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Public Bill Committee

NUCLEAR ENERGY (FINANCING) BILL

Sixth Sitting

Thursday 25 November 2021

CONTENTS

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Monday 29 November 2021

The Committee consisted of the following Members:

Chairs: Yvonne Fovargue, † James Gray

† Baker, Duncan *(North Norfolk)* (Con)
† Blackman, Kirsty *(Aberdeen North)* (SNP)
† Brown, Alan *(Kilmarnock and Loudoun)* (SNP)
† Browne, Anthony *(South Cambridgeshire)* (Con)
† Cairns, Alun *(Vale of Glamorgan)* (Con)
Crosbie, Virginia *(Ynys Môn)* (Con)
† Doyle-Price, Jackie *(Thurrock)* (Con)
† Duffield, Rosie *(Canterbury)* (Lab)
† Fletcher, Mark *(Bolsover)* (Con)
† Hands, Greg *(Minister of State, Department for Business, Energy and Industrial Strategy)*
† Jenkinson, Mark *(Workington)* (Con)
Owen, Sarah *(Luton North)* (Lab)
† Pennycook, Matthew *(Greenwich and Woolwich)* (Lab)
Wallis, Dr Jamie *(Bridgend)* (Con)
† Whitehead, Dr Alan *(Southampton, Test)* (Lab)
Whitley, Mick *(Birkenhead)* (Lab)
† Whittaker, Craig *(Lord Commissioner of Her Majesty's Treasury)*

Sarah Ioannou, Rob Page, *Committee Clerks*

† attended the Committee

Public Bill Committee

Thursday 25 November 2021

[James Gray *in the Chair*]

Nuclear Energy (Financing) Bill

11.30 am

The Chair: I welcome Members back to the line-by-line consideration of the Nuclear Energy (Financing) Bill. I will not trouble you with the parish notices that you have heard before, with the exception of reminding you that Mr Speaker has encouraged us to wear masks when we are not speaking, which I will do, but of course it is a matter for individual choice.

Clause 31

Relevant licensee nuclear company administration orders

Question proposed, That the clause stand part of the Bill.

The Minister of State, Department for Business, Energy and Industrial Strategy (Greg Hands): May I welcome you to the Chair, Mr Gray? It is a pleasure to serve under your chairmanship. I will be brief.

Clause 31 is the first clause of part 3 of the Bill, which establishes a special administration regime for relevant licensee nuclear companies, or RLNCs. In the unlikely event that such a company becomes insolvent during the construction or operation of the power plant, the Secretary of State, or the authority—that is, Ofgem—with the Secretary of State's permission, may apply to the courts for the appointment of a special administrator. The objective of the administrator would be to ensure that electricity generation commences, or continues, until it is unnecessary for the administration order to remain in force for that purpose.

The introduction of a special administration regime will reduce the risks of customers being deprived of the benefits of the building of a nuclear power plant using a regulated asset base model compared with normal insolvency proceedings. It also reduces the risk of requiring a replacement source of electricity generation, which may further increase the cost of electricity to consumers. The clause defines the relevant terms for this part, which are necessary for the effective functioning of the legislation. I therefore urge that the clause stand part of the Bill.

Dr Alan Whitehead (Southampton, Test) (Lab): I thank the Minister for setting out what the clause is about. Hon. Members will recognise that the clause is deeply embedded with the rest of the clauses in this part of the Bill. Further clauses spell out in greater detail what clause 31 talks about. Hon. Members will also be aware that we have an amendment to the following clause to be discussed, which, were it to be agreed, would have implications for clause 31. Although we do not wish to oppose clause stand part, we would like it to be noted that when we discuss the amendment to the next clause we will refer back to clause 31 as one of the reasons why the amendment was tabled and the difference that might make to the whole part, should it be passed.

The Chair: Order. I am ready to be advised on this matter, but I suspect that if the Opposition believe that amendment 18 would have a consequence for this clause, it would have been necessary to table an amendment to this clause, or we would have to revisit this clause later. The Clerk advises that we cannot revisit. In other words, if we pass this clause stand part now, it will not be possible to amend it later. Let us cross this bridge when we come to it. That might be the sensible way forward.

Dr Whitehead: Mr Gray, if the amendment were to be passed, I do not think it would have an effect on clause 31. I merely raise the issue because we will be talking about all these issues in clause 32.

The Chair: That is fine.

Question put and agreed to.

Clause 31 accordingly ordered to stand part of the Bill.

Clause 32

Objective of a relevant licensee nuclear company administration

Dr Whitehead: I beg to move amendment 18, in clause 32, page 24, line 24, at end insert—

"(5A) In the event that a relevant licensee nuclear company cannot be rescued as a going concern, or if a transfer of the undertaking to a wholly owned subsidiary does not result in the establishment of a going concern, the Secretary of State must establish a Government-owned company into which the assets, liabilities and undertakings of the relevant licensee nuclear company may be transferred in order to allow electricity supply to be commenced or continued at the nuclear installation in respect of which the relevant nuclear licensee holds a nuclear licence."

Where a failed company cannot be rescued as a going concern or successfully have its assets transferred to a subsidiary, this amendment would require the Government to establish a Government-owned company to allow operations to continue.

The amendment goes to the heart of this part of the Bill, which deals with a special administration regime for when a nuclear power plant cannot get to production levels—in other words, when the nuclear power plant is not completed at the point at which the company that is constructing it effectively goes bust—or is in production but the company that is responsible for the management and operation of it goes bust at that point. The special administration regime is put in place, as the Minister says, to protect the interests of the customer, in terms of the sums they have put into the whole arrangement through the counterparty. We discussed how that works in a previous sitting of the Committee.

