

Written evidence submitted by the Nuclear Industry Association (NIA) (FRE0077)

The Nuclear Industry Association (NIA) welcomes the chance to respond to the Committee on the Future Relationship with the European Union inquiry on Progress of the negotiations on the UK's Future Relationship with the EU.

The NIA is the trade association and representative body for the civil nuclear industry in the UK. We represent around 250 companies operating across all aspects of the nuclear fuel cycle, including the current and prospective operators of nuclear power stations, the international designers and vendors of nuclear power stations, and those engaged in decommissioning, waste management and nuclear liabilities management.

In preparation of this response, several of the NIA's member companies were consulted.

How close are the UK and the EU's negotiation positions for the future relationship on energy? Where are they further apart? In which areas is there a need for more detail to understand each sides' positions?

In the four set rounds of negotiations between the UK and EU, on nuclear energy the two sides are covering Safeguards, Safety, Research and Development, Information Exchange mechanisms and Technical Cooperation, and more.

The NIA is generally comfortable with the progress of negotiations, as advised by the Europe Nuclear Negotiations team at the Department of Business, Energy & Industry Strategy (BEIS). The negotiations on civil nuclear appear to have progressed far more positively than some other, more contentious areas.

From discussions with the BEIS team and contacts within the EU, we believe that the two principal areas which remain to be resolved are:

1. The EU is seeking to include civil nuclear provisions inside a single all-encompassing Partnership Agreement, rather than as a separate Nuclear Cooperation Agreement (NCA). The latter would be consistent with the standing of the Euratom treaty as a separate legal framework, with different provisions and procedures than the Treaty on the Functioning of the European Union (TfEU); and
2. Nuclear safety standards, specifically to which standards the UK should commit. Nuclear safety is a top priority for the UK Government. The EU's draft text defines standards by reference to existing European standards rather than international (IAEA) ones, that are applied across the world and included in all other Euratom NCAs with third countries (e.g. Japan, the USA, Canada). You will have heard Michel Barnier's comments that followed the 4th Round on 5 June, "Prime Minister Johnson agreed to maintain existing high standards of nuclear safety – the two sides are very far from an agreement on this". It should be noted by the Committee that safety and regulation of nuclear safety is a responsibility of individual Member States.

In both areas, the UK proposal has taken account of relevant international precedents (including Euratom's own agreements (NCAs) with other major economies).

We believe that the Government should continue to press for a separate NCA, enabling the UK to continue to trade with the Euratom community as is currently the case, without additional barriers and vice versa. This will be of benefit to industry, both in the UK and the EU.

The ONR, as the UK's independent nuclear regulator, is acknowledged internationally for the high quality of its regulatory activity, exceeding Euratom standards in some cases. The UK has always had the highest standards of nuclear safety and we remain committed to continuing these through our commitment to applying the international standards that are set by the IAEA. These IAEA standards are included in all NCAs around the world.

Therefore, the NIA does not consider that an agreement that states the UK should uphold international standards would be problematic, as it would not have a negative impact on the robustness of the UK regulatory regime.

We therefore believe it is possible for the UK and EU to reach an agreement on the future relationship of their respective nuclear industries by the end of 2020, but progress may be held back by broader political issues.

What would be the advantages and disadvantages of the UK's future carbon pricing mechanism being linked to the EU emissions trading system (ETS)?

An effective carbon pricing policy will play an important role in driving the transition to net zero. Linking a future UK ETS to the EU ETS would have the advantage of maintaining continuity with existing arrangements for emissions trading to set a carbon price; the UK has played a leading role in the design of these arrangements and they have worked well in many respects. It would also demonstrate the UK's continuing leadership in international cooperation on action against climate change and enable the UK to remain part of a large and relatively liquid emissions trading market with the potential to expand beyond the 32 countries currently participating.

As the UK will leave the EU ETS at the end of this year, we support the Government's proposal to develop a future UK ETS linked to the EU ETS if a linking agreement with the EU can be concluded as part of the current negotiations. However, we have serious concerns about the establishment of a UK ETS on a standalone basis, as such a scheme would be relatively small in size and there is a high risk that it would lead to an illiquid market that would fail to provide an effective and consistent carbon price signal – a risk that has only been partially mitigated by the Government's proposal to introduce an Auction Reserve Price to provide a "floor" on the carbon price. If the UK is unable to agree a linking agreement with the EU, then a Carbon Emissions Tax would provide a more stable and reliable carbon price than a standalone UK ETS.

However, a major concern at this stage of the Government's preparations is that it is currently developing proposals for both a UK ETS and a Carbon Emissions Tax in parallel with no clear decision as to which of them would be the preferred fallback in the event that it cannot agree a linking agreement with the EU. As well as causing uncertainty for UK emitters, this has potential impacts on the UK's power market, for which carbon is a key price driver, and therefore on electricity bills for businesses and households. The Government should resolve this uncertainty as early as possible.

