

China agrees to invest in new UK nuclear plants

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China has agreed to take a one-third stake in the project to build a new nuclear power plant at Hinkley Point in the UK and to take shares in two further plants. A final investment decision for the Hinkley project by EDF Energy is expected by the end of the year.



An artist's impression of how Hinkley Point C could appear (Image: EDF Energy)

Under a deal agreed during the second day of a state visit by Chinese president Xi Jinping to the UK, China General Nuclear (CGN) will invest £6 billion (\$9 billion) in EDF Energy's project to construct the Hinkley Point C plant.

Under the Strategic Investment Agreement signed today, EDF's share in the project will be 66.5% and CGN's will be 33.5%. EDF said it intends to offer other investors stakes in the £18 billion (\$28 billion) project, but will keep at least a 50% stake itself.

CGN will make its investment in the UK through its new company called General Nuclear International.

EDF Energy said "Today's signing paves the way for the Hinkley Point C project to go ahead and sets the steps for a final investment decision." This

will be subject to: finalisation of "long form documentation" based on the Head of Terms agreed today; finalisation by EDF of its financing plan; approval by the boards of both EDF and CGN; and, clearance by merger control and other governmental authorities in China and Europe.

The Hinkley Point C plant - the first new nuclear power station built in the UK in almost 20 years - will comprise two EPR reactors, with first operation scheduled for 2025. Together, the two reactors will provide about 7% of the UK's electricity.

Beyond Hinkley

EDF and CGN have also agreed the Heads of Terms of a wider UK partnership for the joint development of new nuclear power plants at Sizewell in Suffolk and Bradwell in Essex. EDF said terms will be in final form before the final investment decision for Hinkley Point C.

EDF said the two companies have agreed to develop the Sizewell C project to the point where a final investment decision can be made, with a view to building and operating two EPR reactors there. During this development phase, EDF will take an 80% share while CGN will take a 20% share.

At Bradwell, the two companies will form a joint venture company to seek regulatory approval - through the Generic Design Assessment (GDA) process - for a UK version of the Chinese-designed Hualong One reactor. CGN is expected to take a 66.5% share and EDF 33.5%. The two companies will also bring Bradwell B to a final investment decision.

In October 2013, following the signing of a new memorandum of understanding on nuclear cooperation by Britain and China, the UK Treasury confirmed that Chinese companies could eventually become majority stakeholders in new UK nuclear plants, although initially they are only anticipated to take minority stakes. It further noted that any investment from any country must comply with rigorous UK regulatory standards.

CGN had been discussed as a possible investor in Hinkley Point since UK gas supplier Centrica pulled out of its nuclear new-build joint venture with EDF Energy in early 2013.

Last month, the UK government announced up to £2 billion (\$3 billion) in support for the planned Hinkley Point C nuclear power plant.

In an article published in the UK newspaper *The Daily Telegraph* on 22 September, EDF Energy CEO Vincent de Rivaz said, "The economic benefits of China's investment in our new nuclear plants will be shared among businesses and workers across the country." He noted that the Hinkley Point C project will mark the "biggest inward investment in British history" with the creation of up to 25,000 jobs during the plant's construction. "Some of these jobs will be in

Somerset but many more will be created across the rest of the country, with British companies on target to win contracts worth more than 60% of the value of Hinkley Point C's construction." He added, "New nuclear projects won't just boost British industry and skills here, they will also help the UK and France compete and win in a global market."

EDF chairman Jean-Bernard Levy said, "Today marks a big step forward for EDF's 30 year partnership with our Chinese partner CGN. Our ambitious nuclear projects are strongly supported by the governments of the UK, China and France and they will bring benefits to all three countries."

CGN chairman He Yu said, "Entering the UK's nuclear market marks a new phase for CGN. At the same time this is also a triple-win for the existing nuclear energy partnership between China, France and the UK."

The announcement was welcomed by industry.

Lord John Hutton, chairman of the UK's Nuclear Industry Association said: "This will be the first new nuclear power station to be built in a generation and the first to be built without state funding. This major infrastructure project will give a vital boost to British industry, creating jobs and prosperity in the south west, as well as important opportunities for the UK's construction and manufacturing industry."

World Nuclear Association director general Agneta Rising said, "New nuclear construction around the world is at the highest level for 25 years, but we need to see more countries learning from the UK's example to support nuclear energy among a mix of generation technologies that are fit for the future. Governments must act to ensure that markets support new investment in technologies such as nuclear; the UK is showing one way this can be achieved."

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