We certainly welcome the setting out of the provision in part 3, because it is important in providing a backstop in case of failure, during either construction or production, of the company that is involved in doing it. That company will have gone through the process of designation, licence modification and so on, and is therefore deeply involved in the nuclear power station at that point. Although we welcome the provision, analysis of how the clause works suggests that there are potential deficiencies in the end outcome of the process that is set out. I say that partly because, as I am sure hon. Members will be interested to know, the clause is closely modelled on the special administration regime set out in the Energy Act 2011. Of course, the 2011 special administration

regime is oddly pertinent this morning because of the collapse of Bulb Energy and the decision by the Secretary of State to invoke sections of the Energy Act to establish a special administration regime over and above the supply of last resort, which was previously the method used for assuring customers about their supply when energy companies went bust. On this occasion, the Energy Act has come to the rescue.

There are lots of questions about how the regime under the 2011 Act will work, but it is sufficient for us to note the closeness of the text and direction of part 3 of the Bill to sections 94 and 95 of the Energy Act. Hon. Members will have to take it on trust that the wording is so similar, but they are very welcome to go and look up the relevant piece of legislation. I have a copy in front of me, and if this were an undergraduate essay that I had to mark in a previous life, I would be immediately on the phone to the department to say that my student had been guilty of substantial plagiarism.

Of course, there is a substantial difference in the application of those two pieces of legislation. One is applied to a failed energy company, about which a number of things can be done fairly quickly, such as seeking to revive the failed energy company through a period of administration and then relaunching it at a later date, when circumstances have changed—in this instance, perhaps when the high fuel costs have abated and the company, with different set-ups, might be a going concern again. The options are to launch it as a going concern, to pass it on to other buyers—which is very possibly the case with Bulb Energy—or, as an extreme, to eventually close the company down and parcel out its customers to other companies. According to the 2011 legislation, there are a number of fairly obvious routes that end that period of administration.

That is not the case for a nuclear power station. It cannot be divided up; it is a huge, multibillion piece of investment on the books of the company, and in this case largely supported by its customers paying into the regulated asset base arrangement. The idea that a company might easily come along and say, "I know, we'll take over the assets of this nuclear power station and run it ourselves" is a fairly unlikely proposition, as we have seen from events around the world. Nevertheless, the wording of the clause follows the 2011 wording closely enough to suggest that that would be relatively easy in the case of a nuclear power company failure.

As the Minister has already outlined on the previous clause, the court would make an order to the nuclear company to go into administration, and

"the affairs, business and property of the company are to be managed by a person appointed by the court"—

that is, an administrator. The objective, stated in this clause, is

"that electricity generation commences, or continues, at the nuclear installation in respect of which the relevant licensee nuclear company to which the administration relates holds a relevant licence"—

that is, generation continues under administration—or "that it becomes unnecessary" through two means that are set out in the next subsection:

"the rescue as a going concern of the company"

or transfers of that company that fall into the next subsection, whereby the company can be transferred to another company or two or more different companies.

As such, the path that would be followed in this instance is that an administration order would be made; the company would be kept running in the meantime; and the alternative outcomes would be that the company either becomes a going concern again as a result of administration, or is effectively sold to another company or two or more other companies. Failing that, this clause appears to suggest that that special administration continues forever. That is the conclusion one has to reach when reading these subsections.

11.45 am

The effect of administration continuing forever, of course, is that that nuclear company is in a half-world where it is operating as a ghost company. Nothing much can happen to it, other than it continuing to do basic things under the control of the administrator: it does not go anywhere, but merely functions, as opposed to not functioning. Of course, were that to happen, it would be a very substantial and continual drain on taxpayer resources, and indeed bill payer resources. As I read it, while that company is in administration, it would still be able to claim the payments during the production period under the RAB arrangement. As such, the public would be in the difficult position of funding under the RAB arrangements a company in administration that could not go anywhere, but that nevertheless was taking a substantial amount of the public purse and, in this instance, the bill payers' money in order to sustain it. That appears to be a substantial flaw in this Bill, written as it is based closely on the 2011 Act in which this does not appear as a substantial flaw because the operation of the special administration regime, expensive though it is likely to be—as we see in the press today, in the case of Bulb Energy—is nevertheless of a different order and clearly of a much more finite duration.

Our amendment suggests that there needs to be an additional endgame possibility in the process that, under circumstances where the company has not revived as a going concern or been sold to another company, the Government are required to set up a new company to run that enterprise and allow it to operate properly as a nuclear production facility in the long term. It is not a complicated amendment; it effectively adds a bottom-line clause to the previous arrangements, which have been placed slightly slavishly into the Bill from the 2011 Act. We think that would be an improvement. It would place an absolute bottom-line block on the proceedings and, in the end, if all went wrong, and was not retrievable, would enable a route out to ensure that the plant operated properly in the bill payer's interest.

Alan Brown (Kilmarnock and Loudoun) (SNP): It is a pleasure to serve under your chairmanship, Mr Gray. Some of the other Labour amendments that we supported when they went to a vote have been about cost controls and have tried to provide protections for the consumer. Despite what the hon. Member for Southampton, Test said, I do not think the amendment protects consumers or customers, although we are not sure that clause 33 in itself would not provide this option. The explanatory statement says:

"this amendment would require"—

that is, compel—

"the Government to establish a Government-owned company to allow operations to continue".

[Alan Brown]

I am not sure of the benefits of compelling the Government to keep running a power station if a company goes bust and cannot be taken over as a going concern, because it is still loss-making and a transfer cannot be concluded. Why do we want to make it mandatory for the Government to take over a loss-making operation to continue to generate electricity?

It seems to me that in the event of such financial failure, the best value might be to shut the thing down and decommission it. Although the hon. Member for Southampton, Test said that this provides a final option—a final endgame—there is nothing on time scales here. The amendment does not say how long the Government would be expected to continue to run this loss-making power station to generate electricity. There is nothing that gives that certainty or end date. I think it actually places a burden on the Government and the consumers—the taxpayers. For that reason, it does not make sense to me. I do not think it achieves the ends it is supposed to.

I will quickly refer to new clause 5, which is in my name; I know we will debate it later.

The Chair: I would rather we did not debate it now, unless it is relevant to clause 32.

Alan Brown: New clause 5 does relate to clause 32. I will refer to it just briefly. All I would say is that the new clause sets out considerations that would need to be addressed before anyone contemplated taking over a nuclear power station. I will return to that when we debate the new clause.

