



West Cumbria Sites
Stakeholder Group

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To: All Members
West Cumbria Sites Stakeholder Group

Dear Member,

Response to question asked at WCSSG meeting on 6th April

At the West Cumbria Sites Stakeholder Group on Thursday 6th April, Martin Forwood asked a question regarding state aid and polluter pays principles.

The NDA has provided the following in response to the question.

Regards

Rosina Robinson
Secretariat, West Cumbria Sites Stakeholder Group
For:
David Moore
Chairman, West Cumbria Sites Stakeholder Group

Engaging with the Community

Chairman Cllr. David Moore Vice Chairman Cllr. Elaine Woodburn
Secretary Shirley Williams

State Aid Investigation and Polluter Pays Principle

The press statement from the European Commission stated that 'the Commission took the view that the polluter-pays principle applies to nuclear liabilities. In particular, operators of nuclear plants should cover the decommissioning costs for their plants.' The Commission concluded from its investigation that BNFL had complied with the polluter-pays principle and that the measures it was considering did not involve state aid to BNFL.

However the commission also concluded that the NDA will continue to operate some of the assets transferred from BNFL for some time and may, for some of them, not comply with the principle.

The revenue from these activities will accrue to NDA as part of the funding for the operations and decommissioning of the sites for which it is responsible. It is envisaged that initially, approximately half of the NDA's planned £2 billion per annum expenditure will be funded from commercial operations. In addition, the NDA has received financial assets from BNFL¹. However because the Government has provided an unlimited guarantee to cover all the liabilities of the NDA, the total funding of the NDA could exceed the revenues from its commercial activities and the financial assets transferred. The Commission press statement describes that they would consider this to constitute state aid if this were to occur. In order to limit the potential impact of such aid on competition the Commission has therefore imposed certain conditions, namely:

- a) Pricing restrictions relating to the sale of electricity from the Magnox Power stations and preventing aid being used to undercut wholesale electricity prices. This mitigates distortion of the electricity market.
- b) To ensure that any future contracts regarding THORP and SMP cover all incremental nuclear liabilities generated by the contract – thus preventing THORP and SMP competing on an unfair basis with their competitors, Areva and Belgonucleaire.

Therefore, in response to specific questions which arose at the West Cumbria Sites Stakeholder Group:

- The NDA is funded from the revenue from commercial operations and financial assets transferred from BNFL and, to the extent that those are insufficient, by funding from Government. Revenue from commercial operations is used to fund both operations and decommissioning activities. It is however not possible to rule out the possibility that part of the incremental liabilities resulting from these commercial operations could be met by Government funding. It is however important to bear in mind that in addition to the transfer of liabilities from BNFL there was transfer of associated assets and liabilities provisions to NDA and Government.

¹ It is also important to be aware that in addition to liabilities transferred from BNFL to the NDA, the associated assets including provisions historically made by BNFL were transferred to the NDA or Government.

- We believe the reference to 'may not comply with some under the polluter-pay principal' simply refers to the situations above where government funding could potentially be used to pay for incremental liabilities associated with continuing operations and the potential to market distortion and for customers not to bear the full cost of these liabilities. The Commissions conditions are intended to mitigate these effects.