forward, this is not the issue.

Chair: Thank you. We know that the consultation began on 2 May. We don't know when it will end, we don't know whether time will be needed to analyse the consultation and we don't yet have an earliest date for the final investment decision. James Heappey, do you want to grab the baton and see how far you can run with it?

Q152 James Heappey: Good morning. It has been suggested that the Central Works Council are trying to achieve something different, rather than express mere opposition to Hinkley or delay it. They are trying to use this as leverage over an industrial dispute over potential job losses in France. Is that the case?

Vincent de Rivaz: I don't think there are any grounds to suggest that investing in nuclear policy will have any negative consequences on jobs in France. On the contrary, we have a very strong case that it will create massive job opportunities in the UK and also very

important job opportunities in France. There is no link at all between nuclear policy and loss of jobs in France; it is the opposite.

Q153 James Heappey: I believe that the French part of EDF is looking at some job losses. I understand that the unions are somewhat opposed to those job losses.

Vincent de Rivaz: In general, the unions are not in favour of job losses. I think that is true in every country.

Q154 James Heappey: You are confident that, as a result of the consultation that you have embarked on, you will be able to persuade the Central Works Council of the value of Hinkley, not only in its importance to the UK but as an opportunity for EDF to sort out its current financial issues, which may indeed ease pressure on EDF's business in France to its advantage.

Vincent de Rivaz: Of course, we are confident that in entering genuinely in earnest in this consultation, we will make our case and will be understood. I don't want to prejudge the result but I can tell you that the chairman, at a general meeting of the shareholders on 12 May, talked eloquently about this very good and important strategic project. It is very important for EDF, very important for EDF in the UK, very important for the French nuclear industry. All the arguments have been put forward. You will read in Mr Macron's letter exactly the same very strong support, for exactly the same reasons. That is something that we are happy to discuss with the unions and I hope, and am confident, that this consultation will help in a sense to strengthen the support over time of more and more people behind this project, because it is very important for us that the support comes.

Q155 James Heappey: The letter from M. Macron is very clear. It says that what you are embarking on is an exemplary industrial relations exercise and that you are doing entirely the right thing. So the French Government are obviously in lockstep with you. Given that you put in so many hours of discussion on 9 May, you may already have a feel for how the union is responding to your consultation. Do you sense that the wind is on your backs?

Vincent de Rivaz: I will not prejudge. I am genuinely convinced that social dialogue is a plus. I am relishing the opportunity, because I like the opportunity to discuss and to listen and possibly to convince that we have done a good job and that this project is a good thing. It is going on at the moment; it is the beginning of the process. I don't want to prejudge but I am very confident. If you ask me, I can answer clearly that I believe, yes, that at the end of this process there will be a positive decision.

Q156 James Heappey: I want to ask one more question about the French political landscape. There is a danger that, when you complete your consultation with the unions, you will go out of the frying pan into the fire by this decision being taken in September when the French presidential elections will start to click into gear.

Marine Le Pen has said that Hinkley is a money pit, and is clearly against. Ségolène Royal has said she is wondering whether it will go ahead as there are such colossal sums involved. Do you share our concern that it will be better for this decision to be taken before France goes on holiday in August, rather than it being taken alongside the somewhat febrile atmosphere of a French presidential primary season?

Vincent de Rivaz: I do not want to comment on French politics, nor will I comment on British politics. I have said the sooner the better for the decision. Regarding the French state position, the letter you have received from Emmanuel Macron, the Minister of Economy, Industry and Digital Affairs, is absolutely straightforward, clear and unambiguous about the fact that the French authorities are in full support of the nuclear policy project.

Chair: Okay. Thank you. We are half an hour in and we will have to make a plea for shorter responses.

Q157 Antoinette Sandbach: The Minister, Mr Macron, says in his letter that HPC is a project, the profitability outlook of which is positive for EDF, provided its construction costs are kept under control and its risks can be controlled. What risks are there in respect of further delays in relation to the safety investigations at Flamanville?

Humphrey Cadoux-Hudson: The main thing to say on that is that we have strong, independent, quality oversight for the UK project. We have put a lot of effort into—

Q158 Antoinette Sandbach: I am sorry, but I am going to interrupt you. Obviously there are concerns that have been expressed by the French unions as well in relation to the safety assessments at Flamanville. Do you expect that to have a further impact on delays in the decision-making process around the project?

Humphrey Cadoux-Hudson: For Hinkley Point, we are going through a process that is independent of what is happening at Flamanville, in terms of the quality assessment of all the components of the project. We are very clear that we need to manage independently the risks that we are taking.

Q159 Antoinette Sandbach: With respect, that does not answer my question, which is: if there is a negative outcome of that safety investigation at Flamanville, do you anticipate that this will have knock-on effects on the decision making in relation to Hinkley Point, particularly, for example, with the French unions and the consultation that is going on at the moment?

Vincent de Rivaz: First, at the general meeting of the shareholders the chairman of the group put it very clearly that he is very confident, and the people in charge of Flamanville in France are very confident, about the case that you are mentioning, which is the reactor pressure vessel. Indeed, the case is still going on with a series of tests, analyses, expertise, and all the results that we have at the moment confirm our views, that we have every reason to be confident.

Q160 Antoinette Sandbach: So what are the risks that Minister Macron is referring to? If he is talking about those risks; what are the risks that he is identifying in his letter that may have an impact on Hinkley Point?

Vincent de Rivaz: He is absolutely right to say, and it is something that we, as those responsible for the project, are absolutely conscious of, that some risks are associated with large construction projects—and this will be the largest construction project in Europe. There are risks of all sorts, linked to the construction of a large and complex project. The question is: have we identified the risks well and are we well equipped to manage them? There was a risk review at the end of 2015, precisely to make sure, and for the board to be confident, that

the risk analysis had not been underestimated and that the company and the project is in a position to mitigate risk. I have to tell you that this has been done.

Q161 Antoinette Sandbach: In your opening statement you identified that one of the risks is delay—potentially—to the project, because Hinkley is ready now, it is ready to go. In your risk analysis, have you looked at, for example, the Austrian challenge to the state aid ruling—whether you think that will have an impact—or the potential of a new state aid challenge to your recapitalisation project, and the reports from the UN Economic and Social Council that the UK has not met its obligations? Do you identify those as risks that may delay the project further and, if so, how are you dealing with them?

Vincent de Rivaz: So those are not the risks of the construction, which we have dealt with, but moving on to your question, I want to be clear that all the risks of the construction are borne by us and not by the customers.

Q162 Chair: These are project risks that you are being pressed on.

Vincent de Rivaz: It is important to return to the point that the risks of the construction are our risks and not the customers' risks. The question about the Austrian appeal is, for us—as it has been from the outset—the following: we are strongly convinced that the European Union case and the October 2014 decision to give the go-ahead to the contracts for difference is a very robust decision and will successfully pass the challenge of the Austrian Government. I think that is also the conviction of DECC—you can ask the Minister in a moment—so that risk is, for us, absolutely infinitesimal. That's why the decision to go ahead will be taken when it will be taken, and will be proposed to the board, despite the fact that the Austrian case appeal has not yet been resolved.

Q163 Chair: With all that hanging over you, can you make a final investment decision?

Vincent de Rivaz: Yes.

Q164 Chair: You can make a final decision with those uncertainties?

Vincent de Rivaz: Yes, yes, yes. It has always been our plan and it has not changed. Without going into details, because the investigation of the Austrian appeal is very much work in progress, all the information we have demonstrates what we thought—which is that the European Union case is extremely robust. The DECC case is extremely robust.

Q165 Antoinette Sandbach: I appreciate that it is EDF's position that it has full confidence in the position at Flamanville. If that outcome is negative, in terms of the report that is issued at the end of the year, will that not have a big impact on EDF finances and on the Flamanville project itself—which could potentially have knock-on effects for Hinkley?

Vincent de Rivaz: Frankly, I do not want to speculate on this type of scenario, which is not the scenario that is, in our view, likely to happen.

Chair: We have got about 10 minutes per Committee member after this because time is pressing for the next part of this session.

Q166 James Heappey: In which case, the first question will be very easy. Can you confirm that Hinkley Point will be operational in 2025?

Vincent de Rivaz: We understand fully the need for that to be the case.

Q167 James Heappey: You and I had a bit of a thing when we started—it was kind of like this last time round.