I have concerns about clauses 32 and 33, when considered together with clause 41. We will return to this, but clause 41 possibly gives the Secretary of State an open-ended blank cheque to do what he wants to keep a power station operational; I dare say that ensuring security of supply will be the excuse given.

The hon. Member for Southampton, Test, referred to the provisions relating to the special administration regime under the Energy Act 2011, which have now been applied to Bulb Energy. It would be good if the Minister could enlighten us on how those provisions will operate with regard to Bulb Energy, and how the similar provisions in clause 32 would operate if they had to be used. Also, will he commit to reviewing how the special administration regime operates in the Bulb Energy scenario, and to making improvements to the Bill, if they are required, following that process?

Greg Hands: I thank hon. Members for their speeches for and against amendment 18. I remind the Committee that a relevant licensee nuclear company, or RLNC, is one that has had its licence modified under part 1, clause 6(1) of the Bill and has entered into a revenue collection contract. An RLNC administration order is made by the court in relation to an RLNC and directs that, while it is in force, the company is to be managed by a person appointed by the court. That is defined in part 3, clause 31(1), which we have just debated.

Amendment 18 addresses the course of action that the Government must take if an RLNC administration order is in force, but an RLNC cannot be rescued or a transfer envisaged by clause 32(4) effected, namely a transfer of the undertaking of the RLNC to a subsidiary that results in a going concern. The amendment seeks to ensure that, in this scenario, the plant will commence or continue electricity generation under public ownership. The amendment would require the Secretary of State to move the assets, liabilities and undertakings of the RLNC to a Government-owned company, even if a transfer envisaged by clause 32(3) to one or more companies would achieve the objective of the administration order. The amendment would put in place a new process. Although the amendment does not address who must make the assessment that the objective cannot be achieved by the means specified, it appears to limit the available options before the power plant is moved into public ownership.

First, obviously, I thank the hon. Members for Southampton, Test, and for Greenwich and Woolwich for their clear desire to ensure that a nuclear power station will commence or continue the generation of electricity—on the face of it, that seems a very reasonable objective—and for recognising that the special administration provisions add a valuable layer of protection in this area. Ultimately, that is why they are in the Bill. However, I do not consider it necessary to place a statutory requirement on the Government to take ownership of a plant in the unlikely event that a special administration fails in its objectives, because the provisions for the energy transfer scheme, applied by clause 33, already serve this purpose. The amendment may even inadvertently lengthen the period of an RLNC administration order, as one assumes that the Government-owned company would, for example, need to apply for a new nuclear site licence.

In the unlikely circumstance where rescue cannot be achieved and it is unnecessary for the administration order to remain in place, the Secretary of State—or the authority, Ofgem, with the consent of the Secretary of State—may apply to bring the administration order to an end. Once the administration has ended, the Secretary of State may prepare a nuclear transfer scheme, which would bring the plant under the control of a public body, or, for example, the Nuclear Decommissioning Authority. In such a scenario, it is envisaged that the plant would then be decommissioned and cleaned up. However, the Government would still retain the option to move the power plant into public ownership and, if deemed in the best interests of consumers and taxpayers, commence or continue the operation of the plant.

Let me say in response to comments made by the hon. Member for Kilmarnock and Loudoun that there may be circumstances in which discontinuing the project and having it safely decommissioned is in the best interests of both consumers and taxpayers. That will ultimately be down to a value-for-money process that asks: what is the best deal here for consumers and taxpayers? The Office for Nuclear Regulation may have shut down the plant for safety reasons; there may have been an environmental or security incident, or maybe something else happened that meant that trying to make that plant commence or continue to generate electricity was not in the interests of consumers or taxpayers. It is important, then, that the Secretary of State retains discretion to act in whatever way will achieve the best outcome for consumers and taxpayers during the insolvency of a relevant licensee nuclear company.

I stress to the Committee that the likelihood of those scenarios is, of course, very remote, as indeed is the likelihood of a nuclear administrator ever being appointed. I thank the Opposition for their forward thinking and consideration of what would happen in such a scenario, but I hope that I have assured the Committee that it would not be sensible to tie the hands of the Government in such a way that they had to commit further taxpayer money to a project without being able to balance that against the merits of doing so. The amendment would create an automatic process, but the Bill provides sufficient flexibility to allow the Government to pursue the option that the amendment provides for if they consider such a decision to be in the best interests of consumers and taxpayers. I therefore ask the hon. Member for Southampton, Test, to withdraw the amendment.

Dr Whitehead: I thank the Minister for his consideration of the processes by which a power plant might need to be rescued and/or decommissioned and/or discontinued. I think he will recognise, however, that the circumstances in which he says ministerial discretion would need to be exercised are an unlikely part of an unlikely scenario of an unlikely future.

The Minister gave the example of an accident, or something else, closing the plant down, so that it would have to be decommissioned and could no longer produce power. That would need to be done anyway, even if the company was placed in Government hands, so I do not think that those circumstances affect the path I have set out relating to Government interest in a plant that could not be bought out of administration because it was a going concern, or because it had been sold to another company—unless the Minister has it in mind that the sale of a nuclear company to another company would be done on a peppercorn basis, in which case the nuclear plant would lose all the value that the bill payer had invested in it.

In any event—this is what concerns me about the intervention by the hon. Member for Kilmarnock and Loudoun—the whole purpose of the RAB model is to produce a working nuclear plant that was invested in up front by members of the public and bill payers. That plant would then produce power as a reward for that up-front investment. If we easily closed a plant down because it was insolvent, we would be overthrowing the whole purpose of the RAB scheme, which is for the public to get something back, and we would be back to the instance that we talked about early on in Committee.

Alan Brown: The hon. Gentleman is right about the purpose of the RAB model, but would the unlikely event of insolvency not just confirm the failure of the RAB scheme? We should not keep throwing good money after bad in the event of such a failure.

