



House of Commons
Welsh Affairs Committee

**Fifth Special Report -
Nuclear energy in Wales:
Government Response
to the Committee's Third
Report of Session
2022–23**

**Fifth Special Report of Session
2022–23**

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Welsh Affairs Committee

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The current staff of the Committee are Emma Dobrzynski (Committee Operations Manager), Edward Hicks (Second Clerk), Sarah Ioannou (Clerk), Chloe Jago (Senior Media Officer), Michael O'Leary (Committee Operations Manager), Anwen Rees (Clerk), Saminah Turk (Committee Operations Manager).

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Fifth Special Report

The Welsh Affairs Committee published its Third Report of Session 2022–23, [Nuclear energy in Wales](#) (HC 240) on May 2023. The Government's response was received on 23 June 2023 and is appended below.

Appendix: Government Response

Introduction:

The Government welcomes the Welsh Affairs Committee session into this important topic. We recognise the potential significant impact new nuclear developments would have on the North Wales economy and for the local community. Wales has a long and proud history of nuclear skills and expertise, and we note the growing local and regional interest in nuclear development to further build on this rich history. The Government recognises the strong interest and support for nuclear power across North Wales.

Responses to recommendations:

Recommendation 4: *Given that the land at Wylfa Newydd is owned by Hitachi, it is unclear what the current state of play is at the site. If there is to be new nuclear at Wylfa, the issue of ownership of the land needs to be addressed. We reiterate a recommendation of our predecessor Committee and call on the UK Government to encourage Hitachi to sell the Wylfa Newydd site or take part in a consortium of developers to allow future development.* (Paragraph 29)

Recommendation 5: *We have heard from a wide range of industry representatives that Wylfa is one of the best sites for nuclear development and it is difficult to see how the UK Government can deliver its nuclear ambitions without taking forward a project at Wylfa. We consider that Wylfa should be the location of the next gigawatt-scale nuclear generation plant after Sizewell C.* (Paragraph 30)

The Government welcomes Hitachi's continued stewardship of the Wylfa Newydd site and the effort taken to maintain the site in recent years. While any decision to sell the site is a commercial decision for Hitachi, we continue to have a positive relationship and strong dialogue with all nuclear site owners (as nominated under the 2011 National Policy Statement) and remain in a conversation with them about how to best enable and deliver on the Government's ambition for up to 24GW of nuclear energy by 2050. Government has established Great British Nuclear (GBN) to drive forward the UK's new nuclear programme. GBN will be working with Government on access to potential sites for new nuclear projects to achieve our long-term ambition.

GBN will also support the Government's consideration of further large Gigawatt-scale projects to help us deliver on our long-term ambition. However, no decisions have been taken over which technologies future projects will proceed with, or at which sites.

Government recognises the desire for a settled policy for new nuclear deployment and will develop a new National Policy Statement (NPS), which will set out the planning policy for deploying new nuclear power stations beyond 2025. The new nuclear NPS will

take account of changes in the nuclear landscape since the existing NPS was designated in 2011, including the potential for advanced technologies such as Small Modular Reactors (SMRs) and Advanced Modular Reactors (AMRs). Government will consult later this year on a policy for how new nuclear developments could be sited in future.

Recommendation 7: *The UK Government, and Great British Nuclear, should continue to engage with Cwmni Eginio on its ambition for Trawsfynydd to become the first site to host Small Modular Reactors (SMRs) in the UK. We urge the Government to include the Trawsfynydd site in the new Nuclear National Policy Statement as a potential site for SMRs.* (Paragraph 36)

Recommendation 15: *We welcome the UK Government's announcement that it will deliver a programme of new nuclear projects. We recommend that the Government publishes a medium to long-term programme for nuclear energy generation. The programme must set out how it will achieve its ambitions of up to 24GW of nuclear energy by 2050 and must state which technologies (gigawatt-scale or Small Modular Reactor) the Government wants to be built, where and on what timescale. The programme should also include clear statements of the Government's intentions for the Wylfa and Trawsfynydd sites.* (Paragraph 74)

We look forward to continuing our engagement with Cwmni Eginio.

Government recognises the desire for a settled policy for new nuclear deployment and will develop a new National Policy Statement (NPS), which will set out the planning policy for deploying new nuclear power stations beyond 2025. The new nuclear NPS will take into account the significant changes in the nuclear landscape since the existing NPS was designated in 2011, including the potential for deployment of advanced nuclear technologies such as Small Modular Reactors (SMRs).

As a first step towards developing a new nuclear NPS, Government will consult later this year on a policy for how new nuclear developments could be sited in future. We welcome and look forward to receiving the views of the Committee during that consultation.

Recommendation 9: *We recognise the high cost of construction of nuclear energy plants and the large upfront investment needed to get a project to final investment decision. We hope that the Regulated Asset Base (RAB) model will help overcome these investment challenges. However, there are valid concerns about the risk to consumers, which needs to be closely monitored in order to be better understood as the RAB model is used for the first time for a nuclear project at Sizewell C. The Government should explain the mechanisms it will use to monitor and report to the House during the construction of Sizewell C.* (Paragraph 48)

As a tried and tested funding model for large-scale infrastructure projects, the Government believes that using RAB could encourage private sector investment and cut the cost of projects by reducing the cost of project finance, the biggest driver of new nuclear project costs.

