



Department
of Energy &
Climate Change

Angus Brendan MacNeil MP
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House of Commons
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The Rt Hon Amber Rudd MP
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12 April 2016

Dear Angus,

Thank you for your letter of 24 March, following your useful evidence session on 23 March. I am happy to provide further information to answer your questions.

The French Government, as EDF's largest shareholder, have an important role to play in the decision to invest in Hinkley Point C. I and Cabinet colleagues have raised Hinkley Point C with our French counterparts, and we have been assured that they are taking the necessary steps to help reach a final investment decision as soon as possible. At the UK-France summit on 3 March, President Hollande and the Prime Minister issued a joint statement that "EDF is currently devoted to prepare all necessary elements for the announcement of the FID for Hinkley Point C in the near future, with the full support of the French government". France's Economy Minister, Emmanuel Macron, has since publicly provided assurances that "the decision must be agreed ahead of EDF's shareholder meeting (12 May) and we must give our British partners full visibility on this investment".

In your letter, you asked me to outline what this Government would do if Hinkley were to be delayed or cancelled, and the cost of such a scenario. Firstly, I must reiterate Vincent De Rivaz's remarks to the Committee on 24 March, and say we also remain fully confident that the project will go ahead. The risks of delays are borne entirely by the developer, and the contract is structured to incentivise the developer to deliver on time.

While we have every confidence the deal will go ahead, we have arrangements in place to ensure that any potential delay or cancellation to the project does not pose a risk to security of supply for the UK. I am clear that keeping the lights on is non-negotiable. The key mechanism in place today for managing security of supply is the capacity market, which is structured in order to deal with any shortage in anticipated capacity, whether that is due to a delay in construction of Hinkley Point C or any other plant. We have also put in place detailed monitoring and governance arrangements to ensure we have sufficient intelligence and foresight on any issues that might delay construction further down the line, so that alternative capacity can be put in place.

At this stage, and at any point up to the capacity market four years before Hinkley commissions in 2025, we are confident that the market would be able to respond to any anticipated shortfall, and that alternative sources of supply would be unlikely to present a significant increase in cost to the consumer. I am also confident that alternative capacity could still be sourced if a risk of delay or cancellation emerged after this point, but this may

come at a higher cost. There is also a risk though that any such delay could put at risk our decarbonisation targets – one of the key reasons the Government is supporting Hinkley Point C in the first place.

You also asked about what liabilities the Government would face if the project were to be cancelled at this stage, either by the UK or French Governments. At this stage, as no contracts have yet been signed, there are no liabilities which would fall to the UK taxpayer or consumer. Once the contracts are entered into, all risk is borne by EDF, except in the case of a narrow and extremely unlikely range of circumstances such as a political shut down or a change in law (as described in the [minute](#) I laid before Parliament in October last year), which are almost entirely within the control of the UK Government.

You also queried what the consequences would be for NuGen and Horizon if Hinkley Point C did not proceed. NuGen and Horizon are in the process of planning their proposed projects, with intended FID dates of late 2018 and early 2019 respectively. As you know, there is no direct link between their proposals and Hinkley Point C, and therefore I anticipate no immediate impact if Hinkley does not go ahead. However, as the first new nuclear plant in a generation, it is clear that Hinkley Point C has a key role to play in rebuilding the UK's new nuclear skills and supply chain.

Once again, let me take this opportunity to reiterate my confidence in this project, and in the work of my colleagues in the French Government and EDF to facilitate a final investment decision in the near future.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Amber Rudd', written in a cursive style.

AMBER RUDD