Dr Whitehead: The hon. Member is right that in the event of an utter catastrophe, where the nuclear core does not work, the concrete casings are seriously deficient and the whole thing has to be closed down, we are in a scenario—this was sort of suggested by the Minister—where it would not be viable to continue the project. However, where it is in principle possible, electric power production in the plant should continue, because billions of pounds of customer payments will have been invested in the plant.

12 noon

With amendment 18, I am suggesting that there are more ways to ensure that than are set out in clause 32; one way is to take the plant into public ownership, and operate it on that basis. The alternative is that, under those fairly unlikely circumstances—and I agree that they are unlikely—we could end up with a situation like that in South Carolina, which we discussed earlier in Committee, and which the Minister had a lot of information on. The outcome in South Carolina was that a power plant was simply abandoned—not because it was particularly deficient, but because it could not be funded. The public lost all the money they had put into the plant. We want to avoid that in all circumstances, and the amendment ensures that we do.

The Minister is by now fairly well apprised, I hope, of the amendment's intentions. I hope that, despite what he has said, he will give careful consideration to whether the clause is as robust as it might be. We do not propose pushing the amendment to a Division, but we have put on record what we think about the shortcomings of the clause. I hope the Minister will take our concerns seriously, and will either give the matter consideration later in the Bill's passage, or strengthen the special administration regime subsequently. I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

The Chair: We have had a substantial debate on clause 32 already, so I will put the question on it.

Clause 32 ordered to stand part of the Bill.

Clause 33

APPLICATION OF CERTAIN PROVISIONS OF THE ENERGY ACT 2004

Question proposed, That the clause stand part of the Bill.

Dr Whitehead: I have a brief question for the Minister on clause 33(7)(b), concerning the application of section 171(1) of the Energy Act 2004. It says:

"omit the definition of 'non-GB company'.

I am slightly mystified as to why that is in the clause, because so far as I can see, the definition in section 171(1) of the 2004 Act of a non-GB company is perfectly reasonable and should continue to exist. Perhaps the Minister can shed some light on that.

Greg Hands: I have to confess that I am not able, at this moment, to shed light on subsection (7)(b) and why section 171 of the 2004 Act should be so amended. I pledge to write to the hon. Gentleman—I will copy in Committee members—to clarify why omission of that part of the 2004 Act is proposed.

The Chair: Is that acceptable, Dr Whitehead?

Dr Whitehead: Yes. I thank the Minister.

Question put and agreed to.

Clause 33 accordingly ordered to stand part of the Bill.

Clauses 34 to 42 ordered to stand part of the Bill.

Schedule

MINOR AND CONSEQUENTIAL PROVISION

Question proposed, That the schedule be the schedule to the Bill.

Dr Whitehead: I suspect that the Minister may also want to write to me on this. Paragraph 4 deals with consequential repeals. I am familiar, as I am sure everybody is, with the works at the back of any Bill amending various Acts to bring them in line with the amendments made in the Bill, or in some instances repealing measures that are replaced by provisions in the Bill. I have no dispute with the way that various Acts are to be amended in the schedule.

However, the consequential repeals—I have tried to follow them through in the way I described to the Minister in our recent discussion on form guides—include repeals of section 6(10)(b) of the Smart Meters Act 2018 and section 11(2) of the Domestic Gas and Electricity (Tariff Cap) Act 2018. These actually do the same sort of thing: delete sections of various Acts regarding licence modifications. Having looked through how these two provisions apply and why they are being repealed, I cannot see what on earth they have to do with nuclear energy financing. While I am sure that this would not have anything to do with somebody trying to put a couple of repeals in the back of a Bill even though they are not strictly in scope, I would like some assurance that these repeals are actually relevant to the forthcoming Act. If they are relevant, how? Why is it necessary to repeal two provisions that, on the face of it, do not appear to have anything to do with the Bill? I am sure the Minister will be happy to write to me to set out why that is the case.

Greg Hands: Yes, I think I will write to the hon. Gentleman, if I may. I am told that it is to remove a double label in the legislation, so it is purely a tidying up exercise. I will write to him, copied to members of the Committee, and for convenience I may combine it with the letter mentioned in the previous debate. It would be convenient for the Committee to have that letter well in time for Report, in case Committee members wish to consider following up with an amendment on Report.

Question put and agreed to.

Schedule accordingly agreed to.

Clauses 43 to 45 ordered to stand part of the Bill.

New Clause 1

REPORT ON EXPECTED COSTS

"(1) Prior to exercising the power under section 6 (1), the Secretary of State must lay a report before Parliament.

(2) The report must set out—

(a) the expected overall capital cost of the prospective projects;

(b) the expected up-front cost of the prospective projects."

—(Alan Brown.)

This new clause would require the Secretary of State to set out (a) the overall capital cost; and (b) the expected up-front cost of the prospective projects prior to exercising the power under Clause 6 (1).

Brought up, and read the First time.

Alan Brown: I beg to move, That the clause be read a Second time.

Again, I am trying to rise to the challenge from the Minister to put forward amendments and new clauses to improve the Bill. New clause 1 is about trying to ensure much greater transparency on costs by asking the Secretary of State to lay a report before Parliament. That in itself should not be onerous and it is something that I expect the Minister would easily be able to commit to. All the other new clauses are similar and about trying to establish that transparency, so that parliamentarians and consumers understand the cost of a nuclear project once it is signed off or at different phases following that.

New clause 1 is very modest. Subsection (2)(a) is about the provision of confirmation of the capital cost. Parliamentarians and, more importantly, consumers need to know just how many billions of pounds are committed to each new nuclear project. We hear that Hinkley Point C is now costing around £22 billion, an increase of 25% on the original estimated cost of £18 billion, but we never get these figures confirmed by Government, because it is said that cost increase is a contractor risk. So, we do not ever formally get to understand the true costs of Hinkley Point C.

At the moment, while we assume that Sizewell C will be in at least the same order of magnitude of cost, we are always told that Sizewell C will be cheaper than Hinkley Point C because of lessons learned in the design and construction of the project. Even then, that still means that Sizewell C will be in the order of £20 billion. That is a lot of money being committed for consumers, and consumers have the right to know just how much money is being committed.