Vincent de Rivaz: At the moment, when everything is set for the FID, we will confirm the exact date of the commissioning of Hinkley Point C. What I said earlier is that the project is not on hold. Yes, there has been a decision to add to the process before FID—this consultation—and that has the effect of having postponed the FID a bit, but it has not postponed or delayed the project because we are still working on the project. We are still using this extra time before the FID to secure the project and to secure the timescale of the project, so we will be in a position at the moment of the FID to see what has been the consequence of this delay to the FID on the date of the commissioning. We are doing everything, James, to be ready when the UK needs it. We understand very well that the Government have in their plan to have this project—

Q168 James Heappey: I tried to obey the Chair's instruction by asking a very short question; I would just be grateful if you gave me a really short answer. I think that what you have just said is that you are not committing to 2025 and that the delay in the FID may potentially mean that you need to revise the date. Is that right, or are you still confident that you could have it switched on in 2025?

Vincent de Rivaz: The delay in the FID is not a delay in the project because we are still working. We have never stopped working on this project.

Q169 James Heappey: You are, and because you are still working—there are 600 people employed on site and you are spending hundreds of millions of pounds still down there; that is very welcome down in Somerset—does that mean 2025 is still your date?

Vincent de Rivaz: It is certainly the date we would like to be able to confirm at the moment of the FID.

Q170 James Heappey: Okay. We will leave that there.

Mr Cadoux-Hudson, you said that it is a 115-month construction period. Notwithstanding the fact that work is going on concurrent to the consultation, which effectively means that three or four months of work will be done during that, if you add 115 months to September 2016, you come out at April 2026. If you give back the three or four months you are working concurrent to the consultation, that brings you forward to January or February 2026. So your own timelines would indicate that 2026 is more realistic than 2025. Is that the case?

Humphrey Cadoux-Hudson: As Vincent said, there are a lot of complex things to take into account on the schedule. We are going to assess at the time of FID exactly where we are, and we will announce a date. I can only repeat what Vincent has been saying.

Q171 Matthew Pennycook: I have several questions about the project cost. Brevity would be extremely appreciated, because I would like to get through those in the time available. You said at the start that the project cost remained £18 billion. Can you confirm whether that is the all-in project cost?

Humphrey Cadoux-Hudson: Yes.

Q172 Matthew Pennycook: Is that predicated on 100% equity financing? If so, could you explain the rationale for that? It would be interesting to find out what the cost of equity is, for example, against the rate at which you can borrow, because back in 2013, there was a level of debt involved in the project.

Humphrey Cadoux-Hudson: The £18 billion is the cost of the project—of building the power station. It does not include financing costs. The cost of equity was taken into account in the discussions we were having with DECC over the contract for difference, but the financing charges, if we continue to fund on an equity basis, obviously will not be part of the project cost. Clearly over the life of the project, we will reassess how it is funded. That may change over time but at the moment we are going ahead on day one on an equity finance basis. There is the £2 billion loan guarantee that we have arranged with IUK-IPA. If we are able to, that will be part of the financing as well, but the £18 billion is very simple: it is the cost of constructing the power station.

Q173 Matthew Pennycook: If debt is introduced at some point in the future—you just said you might reassess that—there would be an interest implication. Would that therefore feed into increased cost beyond the £18 billion?

Humphrey Cadoux-Hudson: It will not increase the £18 billion, because the £18 billion is the cost of building the power station. Financing costs are a separate matter. I have said that £18 billion does not include the cost of financing. Is that clear?

Matthew Pennycook: Yes, that is clear.

Vincent de Rivaz: The strike price of the CfD is not going to change.

Q174 Matthew Pennycook: Moving on to the contingency funds, there were reports recently about £2.7 billion being set aside as a contingency fund. That is 15% of the project cost, as I understand it. Is that normal for a project of this size? How does it compare with the other EPR projects that EDF is involved in?

Humphrey Cadoux-Hudson: The main thing to understand is that the £18 billion includes contingency. We set a budget. It is normal to set a budget that includes contingency. You don't know everything, obviously, at the beginning of such a large project. The money that you refer to is actually serving a different purpose. We have a budget that the shareholders are going to approve. The project will go ahead, and we are all focused on delivering at that level or less. If we deliver at less, clearly we share it, under the CfD arrangements, with consumers.

The contingency you refer to is serving a different purpose. It is to do with the shareholder agreement—an agreement between EDF and CGN—and asking the question: as shareholders, what will we do to cover the circumstance that is unlikely but could possibly occur if there were further expenditure on the project, to ensure that the shareholders continue to put the funds in, in line with the shareholder agreement? It is not contingency in the normal sense of budget contingency. It is a further reserve to ensure that the shareholders comply with what we have put in the shareholder agreement.

Q175 Matthew Pennycook: So if it were to rise above 15%, you would bear all the risk, as it were.

Humphrey Cadoux-Hudson: The shareholders, in any case, bear all the risk.

Q176 Matthew Pennycook: I just have a final question about the UK Government's construction guarantee. As things stand, is there any issue at all in calling that in with regards to Flamanville and the impact that might have?

Humphrey Cadoux-Hudson: The arrangement that we have entered into with IPA—the guarantee is £2 billion. We are able to draw that early on if we fulfil all the conditions associated with it. We have made provision to increase beyond the £2 billion if we can clear a whole load of further conditions around further drawings on the IPA loan arrangement. Time will see what we do. That further drawing includes among the conditions a condition on the successful operation of Flamanville. That is an issue that we will address in due course.

Q177 Matthew Pennycook: Anything beyond the £2 billion—

Humphrey Cadoux-Hudson: Yes, the main thing to say is that at FID—at the start—the shareholders are committed to put in the money necessary to fund the full project. The most important thing for us is that at FID, we know we are funded all the way through to the finishing line, from construction into successful operation. We can assure the UK that we, as shareholders, are taking the risk of construction. The way you do that is to secure the money.

Q178 Chair: Turning to EDF's financial situation, over the next decade €55 billion is required for the 58 nuclear reactors in France. Over and above that, there are figures of £18 billion starting off with Hinkley. The next is £21 billion. The European Union says it will be £24 billion, which is a third increase on the £18 billion originally touted. Now, cash flow and profitability have been under significant pressure in recent months. You announced packages in April that were designed to solve the problem. How confident are you that the packages announced in April will solve EDF's financial strains and pressures?

Vincent de Rivaz: Absolutely, yes. It is a plan that EDF means to develop to secure its future. It is a very significant plan. As you know, there are three main elements to it. EDF will come back to an asset disposal programme of €10 billion by 2020 to reduce its debts. EDF will strengthen its efficiency programme. The goal, which was to reduce operating expenditure by €700 million by 2017, has been extended, and the objective has now increased to at least €1 billion by 2019.

Last but not least, the company will increase its capital base by €4 billion. That is very important. As Mr Macron put it in his letter, the French state—the major shareholder—has announced that it would participate in this €4 billion with €3 billion. That is in addition to the fact that the French Government have also committed to collect their dividends in shares for the years 2016 and 2017. They have already done it in 2015. Yes, we have an overall plan that will mean that EDF has the means to develop and secure its future.

Q179 Chair: Do you think that this will make the trade unions in France particularly nervous? They know that €55 billion is required for the 58 nuclear reactors in the next decade. You want to add another 50% to that in one nuclear reactor outside the French state. Do you think that that is causing much nervousness? Is it the cause of the nervousness?

Vincent de Rivaz: I think that it is absolutely correct to say that the overall financial situation of EDF has created nervousness. But the chairman has been working very hard in the context that we all know about, with plummeting prices under wholesale markets. He has been working very hard with the French state to secure the future of the company, and he achieved that. He announced at the end of April—

Q180 Chair: We are living with historically low interest rates at the moment, but if interest rates were to rise, what sort of shock would that bring to EDF and what would the consequences be? What would be the effect on EDF?

Vincent de Rivaz: EDF is an important player on the debt market. It is clear that any increase in the interest rate will impact on all the people who are borrowing money. EDF has secured a strong balance sheet in order to reduce the impact of any increase of the interest rate on the future of the company. It is an important issue. It is very important for nuclear policy because, as you say, it is outside of the French state. It is core to the strategy of EDF. It is very important. We have an overall plan in place.

Q181 Antoinette Sandbach: Moody's has downgraded the rating for EDF. The forge that is due to create the components at Hinkley is the same one that is dealing with Flamanville. Sorry to go on about Flamanville. If there is a negative outcome from that inquiry, do you see a risk that your Moody's rating will go down further? Or if there are further delays in your projects at Flamanville and Taishan, will it then become much more expensive for EDF to borrow money?

