



# FNCS

Dirigeons **notre** Avenir

The Honorable Angus Brendan McNEIL MP  
Chair of the Energy Climate Change Commission  
House of Commons, London, SW1A 0AA

Paris, June 13, 2016.

Dear Chairman McNeil.

In the wake of the recent hearings which you led with respect to the Hinkley Point C project, I would like to share with you, on behalf of Fédération Française des Cadres Supérieurs de l'Énergie founded in 1948, the updated analysis which emerges from engineering staff and executives within EDF SA.

Reliable conditions for committing in Nuclear New Build Genco Hinkley Point C would obviously have to be based on a robust and well prepared industrial organisation as requested by the Office for Nuclear Regulation (ONR) and the Environmental Agency (EA).

Areva NP, the EPR nuclear vendor, is currently facing a difficult situation. Since the beginning of the year 2016, a series of bad news has then been publically unveiled.

The French Safety Authority (ASN) released that tests results do not comply with the regulation concerning the reactor vessel bottom and the reactor vessel head of the Flamanville 3 EPR. There is a risk that the final ASN clearance expected in Spring 2017 will be negative. In addition, the reactor vessel of Taishan 1 in China was also manufactured by Areva NP in Le Creusot plant and then suffers identical flaws. So far, there is no certainty that the EPR technology could be commissioned soon. Taishan 2 could possibly be the first EPR to be commissioned in the world. Feedback experience from EPR is then likely to be based under a later milestone than expected which would be now based on Taishan 2 commissioning's time table. Some additional time will be necessary after this TSN2 commissioning to really include its



feedback experience before freezing final detailed studies and implementation organisation as far as HPC is concerned.

The ASN publically informed about falsifications from Areva NP Le Creusot concerning equipment sold to clients (including in the USA). This may trigger new litigations.

The multi-billion litigation between Areva NP and the Finish TVO with respect to the Olkiluoto 3 EPC contract arbitrage could not be settled through amicable agreement as expected. The matter remains open and shows no agenda so far.

The incident in Paluel 2 resulting from an Areva NP sub-contractor handling the steam generator, which fell down during removal, may have caused a possible future final shut down for the reactor.

In this changing context, the EDF offer to purchase Areva NP has expired on 31st March 2016. Since this date, no further information has been published on this matter. This no-decision situation adds governance uncertainties upon the implementation of the Hinkley Point C project.

Following the d'Escatha report which drew attention on needed improvements, a joint re-organisation of EDF / Areva NP has neither been settled and implemented yet, due to this specific environment, nor forecasted under any form of announcement.

On May 9th, the EDF SA has provided Unions members of the Central Works Council with a 100-pages report about HPC. This paper does not deliver evidence of the expected long-term industrial joint organisation. Neither does it set up the demonstration that EDF SA meets the skill levels and the human capacity mobilisation necessary to safely manage in parallel the major nuclear projects of "Grand Carénage" (life extension for the EDF SA existing nuclear fleet), Flamanville 3, Olkiluoto 3, Taishan 1 & 2 and Hinkley Point C 1 & 2.

On May 25th, ASN declared at its annual hearing in the Parliament that financial and economical challenges that both EDF and Areva are facing would be *time consuming*. The necessary reorganizations *would need long delays before a proper recovery happens*. Thence, the authority *would prioritize its control means upon the existing fleet rather than any new project*. ASN is concerned that while EDF is dedicating its efforts to engage new nuclear projects, financing of safety improvements for the normal operation of the French nuclear fleet could be delayed or even given up.

On June 8th, Fitch ratings downgraded EDF in view of further potential major commitments, such as the need to modernize the domestic nuclear fleet, EDF's biggest challenge being to reduce underlying negative cash flow, which Fitch said would be difficult despite the announced financing plan.



Further more, there is a risk that EDF and Areva planned capital increases would be legally challenged as suspected State Aid under the European Commission specific investigation procedure. This could require additional time.

Heavy evidence still needs to be brought prior to further commitments, in order to make those commitments gain robustness and reliability. On June 7th, three French workers unions have sent a letter to Mrs Ségolène Royale, the French Minister for Environment, Energy and Sea, requesting a prior clarification of industrial orientations for the French nuclear industry.

With respect to the Hinkley Point C project, the Fédération Nationale des Cadres Supérieurs de l'Énergie then advices to delay the FID until better upfront industrial visibility is evidenced.

I remain available to meet at your convenience.

Sincerely

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Founded 1948