We recognise the importance of ensuring that – in contributing towards the costs of projects using the RAB model – consumers are protected from unacceptable levels of risk, and the interests of consumers are central to the Nuclear Energy (Financing) Act 2022, which establishes use of the RAB model on nuclear projects.

The Act requires the Secretary of State to consider the interests of existing and future consumers of electricity, including their interests in relation to the cost and security of supply of electricity. A nuclear project would be subject to detailed value for money assessments before being approved for a RAB or awarded a Government Support Package. As the RAB could support multiple nuclear projects in the future, the Government will continue to monitor its impacts on consumer bills alongside other energy schemes.

The Sizewell C Project is part of the Government's Major Projects Portfolio and is subject to HMT Green Book approvals and assurance, as well as Major Project Review Group approvals in advance of key decision points.

During construction a project will be incentivised to deliver to time and schedule, through an incentives regime managed by the economic regulator, Ofgem. Ofgem's principal objective is to protect the interests of all existing and future consumers, and during construction Ofgem will have full oversight and audit rights to the project's activities.

Recommendation 12: *If the UK Government is going to realise its ambitions for nuclear energy, investment in skills is essential and serious work needs to be done on how the required skills can be developed. We call on the UK and Welsh Governments to work closely together to support the skills sector to invest in training for nuclear jobs in Wales. We recommend that the UK Government collaborates with the sector, and Welsh Government, in the production of a nuclear skills strategy to provide certainty to the sector on the skills required, when and where to allow providers to plan investment in training programmes in Wales.* (Paragraph 67)

The UK Government continues to work closely with industry, and the Welsh Government, via channels such as the employer-led Nuclear Skills Strategy Group (NSSG). HMG and NSSG have aligned strategic plans to tackle skills challenges to ensure that the UK nuclear sector has the skilled workforce it needs to meet current and future demands. Whilst we know that education is a devolved power, we are collaborating with the devolved administrations to ensure a coherent approach.

Recommendation 13: *The contribution of businesses based in Wales to current nuclear developments at Hinkley Point C and Sizewell C demonstrates that, at least in part, the skills and supply chains for such projects are available in Wales. There should be investment in scaling up the Welsh nuclear supply chain to ensure that new nuclear projects in Wales employ the maximum local labour so that the local areas feel the benefits. If there is a new nuclear development in Wales, the UK Government should place a requirement on developers for a minimum level of local content during the project.* (Paragraph 68)

With the UK Government's long-term plans for deployment of civil nuclear to up to 24GW by 2050, strengthening domestic capabilities and capacity is a high priority. The launch of GBN should help stimulate further investment in UK capability.

The local and UK content in supply chains of UK projects is a commercial decision for developers to make. However, we welcome companies supporting local regions as EDF did at Hinkley Point where over £4.1 billion has been spent with suppliers in the Southwest to date and EDF anticipates that 64% of the construction value of the project will be spent with UK firms.

Recommendation 16: *We have heard strong representations from the nuclear sector for greater clarity and commitment from the UK Government on its ambitions. We put these representations to the UK Government ahead of the Spring Budget and welcome the launch of Great British Nuclear, as we called for. However, we are yet to see the detail of how this body will function. We recommend that GBN is given a mandate to plan and deliver a programme for nuclear generating sites in order to provide much needed clarity to the whole industry.* (Paragraph 79)

To deliver the government programme of new nuclear projects beyond Sizewell C, we have launched GBN, as an arms-length body responsible for driving delivery of new nuclear projects, backed with funding it needs. GBN will operate through British Nuclear Fuels Limited (BNFL).

The first priority for GBN is to launch a competitive process to select the best Small Modular Reactor (SMR) technologies. This began in April with market engagement as the first phase. The second phase – the down-selection process - will be launched in the summer, with an ambition to assess and decide on the leading technologies by autumn.

The Government will provide co-funding that will be deployed by GBN to support the development of these selected technologies and will work with successful bidders on ensuring the right financing and site arrangements are in place, in line with its commitment to take two Final Investment Decisions (FIDs) next parliament. The total level of development funding will be subject to future Spending Reviews. In addition, GBN will work with wider Government on access to potential sites for new nuclear projects to achieve our long-term ambition.

The initial focus for GBN will be on SMRs but GBN will also support the Government's consideration of further large Gigawatt-scale projects to help us deliver on our net zero ambitions.

Recommendation 17: *One of the significant missing parts of the future of nuclear development is the lack of a utility developer in the UK, other than EDF-related companies. We recommend that the UK Government explains its plans to resolve this problem and whether there is a role for Great British Nuclear to play.* (Paragraph 80)

Most countries with active nuclear build programmes have an amount of state backing to support development, including national utilities or delivery bodies. And there are recent examples of attempts by technology vendors to build new nuclear in GB which have been unsuccessful.

A programmatic approach will help industry to develop their proposals to align to a defined indicative programme.

GBN will aim to overcome the hurdles faced by recent new build projects, to unlock barriers in the GB nuclear market and to enable projects to be brought forward and successfully delivered.