Vincent de Rivaz: First, I think that all that is absolutely consistent. Your questions are relevant to the big questions that EDF had to address, which is to secure its financial strategy in the context you have described. All the energy companies in Europe have been downgraded by the rating agencies. The rating agency recently announced a downgrade for EDF, which is exactly what we expected it to be after the plan that has been presented to the board, and therefore we are in line with the expectations regarding the level of the downgrade that has been decided by the rating agencies. We have also said—it is something we have anticipated—it is in our plans that if the final investment decision is taken and there would be an additional downgrade, it is exactly what we had planned. It is for us a satisfaction that what we have planned is realised.

Q182 Antoinette Sandbach: Can I just clarify that answer? You have built into your assessments around Hinkley and the final investment decision a further downgrade?

Vincent de Rivaz: It is what rating agencies do and we have anticipated it. We are taking that extremely seriously. It is the duty of the company and the chairman and the CEO to look at all that. That has been anticipated and at the moment confirms our anticipations.

Q183 Chair: I know that EDF's balance sheet has already been affected by low wholesale prices. To what extent is the Hinkley project vulnerable if wholesale prices remain low for more than two years?

Humphrey Cadoux-Hudson: In the UK or in France?

Q184 Chair: Across the piece: the wholesale prices that EDF are currently receiving in France or anywhere.

Humphrey Cadoux-Hudson: That is what we have been saying. That has been part of the assessment of why the balance sheet of EDF needs to be reinforced. If it wasn't for that, there would not be a need for it. It is a combination of the investment profile going forward and the fall in European prices.

Q185 Chair: Are you taking any steps to mitigate the risks of lower wholesale prices, if they are sustained low wholesale prices?

Vincent de Rivaz: I can answer on behalf of EDF as chief executive of the group. I am very close to the chairman. The plan that has been presented, I repeat, is a comprehensive plan with three elements. It is the result of long months of discussions with the French state, supported by the French state and presented for the board. It is a plan that is addressing the situation of EDF as it is today, based on the assumptions that we all have to take into account regarding the level of investments and the level of revenues, and the level of revenues is totally dependent on the wholesale prices. If the situation improves in the next three or four years, it will make it easier. If the situation does not improve or even worsens, in due time the company, as has always been the case, will react, will adapt and will do what is necessary. This plan is fit for purpose in the current context, given the elements we have in hand at the moment—investments on the one side and revenues on the other side. We have the right plan at the right time for the right programme for EDF.

Q186 Chair: You say fit for purpose, at the right time and so on, but France's state audit body has said that EDF should ask itself "serious questions" before pushing ahead with plans to build the flagship Hinkley nuclear power station. Given the ongoing delays, do you think it is perhaps time to think again on pulling the plug on the Hinkley project? Given the machinations within EDF, which seem to be of delay and kicking the can down the road, and major fears from many quarters within EDF—a finance director has gone over this—and given also that this seems to represent spectacularly bad value for money for the bill payer in the UK, has there ever been a moment where you have paused, thought again and re-evaluated?

Vincent de Rivaz: We are not going to give up after one decade in which we have overcome so many hurdles. The contract for difference, which is fundamental to this investment decision, as I have said many times, including in this place, is a fair deal—fair for the investors and fair for the customers.

Q187 Chair: But given what France's state audit body has said—do you not have any cognisance of what the audit body of the French Republic has said?

Vincent de Rivaz: The French Cour des Comptes has a role to assess the risks and the opportunities. The company—how can I say this without repeating myself? You have the letter of Mr Macron, who is in charge of—

Q188 Chair: Yes, but how seriously does EDF take the French state audit body's views on Hinkley?

Vincent de Rivaz: The letter of Mr Macron—

Chair: Not the letter of Mr Macron, but the views of France's state audit body, which said that EDF should ask itself "serious questions". How seriously does EDF take that body?

Vincent de Rivaz: Very seriously. And precisely, it is exactly what EDF has—

Q189 Chair: Have you done what they asked you to do?

Vincent de Rivaz: Yes, Sir. It is exactly what EDF has done. When the chairman said at the beginning of this year, “I will not go ahead with Hinkley Point C before I have secured the overall financial trajectory,” it was exactly the same point. He is very conscious of the challenges that EDF is facing: investment on one side and revenues plummeting down on the other side. He did not say, “Well, I have a problem.” He found a solution, and the solution is in place. It addresses the concern of the audit body.

Q190 Matthew Pennycook: You laughed as if we were impertinent to ask any questions about the project or the risks involved, but can you see this from the point of view of customers who are perhaps watching this session—customers like myself, who are going to be paying for this well into their old age? We have repeatedly heard confidence, guarantees and promises, and we are here time and again. What would you say to those people who are outside watching?

Vincent de Rivaz: About?

Q191 Matthew Pennycook: About the confidence in this project being delivered, starting to generate in 2025—all the things that you say whenever we meet you and in the press about there being nothing to worry about here, despite senior politicians in France raising concerns and all the concerns raised by experts. What would you say to people who are sceptical about that?

Vincent de Rivaz: I understand the impatience, because people are worried—

Q192 Matthew Pennycook: It’s not impatience. It is a lack of faith that what you say is actually going to be delivered, despite the confidence you exhibit.

Vincent de Rivaz: I understand the impatience that people have to see this project going ahead and being delivered on time. I understand that. But what I am telling you is that we are confident that the project is ready to go. As I have said, no project is as well prepared as this one to be a success.

Secondly, a question was just raised about the financial position of EDF. EDF has been working on this to find a solution, which is confirmed by the French Minister. Thirdly, there is a consultation going on. I have every confidence that this consultation would be a good opportunity to address the concerns that have been raised. At the end of the consultation the board will make its decision. I am here to confirm that we are not pulling the plug. On the contrary, the project is not annulled and it will continue.

Q193 James Heappey: Mr de Rivaz, I am now going to ask you some questions which in no way prejudge the consultation. It is clear to the Committee that the expectation we should have is September, but you have said very clearly that you would prefer it to be as soon as possible. As a matter of fact, if the consultation began on 2 May then, whether or not 2 May itself is included, 60 days from that date will be either 1 or 2 July. That is a statement of fact, is it not? A period of 60 days from 2 May will be either 1 or 2 July, depending on whether 2 May is included.

Vincent de Rivaz: Yes. It is a fact that 60 days leads to that date. It is also a fact that I don't want to prejudge the results.

Q194 James Heappey: I know. I am not going to ask you to. I said very clearly that you are not being asked to prejudge. The earliest that the process can finish, therefore, is 2 July. What is the shortest possible time, once the consultation is finished, in which you could complete your analysis of the consultation and be in a position to make the FID? Not to prejudge in any way, but what is the shortest possible time it could take thereafter?

Vincent de Rivaz: As the Minister put it in his letter, it will be very rapid.

Q195 James Heappey: Very rapid. So it is conceivable, without prejudging in any way, that a decision could be taken before the August holiday in France. It is conceivable.

Vincent de Rivaz: The sooner the better, and that is part of the sooner scenario.

Chair: If we have 60 working days, that takes us to 22 July, so we would be looking at—

James Heappey: I think 60 days, full stop.

Q196 Chair: So it would be 60 days, full stop. Very good. We expect a seven-day week. There have been reports of a final investment decision in September 2016, as you alerted us to in the letter from the Minister, Mr Macron. If this does not happen, can we request that EDF comes back to speak to the Committee in early October? It would be appreciated.

Vincent de Rivaz: Mr Chairman, the answer is yes. You told us last time we were here that we would be back, absolutely. I was asked on arrival on the street by a journalist, "Is it a waste of time?". Democracy is never a waste of time.

Chair: Thank you. On that happy note, we will bring this session to a close.

Examination of Witnesses

Witnesses: **Andrea Leadsom MP**, Minister of State, Department of Energy and Climate Change, and **Hugo Robson**, Chief Negotiator, Department of Energy and Climate Change, gave evidence.

Q197 Chair: Thank you, Minister, and thank you, Mr Robson, for coming in. Could I ask you to state your names and your positions for the record, please, as a matter of formality?

Andrea Leadsom: Andrea Leadsom, MP, Minister of State for Energy and Climate Change.

Hugo Robson: Hugo Robson, chief negotiator at the Department of Energy and Climate Change.

Q198 Chair: Minister, Amber Rudd wrote to us in April to say that she was fully confident that the Hinkley project would go ahead. Since then, the final investment decision, as we know, has been delayed yet again. Are the Government still fully confident?

Andrea Leadsom: The Government are fully confident that Hinkley Point C will go ahead, yes.

