



Public Accounts Committee

Sir Tom Scholar
Permanent Secretary
HM Treasury

Sarah Munby
Permanent Secretary
Department for Business, Energy, and Industrial Strategy

30 March 2022

Operation of the Nuclear Liabilities Fund

Dear Sir Tom and Sarah,

Thank you for your detailed letter of Tuesday 8 March in response to our outstanding questions on the operation of the Nuclear Liabilities Fund (NLF). Whilst the correspondence answered some of our questions, there are some points on which further clarity is needed before we can complete our report into the Future of the Advanced Gas Cooled Reactors (AGRs).

1. **The rationale for transferring the AGR sites from EDF Energy to the NDA**

We would be grateful for a further explanation of why the Department agreed to transferring the sites back to the public sector. In recent years this Committee has paid close attention to the work of the Nuclear Decommissioning Authority (NDA) and the very significant challenges it already faces.

Whilst we are aware of some of the reasons that have been put forward in favour of taking some of the decommissioning tasks away from EDFE, we still have a question mark over whether the Department has fully considered the capacity of the NDA to take on this huge task when this organisation already struggles to deal with its existing portfolio of very difficult sites including Sellafield and establishing the Geological Disposal Facility? We would be keen to understand the thinking that persuaded the Department that transfer was a good idea.

2. **The rationale for the rise of investment into the NLF**

Please can you explain the rationale why all new taxpayer cash injections into the Fund go into very low yielding deposits with the National Loans Fund? Is there any intention to increase the proportion of assets invested in the Mixed Assets Portfolio so that a better return can be earned, thereby increasing the value of the Fund to meet decommissioning costs over the longer term? Would this change in investment approach minimise the calls upon the taxpayer over the long term? If not, why maintain the Mixed Asset Portfolio at all and instead make taxpayer allocations to the National Loans Fund to pay for all the AGR Nuclear decommissioning? Wouldn't the latter be much simpler to operate and be in line with Treasury thinking on how it manages the national balance sheet and debt?



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3. The calculations underpinning the £4.6 billion corporation tax liability

We are perplexed by the enormous corporation tax estimate accompanying the recent £5.6 billion request for a top-up given the size of the Fund assets. We would be grateful for a further explanation of how that figure has been compiled.

4. The transfer of land and buildings associated with the AGR sites

We would be grateful to understand what precisely the Department has agreed with EDFE in terms of the land and buildings transferred to the NDA. In particular, what would happen if the NDA and EDFE disagree on what should be transferred? What is the position if the EDFE wants to retain part of the site to build one or more modular nuclear reactors but the NDA needs the space for its decommissioning activities? Could the necessary land be included in the transfer or would it have to be an additional purchase, if so on what terms?

In order for us to publish our report before the end of this Parliamentary Session, it would be appreciated if you could issue a prompt response before **Monday 11 April**.

Yours Sincerely

Dame Meg Hillier MP
Chair of the Committee of Public Accounts