We do not even know how that £20 billion estimate is going to pan out because construction costs are soaring post covid and post Brexit. Even if savings are made on Hinkley Point C, they could easily be counterbalanced by natural cost increases in the construction industry.

Subsection (2)(b) calls for all up-front costs to be clarified. If we look at the development of Sizewell C, that would mean confirmation of how much of the £1.7 billion allocated in the budget has been used and what it was used for. We also need to know what other costs are committed to during the anticipated construction period. Under the RAB proposals, consumers will start to pay money as soon as construction begins, but they are actually not committed to the full construction cost because that gets spread out over the rest of the RAB contract period; but I think it is only right to know what costs have been committed to as soon as construction commences.

Looking at the bigger picture—possibly I should have made the new clause more wide-ranging—we need to know what decommissioning costs are committed to within the overall cost envelope. We should also have the full details of RAB payments in terms of anticipated changes going forward, over the six-year period post construction.

I say to the Minister that I do not want to hear commercial confidentiality used as a smokescreen for not providing information. Giving details of the kind that I have highlighted would in no way endanger an operating company's patent in design, or people being able to work out the costs of individual elements, because we are looking for the big picture costs.

12.15 pm

Lastly, we also need to consider any other consequential costs. As part of the Hinkley Point C deal, it was reported, the strike rate of Hinkley Point C would reduce from the extortionate £92.50 per megawatt hour strike rate to £89.50 per megawatt hour if Sizewell was given the go-ahead. However, presumably when that arrangement was agreed it was on the assumption that Sizewell would also be continuing on the contract for difference model. If a RAB funding model is agreed for Sizewell C, will we still see that reduction in strike rate for Hinkley Point C, or is that by default a further hidden cost of the RAB model if taken forward for Sizewell C?

Greg Hands: As the hon. Gentleman just explained, new clause 1, tabled by himself and the hon. Member for Aberdeen North, seeks to place additional reporting requirements on the Secretary of State. In particular, it will oblige the Secretary of State to lay a report before Parliament outlining expected overall capital and up-front costs of the project, before the licence modification powers are exercised. I want to thank the hon. Member for engaging with the substance of the Bill. He is right that I challenged him on the first day because he had not tabled any amendments; now he duly has, and it is our job to debate and scrutinise those amendments.

While we agree that it is important for the Secretary of State's decision making with respect to a RAB to be transparent, a requirement to publish details of a negotiated deal prior to the licence modifications could jeopardise our ability to complete a successful capital raise—that is the point here. That could in turn impact our capacity to secure value for money for consumers; at the end of the day, that is what this Bill is all about. I want to reassure the hon. Member—

Alan Brown: Can the Minister explain more fully why giving detail on what the anticipated capital costs of the project are will somehow endanger the sign-off of that deal?

Greg Hands: At the point of the licence modification, we then go into the raising of the capital. Raising the capital may be more difficult, or be jeopardised, if that information has been published. It must be in the best interests overall for the Secretary of State to make the judgment as to how they can best effect best value for money for consumers, and ultimately for the sake of the taxpayers.

Alan Brown: I am still not clear how putting in the public domain what the capital cost is would make it difficult for somebody to secure private investment. First, they will have already looked at securing investment; and secondly, once the costs are known it would surely be easier for them to secure additional private investment.

Greg Hands: The hon. Gentleman may be mixing up what is in the public domain and what is part of the negotiation. You will know, Mr Gray, that it is important for the Secretary of State to be able to, in the negotiation, get the best deal—that is what we are looking for here. That is the whole purpose of the legislation; the purpose of the RAB model is to save consumers money overall. It responds to the National Audit Office report that mentioned Hinkley Point C, and said that there ought to be the ability to save money overall by sharing costs between consumers and taxpayers. That is what the RAB model is seeking to do. What we are debating overall with this legislation is how to best effect a saving for the consumer, which we estimate to be in the region of £30 billion overall. That is a very effective saving for consumers.

I would like to reassure the hon. Member that the allowed revenue for the project will be calculated by the authority throughout the construction period, thus helping to ensure that the company is spending money efficiently and economically. In response to that part of the new clause looking for detail on capital costs, these will be a key input to a project's value for money assessment as it goes through relevant approvals. As set out in our consultation on RAB, when assessing the value for money of new nuclear projects, the Government would be focused in particular on whether the project was expected to contribute to the target of net zero emissions by 2050 and deliver security of supply at a lower total electricity system cost for consumers than alternatives without the project, so additional considerations do come into play.

In response to the part of the new clause that asks about the up-front costs of a project, we have suggested elsewhere that any initial costs to the project financed under a RAB model would be very small. For example, a project beginning construction in 2023 would cost only a few pounds per dual-fuel household in this Parliament.

The new clause is not necessary, given the steps that we have taken elsewhere in the Bill to ensure that the modification procedure and the designation process that precedes it are as transparent as possible. We believe that sufficient transparency is already embedded in the Bill. The Secretary of State will be obliged to publish the designation statement setting out how they will assess nuclear companies against the designation criteria, including value for money, for a RAB project. The Secretary of State will also need to consult with a list of key independent bodies, including Ofgem as the RAB regulator, the UK's nuclear and environmental regulators and the devolved Administrations, on their draft reasons for project designation, which will include the Secretary of State's assessment of the project's value for money. They will then be obliged to publish these reasons at the point that a project is designated.

The Secretary of State is also required to consult named persons prior to making any licence modifications, which will allow expert voices to input on whether the licence modifications are effective in facilitating investment. Following the consultation, the Secretary of State must then publish the details of any modifications made as soon as reasonably practicable after they are made. This approach—of consultation followed by publication—is well precedented in other licence modification powers.

I turn to a couple of points raised by the hon. Member for Kilmarnock and Loudoun. He asked some questions about potential the savings of Sizewell relative to Hinkley. First, of course we are expecting there to be savings—learnings from the Hinkley process to be transferred to the Sizewell process. Secondly, going back to what I said earlier, we would expect that the RAB model would also lead to savings overall for the consumer over the life of the plant.