Q199 Chair: Okay. Last year you said, “We don’t think that the Austrian challenge has merit and we will be continuing as far as we are possibly able, whilst bearing in mind any risks to consumers. We are formulating our plan right now.” But recently you were quoting as saying that the UK will have to “fight quite hard” to ensure that Hinkley C is not blocked by legal challenge from Austria and that “Being a member of the EU could scupper the deal because of the state aid challenge from Austria.” Which one of these two statements should we follow—this year’s or last year’s? Is the EU a threat to Hinkley?

Andrea Leadsom: No, and I made it very clear at the time that I did not think that the challenge had any merit or that membership of the EU had any bearing on the Hinkley Point C project. Unfortunately, the journalist chose not to mention those points, but just to take the specific comment I made that, theoretically, the EU state aid challenge could have an impact on the project. It was unfortunately an incomplete quote.

Q200 Chair: Thank you for that clarity. So you are saying that being a member of the EU would not scupper the deal for Hinkley in any way.

Andrea Leadsom: Absolutely we do not believe that the Austrian state aid challenge has any merit and we are very comfortable that the Hinkley Point C project will go ahead.

Q201 Chair: Thank you. At what point do you think UK Government confidence could ever conceivably—perhaps maybe—start to wane in Hinkley Point C? Is there a point at which that could happen?

Andrea Leadsom: That confidence in the project would wane? No, absolutely not. Why would there be?

Q202 Chair: If a final investment decision is not taken in September, will that have any effect on confidence?

Andrea Leadsom: When the final investment decision is taken is a commercial decision for EDF. The UK Government have an absolute policy of a diverse source of energy projects. In the UK, we face a 20-year lack of investment in energy infrastructure that this Government are trying to put right. What we are trying to do is build a diverse source of energy projects, and new nuclear is an absolutely core part of that. So, no, we will continue as the UK Government to support new nuclear, which includes Hinkley C.

Q203 Chair: If a final investment decision is not taken this year, or even by the end of 2017, will that affect confidence?

Andrea Leadsom: We expect that the final investment decision will be taken soon. It is a commercial matter for EDF, but I am not going to get involved in speculation about how long before—that is just a nonsense line of argument. The UK Government are confident that

Hinkley Point C will go ahead and we are also confident that the final investment decision will be in the near future.

Q204 Chair: You might call it a nonsense line of argument, but is it not giving a blank cheque time wise to EDF when the UK Government do not seem to blink in confidence in any way, shape or form as time goes on?

Andrea Leadsom: There is no such thing as a blank cheque time wise, as you will know, so, time wise, is the confidence that we have that EDF are fully committed to this project? I have been down to Somerset to see Hinkley Point C and I can tell you I was absolutely overwhelmed by the massive amount of work that is going on down there—millions of pounds are being spent. I had the great pleasure of seeing a brilliant bat house and I have seen hedgehog tunnels and an amazing levelling of the land. A huge amount of work is going on on-site. Those are not the actions of a company that is not planning to move ahead. You have just heard very strong evidence from EDF's senior people that this project is going ahead.

Q205 Chair: It is music to the ears of many civil engineers that such work is going on, but I have to press you again, Minister: there does seem to be a blank cheque if there is no backstop timing when EDF has to be told by the UK Government that they expect a final investment decision to be made.

Andrea Leadsom: There is no blank cheque, as you will know, Chairman. The cost of Hinkley Point C will not be borne by the UK bill payer or taxpayer—

Chair: I meant a blank cheque in regards to timing and confidence.

Andrea Leadsom: As I have said, there is no such thing as a blank cheque in regards to timing. The blank cheque refers to money, and I think that what you are trying to imply is that somehow this will cost the UK—

Chair: I meant a blank cheque as a metaphor for time.

Andrea Leadsom: I want to clarify for the UK bill payer that there is no cost to the UK bill payer until Hinkley C starts producing electricity. Your talk about blank cheques is somehow implying that there is a cost to UK bill payers, and I think that is very misleading for them.

Q206 Chair: Just to be certain, the blank cheque referred to timing; the blank cheque was about confidence—it was a metaphor for time. There is nothing from the UK Government saying that they will lose any confidence no matter how time runs. There is no time limit being given to EDF by the UK Government for a final investment decision—is that the case?

Andrea Leadsom: A final investment decision is a commercial matter for EDF, and the UK Government are confident that EDF will reach its final investment decision.

Q207 Antoinette Sandbach: Minister, we heard some prevarication today about the delivery date. Even if the investment decision is taken this year—in September or maybe even later in the year—the delivery date for Hinkley Point C may slip beyond 2025. Bearing in mind that Mr de Rivaz originally said that we would be cooking our turkeys with French

energy in 2017, are you seriously suggesting that there is no risk to the British bill payer of that loss of supply or that potential failure to deliver the project on time?

Andrea Leadsom: The key thing, when we look at energy security, is that we have always made it absolutely clear that energy security is not negotiable. The point about the support that we give for power generation, is that we never put all our eggs in one basket. We are seeking to plan for the future in a way that previous Governments should have done and didn't, but all our eggs are not in one basket. It is simply not the case that a few months here and there would mean the lights going out. We will always plan to ensure that we have energy security for the UK consumer.

Q208 Antoinette Sandbach: Given the tight margins of error we already have in effect in our supply with national grid, a two-year delay is not a matter of months when a project was supposed to come on line in 2017 and we are now looking at 2025 at the earliest.

Andrea Leadsom: Yes, but as I said, we never leave ourselves in a position where one particular project will make or break the system. The reason we have tight margins is partly the transition to a lower-carbon future, partly low wholesale prices making it difficult for plants to be economic and also, importantly, because the bigger the margin that we have, the more we have to pay, and the more that bill payers have to pay, for that margin. So we choose to run with an adequate margin that gives us enough of a buffer, so that the lights do not go out—as I said, that is absolutely non-negotiable. Equally, in our energy policy we never leave ourselves susceptible to one or another project's delay meaning that the lights could potentially go out.

Chair: Thank you Minister. Such is your popularity that three members want to come in.

Q209 Matthew Pennycook: Thank you for coming this morning, Minister. I want to follow up on that point, if I may. I do not think anyone is suggesting that the lights will go out, but are you saying that there are no implications of measures that might need to be taken through the capacity market—that would have implications for consumer bills—and that there will be no impact should Hinkley not start generating in 2025? That 7% of our electricity generation will exacerbate the looming energy crunch that is approaching. Won't that have an implication, through the capacity market, on consumer bills?

Andrea Leadsom: I am of course not saying that there is no implication. I am saying that we do not leave all our eggs in one basket. So we will take steps elsewhere, should we need to do so, to ensure that energy security, which is non-negotiable at all times, remains secure. That might be through the capacity market, in encouraging other plants to be available; it might be through greater storage and greater demand-side response, or it might be through greater energy efficiency. Don't forget that we are talking about 2025—we are now in 2016. All the different choices that are available to our energy mix are employed at all times. The Committee is very helpfully highlighting the complexity of the energy sources that we have the opportunity of bringing into our energy mix, but also the challenge of making sure that if one thing is a bit late, something else can be available. If one bit gets delayed, of course there is an impact, because we need to pull in something from somewhere else. I am not saying there is no impact; I am merely saying that we do not leave ourselves in a position where a delay—

Q210 Matthew Pennycook: I appreciate that, but those other things being pulled in—those other measures you might be forced to take—have implications for consumers. Do you accept that?

Andrea Leadsom: Every aspect of power generation has implications for consumers, so in that sense, yes, of course.

Q211 Mr Carmichael: Just to be clear about the final investment decision and the Government view on it, without getting bogged down in metaphors: have the United Kingdom Government given EDF a deadline by which you want to see a final investment decision taken?

Andrea Leadsom: We want the final investment decision to be taken as soon as possible, but we recognise that it is a commercial decision for EDF.

Mr Carmichael: The question was, “Have you given them a deadline?”

Andrea Leadsom: And I have just given you the answer I am prepared to give you, which is that it is a commercial decision for EDF and we want it as soon as possible. So the answer to that is no, we haven’t.

Mr Carmichael: You have not given them a deadline. It is an open-ended time commitment, then?

Andrea Leadsom: It is a commercial decision for EDF, and we want it to be as soon as possible.

Q212 Mr Carmichael: We all know that it is a commercial decision, but as you very properly told us, you have strategic considerations on behalf of the nation. You are dealing with a difficult situation, which is not of your making; you are dealing with the history of 20 years of difficult decisions not being taken. You can execute your duties as a Minister for a project of that sort by giving them an open-ended commitment in terms of timescale.

