Department for Business, Energy & Industrial Strategy

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11 August 2021

Dear Chair,

HMG indemnity for a gap in nuclear market insurance

I am writing to you to inform you of an indemnity the Government is offering to civil nuclear operators to fill a gap in nuclear market insurance.

Nuclear has a vital role to play in reducing greenhouse gas emissions to net zero by 2050. Nuclear power stations provide firm, low carbon power, which is required to complement variable renewable generation in order to ensure a low cost, stable, reliable, low carbon energy system in 2050.

Nuclear and radiation safety is a top priority for the Government. The UK is fully supportive of a strong global nuclear liability regime and is party to the Paris Convention and Brussels Supplementary Convention on nuclear third-party liability. The conventions ensure that victims of a nuclear incident have access to adequate compensation and support investor confidence in a global industry where incidents are very low probability but potentially very high impact. We are preparing to ratify changes agreed in 2004 (the 2004 Protocols) to those conventions, but there is currently a financial gap in the insurance market around the 2004 Protocols.

The Paris and Brussels Conventions are implemented domestically through the Nuclear Installations Act 1965. This has been amended prospectively by the Nuclear Installations (Liability for Damage) Order 2016 to implement the 2004 Protocols. Ratification of the 2004 Protocols, which will trigger the 2016 Order coming into force in the UK, will occur on 1 January 2022.

The 2004 Protocols, once in force, increase operator liability in the event of a nuclear incident from the current £140m to a maximum of €1.2bn. This limit was agreed by

Contracting Parties in response to lessons learned from the Chernobyl nuclear accident. Overall, ratifying the 2004 Protocols will enhance our current liability regime to further protect victims of a nuclear incident and ensure more compensation is available for more victims for a broader range of damages.

Under the current regime, HMG has the discretion to cover long-tail personal injury claims made 10-30 years after a nuclear incident. To date, HMG has never paid out for such claims. The 2004 Protocols make this head of damage mandatory and impose this liability upon the operator, but the UK insurance market will not provide cover to the full liability limits in 2022.

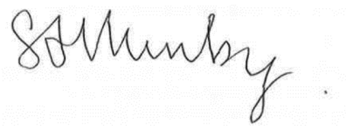
After carefully assessing a range of options for covering long-tail personal injury, the Government has agreed to provide an indemnity directly to operators to cover any allowable claims made 10-30 years after an incident, up to a maximum of €1.2bn. There will be a charge for providing this cover and operators' premiums for 2022 have been calculated by the Government Actuary's Department and approved by HM Treasury. The Government would only pay out in the event of a nuclear incident.

The indemnity has been approved by the Domestic and Economic Implementation Committee. It will be reviewed annually and withdrawn should the market step up to provide a suitable alternative. We expect and encourage the market to step up in full in future years and we are continuing to explore alternative solutions and discussing these in detail with the market. The indemnity is not compulsory for operators; some operators are subject to lower liability limits depending on their site classification (a maximum of €70m or €160m for low risk and intermediate risk sites respectively) and therefore may be able to purchase suitable cover for these lower limits from commercial insurers.

At this stage, we have offered the indemnity to all civil nuclear operators, but we do not yet know which operators will choose to take advantage of it. The Nuclear Installations Act 1965 mandates that operators submit their proposed financial arrangements to the Secretary of State for approval and BEIS has requested these be submitted by 1 September 2021 in order to complete the approvals process ahead of ratification. At that point we will know which operators the Government will be offering support to and the maximum contingent liability that the Government will be subject to.

We will be notifying Parliament with a Written Ministerial Statement on the financial arrangements made with operators and Departmental Minute on the associated remote contingent liability. We will ensure that Parliament is provided with the required 14 sitting days to consider the full details of this indemnity before it comes into force on 1 January 2022.

We are writing in equivalent terms to Darren Jones as Chair of the Business, Energy and Industrial Strategy Committee. I am copying this letter to the Treasury Officer of Accounts.



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