[Greg Hands]

The hon. Member then asked about the strike price reduction. Under the RAB model, it is not appropriate to talk about a strike price, because it is a fundamentally different financing construct, without a strike price, which is applicable under a contract for difference regime. It would not be appropriate to use a strike price in this case. It is fundamentally different.

Alan Brown: My point was that part of the original strike rate deal agreement for Hinkley Point C was that if Sizewell C followed on, there would be a consequential reduction in the strike price for Hinkley. I know this is about a RAB model; but I am asking, will that consequential price decrease in the strike rate nevertheless be made—or, because of the RAB model, does Hinkley remain at £92.50?

Greg Hands: The hon. Member raises a very good question. The negotiation is ongoing at the moment with Sizewell. I reiterate the point made by the Secretary of State that the learning process from Hinkley is ultimately transferable to Sizewell. There are also aspects of the supply chain that were established for Hinkley that are transferable to Sizewell. If I understand correctly, there have been savings during the construction of Hinkley, with learnings from the earlier part of the construction going into the later part. We expect those savings to go forward to Sizewell. However, I stress again that comparing a RAB model strike price with the strike price of a contract for difference is not appropriate. There is no strike price with a RAB model.

By following this model and allowing the Secretary of State to lead on negotiations, as is standard for a project of this type, we will be able to achieve the best deal for consumers and taxpayers. I hope that demonstrates to hon. Members the Government's commitment to transparency in the licence modification and the processes that support it. I hope they will withdraw the amendment.

Alan Brown: I have listened to the Minister and I am still not convinced in any way that what he outlined will provide the transparency that I am looking for. Again, the argument is, in terms of construction costs, "Well, it is only a few pounds per dual-fuel household per month for the duration of this Parliament." That is one of the points I keep returning to. "We are talking about just a few pounds per month per consumer" is a way of trying to minimise the actual costs that are being committed, and I do not think it is sufficient. That is why I want to see much more transparency on the actual costs that are committed.

It is also interesting that the Minister made an assessment about security of supply and the whole-system cost, and looking at the value for money of a nuclear power project on that basis. I would like to understand a bit better how the Government actually undertake that. I refer him to the Imperial College report that demonstrated that using pumped storage hydro would save £690 million a year compared with nuclear energy. So, clearly, it is all about how we look at the metrics and which other technologies we consider when looking at the whole system and looking ahead to 2050.

I will not press the new clause to a vote at the moment. We will look at bringing back something on Report to try to encapsulate what we are looking for in terms of that transparency. I beg to ask leave to withdraw the motion.

Clause, by leave, withdrawn.

New Clause 2

REPORT ON AGREED STRIKE RATE

"(1) When granting an electricity generation licence to a nuclear company in relation to a nuclear

energy generation project, the Secretary of State must lay a report before Parliament.

(2) The report under subsection (1) must set out—

(a) whether the Government has offered the nuclear company a guaranteed strike price for the sale of electricity onto the National Grid;

(b) the strike price included in any such arrangement;

(c) the duration in years of any such arrangement."—*(Alan Brown.)*

In respect of new nuclear projects, this new clause would require the Secretary of State to publish details of any agreement reached offering a guaranteed strike price for the sale of electricity onto the National Grid.

Brought up, and read the First time.

Alan Brown: I beg to move, That the clause be read a Second time.

I will be very brief because most of my new clauses are quite self-explanatory. This new clause seeks full clarity on any commitments that we undertake in a new nuclear project. It has previously been suggested that once a new power plant is operational, the actual cost of the electricity will be deducted from the RAB payments and, arguably, somehow the RAB payments could then be nullified by that arrangement. I do not see how that is credible.

If we are entering a 60-year contract to pay back a lot of the capital cost of the project, it does not make sense that the electricity would work to counterbalance that. I am concerned that a strike rate or some sort of minimum floor price will be agreed with a company, else it might not want to commit to the £20 billion or £20 billion-plus capital expenditure. That is what the new clause is all about. If there are any agreements on the price for the sale of electricity that is baked into contracts or negotiations—although it might not be called a strike rate—we need to understand that. Again, we need to have that full transparency on the costs that will be committed to consumers' bills.

Greg Hands: I thank the hon. Member for Kilmarnock and Loudoun for probing, but I will briefly point out two reasons why we cannot include his new clause in the Bill. First, the new clause makes reference to "granting an electricity licence"; to be clear, the Bill does not give powers to the Secretary of State to grant any licences but, instead, to amend existing generation licences. Purely on language terms—important terms—we cannot accept the new clause. Secondly, the new clause proposes that the Secretary of State must report on any strike price agreed in relation to a project and provide further detail on that price. As I have already said, "strike price" is not an appropriate term because there is no strike price in a RAB model. For those reasons, I ask that the hon. Gentleman withdraw his new clause.

Alan Brown: I will not press the new clause to a vote at the moment. I will have a think about what the Minister recommends on language, which presumably means the language he would accept; I will also revisit what we are calling a strike rate. Maybe we can agree something on Report. I beg to ask leave to withdraw the motion.

Clause, by leave, withdrawn.

New Clause 3

REPORT ON DECOMMISSIONING COSTS

"(1) When granting an electricity generation licence to a nuclear company in relation to a nuclear generation project, the Secretary of State must lay a report before Parliament.

(2) The report under subsection (1) must set out—

(a) how decommissioning costs will be met, including any role played by—

(i) revenue collection contracts;

(ii) strike rates; and

(iii) consumer risk.

(b) how this would change if the nuclear company were to become insolvent."—*(Alan Brown.)*

In respect of new nuclear projects, this new clause would require the Secretary of State to publish details of how decommissioning costs will be met, including in the event of the nuclear company becoming insolvent.

Brought up, and read the First time.

Alan Brown: I beg to move, That the clause be read a Second time.