Andrea Leadsom: As I have highlighted to you, having recently visited Somerset, there is an incredible amount of work going on. There is no sense—

Mr Carmichael: And I have no doubt that the bats and the hedgehogs are immensely grateful, but—

Andrea Leadsom: It is a very important point, Mr Carmichael. If they were downing tools and waiting for a final investment decision, we would all be concerned, but the point is that they are not. The work is continuing: there is a huge investment and a huge amount of work going on. We believe that the final investment decision will take place as soon as possible, and that is what we want to see.

Q213 Mr Carmichael: But you have not given them a deadline. That is your evidence on the record: that the United Kingdom Government have not given EDF a deadline by which time we want to see a final investment decision.

Andrea Leadsom: I will just say it again if you like: it is a commercial decision for EDF—

Mr Carmichael: I know the nature of the decision. I have asked you whether you have given them a deadline.

Andrea Leadsom: It is not for the UK Government to give a deadline.

Mr Carmichael: You take the view that it is not your job. You have no responsibility for giving them a deadline.

Andrea Leadsom: It is a commercial decision for EDF.

Q214 Mr Carmichael: If they don't get that final investment decision, what happens then?

Andrea Leadsom: It is a commercial decision for EDF.

Q215 Chair: Thank you. DECC targets are 2025, still. I understand that the CfD term will be reduced if there is a four-year delay, and the CfD term could be cancelled altogether if there is an eight-year delay from 2025. So if this is not up and running by 2033, the UK Government could cancel the CfDs, and EDF could be left holding the baby. The French Government and the French trade unions may be very nervous about that.

Andrea Leadsom: I think, as EDF has just said in their evidence to you, they are undertaking a consultation with their workforce, which they see as very important to their company. It is right that they should do that. The commercial arrangements are a matter of record and EDF is very aware of that, but I am not going to speculate on "If the sky falls in" and all the rest of it. This is a commercial transaction. It is not a state procurement or something; it is a commercial transaction. EDF have signed up to the terms of a commercial transaction, and quite rightly they want to consult their workforce. Mr Robson, do you want to comment on that?

Q216 Chair: Mr Robson, the CfDs could be cancelled if this is not up and running by 2033, yes?

Hugo Robson: That's right. From 2025 to 2029, they get a 35-year CfD. Post-2029, the CfD is shortened one year for every delay up until 2033, and then it would be cancelled. Obviously, they would then be able to get revenues, but they would not be able to get the top-up revenues from the CfD.

Q217 James Heappey: I want to ask very quickly about the potential change in the political landscape in Paris. We see with TTIP, for example, that as the political landscape in Washington has changed, that formerly flagship policy looks like it might fall by the wayside. The French primary season is coming in the autumn, and there is clearly not consensus in Paris about Hinkley. In fact, people such as Marine Le Pen are on the record saying that it is a money pit. Does it bother you, Minister, that this decision could be taken amid the French presidential election? As we have seen in Washington, sometimes political will changes.

Andrea Leadsom: President Hollande and Emmanuel Macron, the Finance Minister, have made it very clear on the record that they remain fully committed to this project. EDF in

their evidence made it very clear that there is not a political angle to this; it is a commercial decision, and it continues apace. No, I am not concerned.

Q218 James Heappey: That is absolutely clear. Mr Macron's letter to us today is hugely helpful in reassuring us of exactly that.

Andrea Leadsom: Good.

Q219 James Heappey: But in the autumn, all bets are off. There will be a primary process in France that could well be quite fruity, and the debate could change. Does it worry you that this decision could be taken amid that?

Andrea Leadsom: No. It couldn't be clearer that the President, the Finance Minister and EDF are committed to the project, and there is a huge amount of work going on in Somerset. The backdrop to this is that EDF are a commercial organisation. If they were to decide to pull out, that would be an issue for them as a company. I don't think there is any way in which there would be an incentive for them to decide to pull out. This is a commercial arrangement that they are committed to.

Q220 James Heappey: I don't think EDF's will is in any way in question, and nor is that of the current Administration in Paris. It is absolutely clear that they are committed. It is simply whether it concerns you in any way that if this decision is taken after, rather than before, the August holiday, it will be done alongside a French presidential election. Who knows where the debate will go there? Surely that must be a cause for concern, even if only in a very small way.

Andrea Leadsom: I think that the President, the Finance Minister and EDF couldn't be clearer. We can all speculate about what ifs in the future, but I prefer to deal with the facts that we have today.

Q221 Antoinette Sandbach: Perhaps I can come on to the facts, Minister, in relation to the letter from Mr Emmanuel Macron. He says that HPC "is a project whose profitability outlook is positive for EDF, provided its construction costs are kept under control and its risks can be controlled." He accepts that there are risks, but it appears that the British Government just think that it is a commercial risk and are not really concerned about when the decision is going to be taken—certainly not concerned enough to put a time limit on it. What contingency planning are you doing in relation to those risks materialising—for example, because of a negative report in relation to Flamanville?

Andrea Leadsom: I can only reiterate what I've said before. Hinkley C is a project that we're hugely supportive of. We're really keen to see it happen. It is absolutely key to our nuclear ambitions.

Q222 Antoinette Sandbach: I understand all that, but that's not my question. My question is, what contingency plans are you making in the event that the decision is not taken soon?

Andrea Leadsom: Again, as I have said, new nuclear is a core part of our energy ambitions. As you will be aware, we are also bringing on more offshore wind. We are also doing everything we can to promote new storage. We are looking at new combined cycle gas turbines. I just want to reiterate that we don't have all our eggs in one basket. We are trying

to promote investment in a diverse range of energy sources so that no one project can destabilise the system.

Q223 Antoinette Sandbach: I accept that as an answer, but that doesn't deal with the contingency of a planned—

Andrea Leadsom: Perhaps I am not understanding your question. Contingency in what sense? It is a commercial decision. If it goes ahead, that's fantastic; it's what we want. If it doesn't go ahead, we will not leave the British consumer vulnerable to the lights going out.

Q224 Antoinette Sandbach: So you are planning for the position that it could potentially not go ahead?

Andrea Leadsom: Obviously, my Department's core function is to ensure energy security above all else. Secondly, it is to keep the costs down and, thirdly, it is to decarbonise at the lowest possible price. New nuclear hits all those buttons. We will not leave the UK consumer vulnerable to the lights going out.

Q225 Antoinette Sandbach: You say that, but the UN Economic and Social Council has made a finding that the UK has not met its commitments under the UN Convention on Environmental Impact Assessments in a Transboundary Context. What risks do you see in relation to the Austrian challenge and in relation to the finding from the UN Convention?

Andrea Leadsom: First, on the Austrian challenge, as I said at the start, we do not believe it has any merit. We think the EU state aid approval was given and we do not believe that the challenge has any merit.

On the Espoo Convention, we recognise that there has been an interim finding that there should have been broader consultation. That will not make its findings clear until 2017. We are now looking at what we can do to make sure that any requirement that they might possibly find in 2017 has been dealt with. We are making sure that any issue that does arise can be dealt with.

Q226 Matthew Pennycook: We fully understand your point that it is a commercial decision. There is no timeline in that sense. Could you confirm my understanding of the original agreement that the CfD term could be reduced after a four-year delay? It could be cancelled after an eight-year delay. The option of something going wrong and the Government having the option of cancelling is part of the original contract. Is that right?

Andrea Leadsom: That is what we have just confirmed.

Hugo Robson: Yes, if there is a very significant delay—we are talking about eight years—at that point we are able to cancel the contract, as is the case for all CfDs that are put in place. There is a backstop date which is not intended to be met. There is a backstop date by which, if it is not up and running by 2033, the CfD would be cancelled. But I repeat the point that the project would then be able to get revenues from the market by that stage with a significant amount, no doubt, at some cost.

Q227 Matthew Pennycook: So an alternative financing option, a plan B in that sense, has been considered by the Department, or have you not got that far? You would have to think

about alternative ways of financing it or alternative projects to cover that 7% of generation, that's right, isn't it? Has that thinking gone on in depth?

Andrea Leadsom: You are referring again to our diverse sources of energy. I think I have now said this three times, that we won't ever leave the UK consumer at risk of the lights going out. As I have just said, we have new gas, new offshore wind, new storage, new demand side response, the technologies that we don't yet know about, SMRs, new nuclear—those are all part of our absolute assurance that the lights will not go out.

Q228 Chair: Minister, that is quite an interesting answer because it tells someone, whether they want to take it positively or negatively, that Hinkley is not needed, because you have other plans.

Andrea Leadsom: No, that is absolutely not the case. We are absolutely committed to Hinkley providing 7% of the UK's electricity needs.

Chair: I understand your commitment, but your answer a few moments ago indicates that Hinkley is not needed, regardless of your commitment.

Andrea Leadsom: No, Chairman, you can't have it both ways.