In parallel with whatever approach is taken to replace the UK's membership of the EU ETS, the Carbon Price Support tax remains important to ensure a robust carbon price signal to drive the continuing decarbonisation of the power sector up to, and beyond, the closure of all unabated coal by 2025.

Based on the UK and EU draft legal texts, what are the range of possible outcomes for the relationship on civil nuclear cooperation? What do these outcomes mean for the UK-EU relationship on Euratom, for nuclear safety, and the UK's participation in EU programmes, such as Horizon Europe, for collaboration on nuclear research?

Since the EU referendum in 2016, the UK Government made it clear that, due to the unique legal relationship with Euratom, when the UK left the EU, the UK would also cease to be a member of Euratom. When consulted on exiting Euratom, the NIA identified four key areas of concern. We are satisfied these concerns have now been or are in the progress being resolved by the Government. They are as follows:

- 1. Challenge:** Euratom officials undertook nuclear safeguarding inspections and activity in the UK, which involved monitoring the UK's fissile material to ensure it is in the right place and being used for its intended purpose.

Solution: The ONR has now established a domestic safeguards regime that will take effect from 1 January 2021. This new regime has been in place and ready for launch since February 2019. As part of the Withdrawal Agreement, existing Euratom laws and regulations will continue to apply in the UK during a transition period until 31 December 2020.
- 2. Challenge:** As part of Euratom, the UK had access to a number of Nuclear Co-operation Agreements (NCAs) agreed on behalf of member states which has helped facilitate trade between the UK and a number of nuclear markets outside the EU.

Solution: The UK Government has now agreed NCAs with all major nuclear countries, aside from the EU, for which negotiations are still ongoing.
- 3. Challenge:** The UK has also benefitted from the common nuclear market created by the Euratom Treaty. The Euratom market allows for the movement of nuclear information, services, skills, and goods, including medical isotopes for cancer diagnoses and treatments.

Solution: In accordance to the Government's position on negotiations, these majority of these issues are not deemed nuclear-specific or are categorised

separately. The NIA continues to provide advice to Government on these issues and how they will affect the UK nuclear industry.

4. **Challenge:** Euratom also oversees a framework for international collaboration in nuclear R&D, including the JET fusion research reactor in Oxfordshire and the larger ITER fusion reactor in the South of France as well as several other research programmes.

Solution: It is the Government position that the UK remains a participant in Horizon Europe in the future and the Joint European Torus (JET) fusion project until the end of 2020, as stated in the Government's July 2020 UK Research and Development Roadmap. The UK will leave the following programmes: Euratom Research and Training and Fusion for Energy, meaning the UK will not be able to bid for International Thermonuclear Experimental Reactor (ITER) contracts through Fusion for Energy as of 1 January 2021.

What would be the consequences if no agreement could be reached in any of the areas you have commented on above?

While the UK has full front-end fuel cycle capabilities, other European companies will contribute to supporting the secure supply of front-end fuel cycle services (uranium, enrichment, fuel fabrication) to the UK nuclear fleet. Therefore, a close relationship between the UK and EU is essential to the future success and safety of the nuclear fuel cycle. However, it should be noted that it has been arranged that all existing fuel contracts will continue and remain valid in the event of a no-deal.

In view of the international nature of the nuclear industry it is important for both the EU and UK that the existing arrangements are preserved, and trade is not hindered, particularly if no agreement was to be reached by the end of the transition period on 31 December 2020.

The UK Government should therefore negotiate a similar arrangement to that which exists currently to facilitate efficient ongoing trade and cooperation between the UK and EU member states.

Are there any other aspect of the future UK-EU relationship and energy that you wish to bring to our attention?

Like other industries, nuclear companies are concerned about wider Brexit issues such as:

- potential supply chain disruption;
- tariff and non-tariff barriers;
- the free flow of personal data from the EU to the UK;
- and services and labour mobility arrangements (and recognition of professional qualifications). Access to EU labour and expertise is important to the continued success of the UK nuclear sector.

Investing in UK skills and talent is advantageous for obvious reasons, but this will be insufficient to meet the large volume requirements for new build projects such as Hinkley Point C and Wylfa Newydd – there are not enough electricians, high specification welders, ground workers available in the UK to meet these requirements, and it is unlikely to be possible to train and develop enough to meet that need in time for development schedules – particularly if, as is widely anticipated, Government accelerates and approves significant additional infrastructure investment as an aspect of economic stimulus following the effects of COVID-19.

There is currently no route of entry for ‘semi-skilled’ workers, such as construction workers, to enter the UK under the existing UK Points Based System. It is also important that any new arrangements do not result in increased cost, complexity or time to hire the necessary migrant labour for new build construction in the UK. For example, there are challenges with recognition of non-UK qualifications that if not addressed shortly could cause a significant delay in ongoing and future infrastructure and research projects.

With respect to access to labour in a “no-deal” or “limited deal” situation, the UK Government’s EU Settlement Scheme (settled and pre-settled status) policy is welcomed and will certainly help in the short-term after the end of 2020. However, there are other issues that remain to be solved and the Government should strive to monitor and adapt to these issues in the longer term.

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