Again, I will be very brief, because I think it is clear what I am looking for. I am sure that the Minister will give the same answer about granting and modifying a licence, and that it is not the time to provide that information. However, I do think it is very important that, at some point, we understand it. We keep being told that decommissioning costs are baked in, up front, in the price of a contract. For me, it is vital that we get more information on what is actually baked in, and how that can provide any certainty on future decommissioning, because I still have grave concerns that a company could choose to walk away, and the taxpayer or consumer is left to pick up the decommissioning costs at a later date.

12.30 pm

Greg Hands: I thank the hon. Gentleman for tabling the new clause. He is right that, in my view, it cannot be accepted into the Bill because it refers to granting rather than amending a licence; however, I welcome his attention to the costs of decommissioning, which is an important issue across all these projects. It is important to note that the Energy Act 2008 legislated to ensure that the operators of new nuclear power stations have secure financing arrangements in place to meet the full costs of decommissioning. Nothing in the Bill would alter in a negative way the provisions of the 2008 Act.

Under the 2008 Act, operators are required to submit a funded decommissioning programme to the Secretary of State for approval. I stress to the Committee that it is a legal requirement to have an approved FDP in place before any nuclear-related construction can begin on site. When making a decision on an FDP to approve, reject or approve with conditions, the Secretary of State must have regard to the FDP guidance, which sets out the guiding factors that the Secretary of State must be satisfied are met. The guidance stipulates key documentation and so on, and consultation with the ONR, the Environment Agency and Ofgem.

All of that is laid out in the 2008 Act, so I hope to have demonstrated that the robust FDP legislation, combined with the RAB model and our insolvency measures, will ensure that the costs of decommissioning are met. For all those good reasons, in addition to the reason that the new clause talks about granting rather than modifying the licence, I ask that the hon. Gentleman withdraw the new clause.

Alan Brown: I will not press the new clause to a vote. Equally, I am not convinced that there is enough transparency on the decommissioning costs. It is certainly something that I would like to revisit. I understand what the Minister says about the process, but of course we have not had a chance to test how robust it is. It has been applied to Hinkley, but decommissioning is some way off. We know how much liability the taxpayer has at the moment in terms of the existing decommissioning, which it is estimated will cost £132 billion over the next 100 years. We have an astonishing nuclear waste legacy that the taxpayer is having to pick up. That is why I am really keen to explore the robustness of the process, and more importantly what costs there are, but I beg to ask leave to withdraw the motion.

Clause, by leave, withdrawn.

New Clause 4

REPORT ON PROPOSED PAYMENTS TO A NUCLEAR ADMINISTRATOR OR RELEVANT LICENSEE NUCLEAR COMPANY

"(1) Prior to making payments for the purpose described in section 41(2)(c), the Secretary of State must prepare and publish a report on the proposed payment and must lay a copy of the report before Parliament.

(2) Before the payment is made, the report under subsection (1) must be approved by the House of Commons."—*(Alan Brown.)*

This new clause would require any payments under clause 42(2)(c) to be approved by the House of Commons before being made.

Brought up, and read the First time.

Alan Brown: I beg to move, That the clause be read a Second time.

I will be brief. The new clause could have been an amendment to clause 41. I am concerned that the financial provisions under clause 41 are open-ended. The Secretary of State can make decisions, and subsection (1) begins:

"There is to be paid out of money provided by Parliament".

It is effectively saying that Parliament will pay for whatever decisions the Secretary of State makes. As I say, that is open-ended; it is a blank cheque, if something is enacted under clause 3. That is why I simply ask that, before making any payments, information be provided to Parliament, and the anticipated level of expenditure be approved by Parliament itself.

Greg Hands: New clause 4 would add another new report for the Secretary of State to lay before Parliament, as the hon. Gentleman said, to detail the funding that the Secretary of State would propose to make to a nuclear administrator or relevant nuclear licensee company, and further requires that the report be approved by the House of Commons. As I have already made clear, I think the clear and transparent process that we have already laid out in the Bill achieves the objective overall, but in this particular case such an amendment could have negative implications for the operability of the SAR, or the special administration regime. This may place additional risk on consumers being unable to realise the benefits of the plant that they have contributed to building and significant sink costs. Of course, these are powers that we hope the Secretary of State will never have to use, and money that will never need to be spent.

As well as the need for pace, there is also a need for all relevant parties to be comfortable that the SAR is deliverable. In order to take on the administration appointment, the administrator would need to be assured that funding in the form of loans, guarantees or indemnities would be available from day one of the SAR. That is a crucial part of how a SAR regime operates. The administrator must know that funding is available from day one. The proposed amendment could introduce a degree of uncertainty over the funding pending a report from the Secretary of State to be deposited in Parliament, such that the administrators might be reluctant to take on the appointment.

I remind the House that the objective of the RLNC administrator is to commence or continue the generation of electricity, and we expect that in doing so the administrator must be able to act swiftly. It is imperative that an administrator has quick access to the funding required to ensure that such outages do not occur—we are talking, after all, about a nuclear power plant—and security of supply is maintained. More importantly, such swift action must also be conducted safely, and any lapse in funding could result in safety-critical operational expenditure not being spent. I therefore consider that such a reporting obligation on the Secretary of State would hinder the effectiveness of the special administration regime, so I ask the hon. Gentleman to withdraw the motion.

Alan Brown: I really do not buy the argument that getting approval for expenditure somehow jeopardises getting that expenditure and getting the plan operating. It makes no sense whatever. I think the Minister just wants to retain the open chequebook policy that allows the Secretary of State to do whatever he wants, but he argued it was necessary for security of supply.

It feels as though the end is in sight. I am not going to press this to a vote, given that we will simply lose it, so I am happy to withdraw, but, again, I would like to reconsider it because, to repeat myself, I want greater clarity and transparency on the costs that could be committed in future. I beg to ask leave to withdraw the motion.

Clause, by leave, withdrawn.

New Clause 5

REPORT ON TRANSFERS FALLING WITHIN SECTION 32(3)

"(1) Prior to a transfer falling within section 32(3), the Secretary of State must lay a report before Parliament.