Chair: Well, you want it both ways, Minister, with respect.

Andrea Leadsom: No, Chairman, on the one hand you are saying you've got no other alternatives. Now you are saying that you don't need it, because you do have other alternatives. Which is it?

Q229 Chair: Subsequently, you answered the question and said that we do have alternatives. If you have alternatives, then Hinkley is not needed. It may be desired, you may be committed to it, but it is not needed, because you have alternatives. That is the answer you have given me.

Andrea Leadsom: No, what I am actually saying to you and what I am now saying for the fourth time, is that we will always ensure that we have the right level of energy resources to ensure that the lights don't go out.

Q230 Chair: With or without Hinkley?

Andrea Leadsom: We will never leave ourselves exposed as a country to one particular project. That doesn't mean we don't need it. It doesn't mean we don't want it. It doesn't mean we are not committed to it.

Q231 Chair: And that answer applies with or without Hinkley?

Andrea Leadsom: What answer?

Chair: The answer you have just given that you will not let—

Andrea Leadsom: I have said that we will never leave the UK consumer without access to energy.

Chair: With or without Hinkley?

Andrea Leadsom: We are committed to Hinkley as part of our new nuclear. You are not going to get me to say that we don't need Hinkley nor are you going to get me to say that without Hinkley there are no alternatives. Of course, both of those things are not true. Let me explain: currently we receive about 16% of our electricity day in day out from our civil nuclear power generation, all, as a matter of fact, run and owned by EDF. What happens with that 16% of electricity is that those plants are all due to come to the end of their lifetime by around 2030. So by the late 2020s, early 2030s, we have to replace 16% of our electricity supply. The beauty of new nuclear is that it is low carbon, despatchable and good value for the consumer.

We want to replace that nuclear with more nuclear—new nuclear. Hinkley Point C and the other projects up in Cumbria and Wales are very important parts of new nuclear, as is the potential for the small modular reactors. All of those things form a very important part of that. I say again that we will never leave the UK consumer absolutely stuck with one project when, if it does not happen, the lights will go out. That is just not going to happen.

Chair: Thank you. On a circular point, I would say that implies with or without Hinkley.

Q232 Mr Carmichael: I don't think we will go round that circle any further. You have piqued my interest, Minister, because you have twice referred to the Austrian state aid application or challenge, as being without merit. Is that the advice that you have had?

Andrea Leadsom: Yes.

Q233 Mr Carmichael: Have you raised this with the Austrians? Because it seems a quite remarkable state of affairs, doesn't it, that another member of the EU would raise a state aid challenge that has delay implications, whatever happens with it, without any merit?

Andrea Leadsom: I am not quite sure what you are saying; that we can never disagree with another country that is a member of the EU. Is that your point?

Q234 Mr Carmichael: You are portraying a situation where another member of the EU has taken a decision that has implications for a major strategic project in this country, which has no merit and is bound to fail. That makes me wonder why on earth they raised it in the first place.

Andrea Leadsom: You would have to ask the Austrian Government that.

Q235 Mr Carmichael: Have you asked them that?

Andrea Leadsom: I would not comment on conversations with other Governments at that level. We do not believe that. Our advice is that the state aid challenge has no merit.

Q236 Mr Carmichael: You have just commented on it, in saying that they have raised an application that has no merit.

Andrea Leadsom: Correct. That is what I am saying.

Q237 Mr Carmichael: Don't you think that is something that should be pursued with them? Have you asked them to drop the challenge?

Andrea Leadsom: There has been a huge amount of engagement across the EU on that state aid challenge.

Q238 Mr Carmichael: No, the question was: have you asked the Austrians if they will drop their challenge?

Andrea Leadsom: I do not know the answer to that.

Hugo Robson: We have tried to understand from them the basis on which they are challenging. We have had discussions with them.

Q239 Mr Carmichael: We all know the basis. The basis is that Austria is allergic to nuclear energy. It had a referendum in 1970 or whenever it was.

Hugo Robson: The basis on which we believe they are challenging is political, rather than anything that has merit.

Q240 Mr Carmichael: Political? So you say that it is not a legal challenge.

Hugo Robson: It is a legal challenge and they will firmly say that it is a legal challenge. We believe that the legal challenge is driven by political motives.

Chair: Minister, has DECC had access to EDF's internal report on what has gone wrong with the construction—

Mr Carmichael: Can I come back?

Q241 Chair: Sorry, I will come back to you later. *[Interruption.]* Sorry, Mr Carmichael, I will honestly come back to you. We have just moved on. Has DECC had access to EDF's internal report on what has gone wrong with the construction of the EPR reactors in France and Finland?

Andrea Leadsom: We have had a lot of conversations with EDF about issues around the project. That would include the Office for Nuclear Regulation's review of any issues that are relevant to the generic design assessment here in the UK.

Q242 Chair: So you are confident that you understand what has gone wrong in the other two reactors?

Andrea Leadsom: Yes.

Q243 Chair: You are confident. Can you set out why you are confident, that lessons have been learned and that similar problems can be avoided at Hinkley?

Andrea Leadsom: What is very true to say is that the Office for Nuclear Regulation is the best in the world in terms of its regulatory regime for new nuclear. It has looked very carefully at the project as proposed for the UK. They have made their own analysis, which is

very robust, of what the potential project might involve and they consider that the project for Hinkley Point C is entirely robust.

Chair: So EDF's reports in general have been useful to the UK Government? Alistair Carmichael, can you finish off your point?

Q244 Mr Carmichael: The Minister and the chief negotiator have told us quite openly here that the Austrian Government have submitted an application for a state aid review of this decision, which is political rather than legal. To my mind, that is an abuse of process. I think it would be quite proper, if that is the view of the UK Government, for the Committee to be seeking the views of the Austrian Government, because if the view that the Minister and the chief negotiator have told us today is true, it is quite disgraceful conduct that we should be hearing about.

Chair: We can write to the Austrian Government.

Q245 Mr Reed: Thank you for coming today, Minister. It is absolutely critical that projects of this type are held up to scrutiny in the public eye. We have had that from EDF this morning, and we are having that again from you and the Department today. It is clearly the case that we live in a liberalised energy market and have done for over a quarter of a century, so the ability of the Government to call the shots entirely with regard to that is significantly diminished.

I wanted to talk a little and ask you questions about the impact of further delay of Hinkley Point, particularly with regard to the trilemma. Can you confirm that, clearly, contingencies are being considered all of the time—that is the job of the Department, that is what you do, that is the day job—but with regard to further delays or, potentially, a cancellation at Hinkley, can you confirm that it is the Government's intention to utilise the capacity market to bring forward alternative generating capacity?

Andrea Leadsom: I want to be really helpful and constructive in this and I know I have said four times that we have diverse sources of energy. The complication for the Energy Department is that the Committee is slightly suggesting that we have a specific goal—that there is some kind of command and control type of environment that we should have. Of course, the reality is that the energy sector is so fantastically creative. We are now seeing amazing innovation. We have the SMR, so people ask whether the SMRs will overtake the new nuclear. I don't know. You don't know. It is a possibility. It's unlikely, but it is a possibility. Likewise, with demand-side response, as big companies realise the opportunity to be more energy-efficient, every year we are seeing a reduction in energy demand in the UK. That is the cheapest energy, the energy you don't use. In efficiency, insulation, solar panels, offshore wind and all those things, there are so many innovations. Storage is another industry waiting to take off.

I want to be helpful, but it is just not possible for me to say this is exactly what we will do if this particular project doesn't happen, because it is not like that. It is a big portfolio with enormous choices. In specific answer to your question: yes, ultimately, it is highly likely, because the capacity market is, of course, the insurance policy for energy security. It is highly likely that the specific tool we would use, which might draw in DSR, it might draw in storage, it might draw in interconnector, and it might draw in a CCGT. It might draw in from

any of that portfolio of energy sources, but yes, it is quite likely that that would zero in through the capacity market. That would probably be—or most certainly be—where the actual rubber hits the road. That is how we ensure we have got the capacity to meet the next winter or summer’s needs, according to the system operator.

Q246 Mr Reed: So a bit like the US Department of Energy, the answer is “all of the above”.

Andrea Leadsom: Yes.

Q247 Mr Reed: But with regards, specifically, to the market as it looks going forward and with the wholesale prices for oil and gas being what they are and likely to stay that way for a long time, plus the notion of peak oil and peak gas being, frankly, a redundant fantasy now, wouldn’t it be true to say that the biggest form of generating capacity brought forward would be gas?