(2) The report under subsection (1) must set out—

(a) the liabilities associated with the nuclear company;

(b) any estimated costs of getting the plant operational again if it has been temporarily shut down;

(c) the estimated lifespan of the nuclear power station; and

(d) decommissioning costs and confirmation of any funding provided by the nuclear company for this purpose."—*(Alan Brown.)*

This new clause would require the Secretary of State to publish a report on the matters listed prior to any transfers falling within clause 32(3).

Brought up, and read the First time.

Alan Brown: I beg to move, That the clause be read a Second time.

Lastly and briefly, new clause 5 ties in with the debate that we had earlier on amendment 18 to clause 32. These are the key considerations that the Government would need to consider before committing to maintaining the operation of a nuclear power plant. In the case of a company becoming insolvent, it cannot be taken over as a going concern and cannot be transferred. In terms of the going concern aspect, what liabilities are associated with the nuclear costs? Obviously, there are the actual costs of getting the plant operational again if it has had to shut down. The estimated lifespan of a nuclear power station and the decommissioning costs and confirmation of any funding that is provided by the nuclear company for that purpose again gets into the value for money argument and making a sensible decision. Do the Government take over the operation of the plant, for example, or do they start the decommissioning process and shut it down to get best value for the taxpayer?

Greg Hands: I thank the hon. Member for Kilmarnock and Loudoun for describing his proposed new clause 5. It is important to understand that the new clause, like the previous ones, would oblige the Secretary of State to lay before Parliament a report, in this case detailing the liabilities associated with a nuclear company, the estimated costs of restoring operation in the event of a shutdown, the estimated lifespan of the nuclear power station and the decommissioning costs of the project.

Obviously, I welcome the hon. Gentleman's desire to increase transparency and the robustness of the Bill. However, I would like to bring to the Committee's attention that it is of course the court that has the final say, as it is the court that appoints the time at which the energy transfer scheme is to take effect, following approval by the Secretary of State. It is a matter for the court. Therefore, the proposed reporting obligation on the Secretary of State must be considered unnecessary, as sufficient transparency is already offered through the court process. The courts will make an informed decision and will have ultimate responsibility for the decision on when an energy transfer shall take effect.

The proposed reporting requirement might oblige the Secretary of State to publish sensitive material, including of a commercially sensitive nature, which could have implications for the effectiveness of the RLNC administration order, the ability to achieve the objective and also to bring the administration to an end. It might well act against the public interest. The new clause risks the failure of the RLNC administration order's objective and considerable sunk costs to consumers. I therefore ask the hon. Gentleman to withdraw the motion.

Alan Brown: In each response, the Minister says that he welcomes my desire for greater transparency, but he then rejects all my requests for greater transparency, so it does not quite feel like that. Presumably it means that we will be able to agree something on Report to get the transparency that we desire. Again, I am not convinced that doing this report would jeopardise the process, but I am happy to withdraw the new clause at the moment and to try to find ways to get the answers and transparency that I am looking for. I beg to ask leave to withdraw the motion.

Clause, by leave, withdrawn.

Question proposed, That the Chair do report the Bill to the House.

Greg Hands: On a point of order, Mr Gray. I would like to thank you and Ms Fovargue for your excellent chairing of the Committee, getting us through this important process efficiently and effectively. This has been a very interesting debate on a very interesting Bill on a very interesting topic, which attracted broad interest across the House. I have to confess that this has none the less been a relatively uneventful Committee, but for connoisseurs of the topic, it will provide many future years of reading as to how nuclear financing was scrutinised by the House of Commons so effectively and in significant detail.

I thank the excellent witnesses whom we heard from last week and all members of the Committee for their constructive debate. That has allowed the Bill to go through significant scrutiny, and facilitated important discussions. I also thank the Whips—the Whips must always be thanked—on both sides for their efforts and their effective management of the time. I offer my thanks to the Clerks, the *Hansard* reporters, the Doorkeepers and, indeed, all the parliamentary staff, and to my excellent team of Department for Business, Energy and Industrial Strategy officials, for the smooth proceedings and ensuring that we have all been well looked after and have finished with the Bill well scrutinised, but in good time. I look forward to the next stages of proceedings on the Bill and the continued insight from colleagues across the House.

Dr Whitehead: Further to that point of order, Mr Gray. I would like to associate myself with the Minister's remarks about the passage of the Bill and with the thanks that are due to the many people who took part in its processes, from witnesses to hon. Members here today. A number of them were, I know, somewhat tested on occasion by the detail into which some amendments went. But overall, we have had good scrutiny of the Bill, facilitated by the courteous way in which the proceedings were conducted. I thank the Minister for those courtesies in how our debates proceeded, and I thank you, Mr Gray, for your excellent chairing of our proceedings.

Alan Brown: Further to that point of order, Mr Gray. In a similar vein, I thank yourself and Ms Fovargue for chairing the Committee. I especially thank the Clerks for all they have done, and for the assistance they have provided with drafting amendments and new clauses. I must admit, although the Minister has said that some were not relevant, I trust the Clerks' judgment more than I trust the Minister. I do not mean that to be facetious.

12.45 pm

The Minister has said that people will be able to review how we have debated nuclear financing and what this Bill might achieve. I actually hope that this Bill ends up getting dusty sitting on a shelf and is never required to be used; I am not going to change my viewpoint on what the endgame of this is. However, it has certainly been an interesting debate, and I thank the Minister for the good spirit he has shown. It was funny when the hon. Member for Southampton, Test made the joke about how long we have spent on some amendments: it is amazing that we have got here after our sitting dealing with the first amendment, but I thank everybody for their participation.

The Chair: All three points of order are, of course, entirely bogus, but are none the less very welcome indeed. I put on the record my view that the bulk of the work of the chairing of the Committee has been done by my hon. Friend the Member for Makerfield. Nevertheless, I am grateful to all three Members for their entirely bogus points of order.

Question put and agreed to.

Bill accordingly to be reported, without amendment.

12.46 pm

Committee rose.

Written evidence reported to the House

NEFB06 Sizewell C Consortium

NEFB07 Stop Sizewell C