Andrea Leadsom: Absolutely. I have a meeting with investors—bank lenders—in the near future to say to them that we want to see this transition to gas, away from coal, to that clean energy future. So yes, we absolutely want to see more combined cycle gas turbine projects coming forward. There is absolutely no doubt about that. That plays its part but, I say again, so too does new nuclear.

Just to put it into perspective, at the moment we get about 30% of our electricity from coal-fired power stations and, as I say, 16% from new nuclear. So you could imagine a combination of new gas plus new nuclear making up the replacement for the nuclear that is coming off-stream by the late 2020s, plus the coal-fired power, which, as you know, it is our ambition to bring off by the mid-2020s. That would be the sort of mix but, equally, there is offshore wind—huge investment is going into that in this Parliament. With storage, we just do not know. You cannot pinpoint exactly what the energy future looks like, but we try to—we try to do different scenarios. We do a “going green” scenario, in which we are on only low carbon. We do a sort of interim scenario. We are looking at scenarios the whole time, but it is just not possible to give you what the Committee is asking for, which is an absolutely blow-by-blow account of “if this one doesn’t happen, what are you going to do there?” It just doesn’t work like that.

Q248 Mr Reed: Okay, if I might move it on from that, it is undoubtedly the case that the Hinkley Point project is a Christmas tree project. Everyone, everywhere is seemingly trying to hang a grievance on it and there is clearly a dedicated political agenda to try to trip the project up. That is coming from a lot of quarters. Everyone knows that. That is the nature of the nuclear industry.

Amber Rudd wrote to us recently, though, about the risks of Hinkley being delayed or cancelled. She said that, if a delay or cancellation emerged after 2021, meeting the shortfall might come at a higher cost and could put our decarbonisation targets at risk. To what extent are the Government staking their ability to meet our carbon targets and to keep the costs down for consumers on the hope that Hinkley goes ahead?

Andrea Leadsom: If storage is a massive success, and if offshore wind comes forward at the rate that we want and with the trajectory we want in terms of the price coming down, it is perfectly possible that we could meet those decarbonisation targets through a different energy source. So it is very hard to be categorical about it. Amber wrote to the Committee

because she was very much pressed to explain what is plan B and, of course, as you are hearing from me, it is very difficult to say, “Well, this is what we do,” or “That is what we do”, because of the huge range of possible solutions.

In answer to your question, we will go ahead, as you know, only once the final investment decision is taken. The Secretary of State then has to take her final decision on offering the CfD, and that will be subject to value for money so, by definition, if it would be better value for money not to do it that would be a concern. All of our forecasts so far show that it is value for money, because it meets the dispatchable, the low carbon, the reliable and the affordable targets. That remains extremely important to this. Yes, we would be challenged without it, but it would not be impossible to carry on meeting our international obligations, as well as our affordability and energy security.

Q249 Mr Reed: One of the elephants in the room with regard to Hinkley—I say this as someone who was involved in the industry for many years before becoming a Member of Parliament—is that there seems to be an understanding in the world at large that all our nuclear ambitions rest upon the success or otherwise of the Hinkley project. I personally want the Hinkley project to work, but the other facilities—the other plans that we have for other nuclear expansion—do not hinge upon Hinkley working, do they?

Andrea Leadsom: No, and I am really glad that you are giving me the chance to make this point. Just last week I was at the national nuclear laboratory and I have been up to Sellafield. The UK is a world expert in things such as advanced nuclear fuels and dealing with radioactive nuclear waste, as you know from your own constituency. We are world-leading in many areas of the nuclear space. When you go down to Somerset, there are masses of jobs being created down there. Today, there are apprenticeships. We have the national nuclear college, which is already in Cumbria and Somerset, looking at building up our capacity in the workforce. These are really serious long-term, really sustainable engineering jobs.

It is a huge boost to the UK economy, and it is something that the UK can be a world leader in. I am sure we will come on to SMRs, but that whole space—the entire supply chain—could be British-based and could be exporting to the rest of the world. You are exactly right to say that that does not all rest entirely on Hinkley. We have other new nuclear projects already in the pipeline, and what we want Hinkley—

Antoinette Sandbach: On the other new projects—

Andrea Leadsom: One last point, on Hinkley. What we really hope Hinkley does is to reawaken the nuclear supply chain and build in a downwards trajectory so that future new nuclear will be cheaper. But it is not the only game in town.

Q250 Antoinette Sandbach: You mention that it is not the only game in town. What lessons have you learned from Hinkley and how you are applying those to Wylfa Newydd?

Andrea Leadsom: That is a really good question. There are lots of lessons, I suppose, from any new energy project around making projects happen and committing to a date and then missing it. The problem that that gives you is that it knocks confidence. There are issues around what you commit to, because that builds an expectation. I certainly think any future nuclear projects will be probably a bit more diffident about deadlines, because what is

difficult for everyone where Hinkley is concerned is constantly being held to this date. It makes it very difficult because, of course, a particular date does not mean that something goes ahead or doesn't go ahead.

Antoinette Sandbach: But, Minister—

Chair: Just hold it there—sorry. We'll cover some of this more in the next section. We'll go back to Jamie Reed. Have you any more questions, Jamie?

Q251 Mr Reed: Thank you, Chair. Just one more question, Minister. You have given an answer of, "All of the above." You have told us that you don't have a crystal ball, clearly. You have reiterated that we live in a liberalised, market-led energy economy, but we have also agreed that there is a huge body of work, which is the day job of the Department, in looking at contingencies in the event of Hinkley being significantly delayed or not happening at all. So, with regard to the trilemma—energy security, our carbon commitments and consumer prices—the Department must have produced a body of work. Would it be possible for the Department to share that with the Committee not today, but at some time in the future?

Andrea Leadsom: The Department is constantly analysing—there are all sorts of work going on at all times. There is a huge piece of work on whole system costs. There is a huge piece of work on what energy sources might be in future. There is constant assessment of how new nuclear might be financed, for example. Then there is the whole SMR work going on to look at what the best design might be and how you might bring that to production capacity and so on. Work is ongoing the whole time.

I will take that away and see if there is some kind of summary that we could produce at some point. Of course, in the context of Hinkley, at the point of final investment decision there will be a number of publications about the value for money, about a number of the decisions that the Secretary of State has taken and why and that sort of thing, so that might be helpful. But the Department is constantly looking in the round at the issues of where the future lies for energy generation. You would probably have to have rooms, if you wanted a copy of everything the Department is doing.

Q252 Chair: Minister, before we move on to James Heappey and the areas he wants to cover, what would plan B mean for consumer costs and decarbonisation rules? It has been said by Ministers in your Department that security of supply is non-negotiable. Is meeting the decarbonisation targets non-negotiable? It has been said by some that Hinkley will add £14 to consumer bills, so without Hinkley, do costs to consumers fall? What are the implications of plan B for consumers and decarbonisation? Security of supply has been concentrated on quite firmly. Let's look from the other two corners.

Andrea Leadsom: Yes, okay. May I say, the costs of the CfD to bill payers are expected to be £10 per bill by 2030?

Q253 Chair: £10 in your figures.

Andrea Leadsom: £10 per bill, just to clarify that point. In return, Hinkley will be generating an expected 7% of the UK's electricity. So that is the sort of scale. Of course, if

the project does come in under budget, there is a negotiation—there are sharing arrangements with the UK bill payer, so that CfD could come down.

Q254 Chair: Just for clarity, the £10 refers to 2012 prices? Is that right?

Andrea Leadsom: Real prices as at 2012. Yes, that is correct.

Q255 Chair: So on the non-negotiability aspect of this, if Hinkley doesn't go ahead, are bills then £10 cheaper for consumers? Will our decarbonisation targets also be non-negotiable on that? That wouldn't call for a big renewable and storage effort, as was mentioned by, I think, Dr Simon Taylor, one of the last times we touched on nuclear in this Committee?

Andrea Leadsom: This goes to the heart of it. Our trilemma, by definition, means that we are going to do all three things. We are absolutely keeping the lights on, we are absolutely focused on keeping the bills down and, of course, we will meet our legally-binding climate change targets in the UK Climate Change Act 2008. There is no sense that we will chip away at those things.

Q256 Chair: You have told us that bills would be £10 cheaper without Hinkley—

Andrea Leadsom: No, sorry, Chairman, that is absolutely not the case. What I am saying is that the 7% of electricity generated by Hinkley will add £10 to the bill. If it is not generated by Hinkley it does not mean that we will just go without 7% of our electricity needs, does it? What it means is that there will be an alternative source, other than Hinkley, which, as yet, as I keep trying to explain, we cannot know. Would it come from offshore wind plus storage, would it come from an interconnector, would it come from a CCGT? But it would add to consumer bills as well. The answer that we would not have today is precisely how much it would add to bills, but the whole point about Hinkley C and its value for money is that it is anticipated all the way through this that that £10 per consumer bill will be lower than our best estimate of what the alternative might be for that 7% of electricity. It is not the case that we would simply go without that 7% of electricity.

Q257 Chair: On decarbonisation, what is the plan B to meet the decarbonisation targets? We know from plan B that without Hinkley it could be more or less expensive for the consumer, that would depend. What about decarbonisation, before I bring in James Heappey?

Andrea Leadsom: As I have said, it could be offshore wind plus storage, it could be demand-side response, it could be new gas, because gas is much lower carbon than coal, for example. So our decarbonisation targets will be met and we constantly look to evaluate precisely how we will meet them. Let me be clear again, we are looking at electricity for 2025 and we are now in 2016. One thing we can be absolutely certain of is that a lot is going to change in the energy space in that nine-year period. When you look at the period since 2010, 99% of all new solar deployment has taken place in the past six years. So in 2010 there was none, now we have, I believe, 8 or 9 gigawatts of solar generation?

Hugo Robson: Yes.

Andrea Leadsom: Likewise with wind: there is a massive amount relative to what there was in 2010. So in six years we have seen an enormous change from virtually nothing to now around 24% of our electricity being generated by renewables, so a lot changes in that

period. So it is really not possible to say which renewable or low-carbon source would be generating the alternative, but I can absolutely assure you that we will meet our decarbonisation targets. Each of the three elements of our energy trilemma is not negotiable.

Q258 Chair: Okay. Dr Simon Taylor, who was here from Cambridge University and is a supporter of nuclear, seemed to indicate that nuclear, and the need for somewhere like Hinkley, could be rendered obsolete by the changes that you are indicating could happen by 2030, 2040. But regardless of all that and regardless of Hinkley, you are saying that you will meet your carbon budgets?

Andrea Leadsom: Yes.

Q259 James Heappey: I want to wrap up by looking at the wider new nuclear programme and satisfy ourselves that it is hitting the targets that it should. You explained that in the Government's view new nuclear remains in pole position to assist you in meeting your decarbonisation targets. Will you say briefly why new nuclear remains in pole position compared, for example, to hydro, bioelectricity, storage alongside renewables or whatever else?

Andrea Leadsom: There are different reasons for each technology. As you will be aware, Mr Heappey, a number of the technologies you have just mentioned would be very much more expensive, in contracts for difference terms, than new nuclear. At £92.50 on the CfD by 2025, that is considerably lower than the current offshore wind projects, at £140 and £120, et cetera. That range is coming down but we want to see it coming down much faster. Biomass, off the top of my head, is in the region of £110?

Hugo Robson: It is £100 or £105.

Andrea Leadsom: Yes, £100 or £105. Tidal is still in the order of £350. We have to look at the value for consumers; of course, that is vital. We also have to look at the dispatchability. Of course, hydro-electricity, biomass—those things are dispatchable but more expensive. Nuclear is both dispatchable and cheaper, if we are looking out to 2025. As I said at the beginning, we are looking for a diverse source; we do not want all of our eggs in one basket. What we strive to be in the Energy Department is technology-neutral, so we are looking to the private sector to come forward with ideas. We support a wide range of technologies. We try to support those where the cost trajectory can come down fastest. So our interest in offshore wind is we think, the wind is great offshore, the turbines can be much bigger offshore, so the dispatchability—the load factors—can increase exponentially, and of course the costs, as you do more of it, can come down very fast, so that is a technology that we are committed to.

Q260 James Heappey: I am inclined to agree that right now new nuclear should in pole position—the others are more expensive. But they are all on quite impressive innovation curves, some more than others, so there is a reality that over the next decade or so they will actually become very price-competitive. I wonder if I can move you on to look at the timelines for all of the proposed new nuclear stations. I agree with you that squabbling over a month or two, here or there, over the FID, whilst important, is not all that it is about. What matters is when the current fleet of nuclear stations has to be switched off.

HPC is supposed to just be the first and we are struggling to get over the first hurdle on that. Sizewell and Bradwell, I think, are still just on paper and are not very advanced. Moorside is supposed to be done by 2026 but, again, the negotiations are well behind HPC. Wylfa is supposed to be operational in the early part of the 2020s and, again, the negotiations are embryonic. Oldbury is supposed to be for 2028 and, again, that is just on paper. How confident are you that, given all that we are going through in terms of the HPC negotiations, all those other stations will be consulted on, agreed to, built and switched on by the end of the 2020s to meet our needs?

Andrea Leadsom: I think there is a simple way to express this, which is the old saying that a bird in the hand is worth two in the bush. We can all say, “Oh, you know, nuclear is going to be obsolete by the time they are built”, but you don’t know that, do you? What we are absolutely determined to do is to ensure we meet those energy security needs.

Q261 James Heappey: I am not saying that. I actually think we should be building these. These are the obvious technology and we have to build what makes sense now. Much more my concern is—Wylfa, the early part of the 2020s, so seven to eight years from now?

Andrea Leadsom: It’s our job. That is our job. We need deliver these projects.

Q262 James Heappey: You are absolutely confident the new nuclear programme is running on track?

Andrea Leadsom: Absolutely, it is running on track. We are delighted with the progress. Wylfa was with the Welsh Affairs Committee yesterday. They are at the fourth and final stage of their generic design assessment. They have a new group, a delivery term, that they have just announced. All of these projects are massive and in the energy space, as things stand, we look for industry to bring forward projects. As individual projects, they are always subject to the issues around commercial reality.

Taking our SMR ambitions, these are massive potential for UK plc. We are at the start of the competition, so I do not want to massively build expectations and have you down my throat in six months, saying “Where is it then?” We are just starting now down this trajectory. What we do at DECC is try to move forwards. SMRs have massive potential to be a huge new industry for the UK, which we could export. They have the beauty of potentially being available to be built on a production line and sent to other countries. These have massive potential and our job is to bring them all forward: new CCGTs, new offshore wind, new demand-side response, new storage, new nuclear. You may ask, “Are they all going to happen?” Of course I cannot tell you “Yes, they are all going to happen”—these are commercial decisions. But what I can tell you is that, on the basis of the old saying, a bird in the hand is worth two in the bush, we will absolutely go for it with Hinkley Point C; we will absolutely go for it with offshore wind, with storage. We are doing everything we can to remain technology-neutral and allow the market to bring forward these projects, but we will never put energy security at risk.

Q263 James Heappey: Finally on the SMR programme, I am glad that you brought that up. It is conceivable that, if someone cracks the SMR conundrum relatively quickly, SMRs could come through on the inside track and trump these big new nuclear power stations.

Andrea Leadsom: That is subject to plenty of ifs and buts. Obviously, the Office for Nuclear Regulation and the generic design assessment are absolutely key to this. This isn't like building a car, a new shop or whatever. These are very serious major projects, and so there is an enormous process to go through before SMRs can reach the point where we could start to look at a production line. We are looking at this as being a number of years away. I am never going to say never, but at the same time it is our expectation that these big nuclear projects would come forward first, as things stand.

Q264 Chair: Do any other members of the Committee have any questions they wish to press? On final reflections, a delay is going to be interesting; it will be interesting to see what happens, who will be prepared to build and to fill in the gap, which might be short-term or five years. Also, we do have an answer to the deadline, given what we know about CfDs reducing from 2029 to 2033; they could end completely in 2033. That gives any future Government the option of perhaps leaving Hinkley to one side and leaving EDF to run it fully commercially.

Minister, thank you very much for your answers here today and, of course, for your time and for coming along. It is appreciated. We understand that your diary—and all diaries—are crammed, particularly so at the moment, so thank you very much.

Before we bring this session to an end, Minister, the Committee has asked me to raise a separate issue with you. There has been a delay by the Government in sending us responses to recent Committee reports and correspondence. A response to our “Future of carbon capture and storage in the UK” report was due six weeks ago. A response to our report “Investor confidence in the UK energy sector” was due three weeks ago, and a response to “Home energy efficiency and demand reduction” was expected almost two weeks ago. The team follow-up to the ministerial evidence sessions on low carbon networks was due two weeks ago. Could we have an assurance of your endeavours to ensure that we will receive these before the purdah period begins ahead of the EU referendum, please?

Andrea Leadsom: My sincere apologies for that, and I will certainly look into it. I am absolutely confident that the Department will be looking very closely at this and making sure that they give you the right response. I am very sorry for the delay.

Chair: Minister, again, many thanks. Thank you all.