

COMPREHENSIVE SPENDING REVIEW ANALYSIS FOR NIA MEMBERS



Summary

Yesterday, the Government published its [Comprehensive Spending Review](#), as well as the [National Infrastructure Strategy](#) (NIS), which crucially included the [Government's response to the National Infrastructure Commission's](#) (NIC) Assessment which it produced in 2018. This was relatively unexpected, as BEIS Minister Kwarsi Kwarteng had recently told a Select Committee that this would not be published until the New Year.

The key points were as follows:

- The Government rejected the NIC's recommendation that only one more large-scale nuclear power station should be approved after Hinkley Point C, in a major victory for the nuclear industry.
- The Government formally acknowledged in writing that they are considering the role of "government finance during construction" for nuclear projects.

Comprehensive Spending Review

The [Comprehensive Spending Review](#) The first point to make is that this review comes off the back of the [Prime Minister's 10 Point Plan](#) last week, the third point of which was dedicated to asserting the Government's commitment to new nuclear:

- "up to £525 million towards the development of a large-scale nuclear project, subject to value for money assessment, and advanced nuclear technologies, including novel small modular reactors and next generation advanced modular reactors".

This was reiterated in the CSR documents, and is broken down into the following:

- £385 million for an "Advanced Nuclear Fund"
 - £215 million for Small Modular Reactors (SMRs)
 - £170 million for Advanced Modular Reactor (AMR) research and development

The Government has stated that its aim is for the Advanced Nuclear Fund to receive an additional £300 million in private sector match funding.

- £40 million for regulatory reform and supply chain development

This leaves £100 million yet to be allocated, with no money specifically assigned to "the development of a large-scale nuclear project." We will continue to seek clarification on this matter.

On decommissioning, the Government has allocated:

- "£2.7 billion for the Nuclear Decommissioning Authority to enable it to continue the work of safely decommissioning the UK's nuclear legacy sites, across England, Scotland and Wales."

The NIA raises decommissioning funding with the Treasury at every review, and we will continue to advocate for sustainable funding settlements in further review periods.

National Infrastructure Strategy and Response to the NIC

As noted, the Chancellor announced the publication of the [National Infrastructure Strategy](#) (NIS), which crucially included the [Government's response to the National Infrastructure Commission's](#) (NIC) Assessment which it produced in 2018.

One of the NIC's recommendations was that: "The government should not agree support for more than one nuclear power station beyond Hinkley Point C, before 2025."

The Government rejected this recommendation:

- “Since the NIC assessment was published, the government has legislated for a target of net zero greenhouse gas emissions by 2050. This is likely to result in a significant increase in electricity demand and require the power sector to reach low levels of carbon emissions. In turn, these factors further affect electricity system requirements to decarbonise at lowest cost, including the necessary sources of generation.
- **“this uncertainty means it is important to maintain options by pursuing additional large-scale nuclear projects** [our emphasis], subject to clear value for money for both consumers and taxpayers and all relevant approvals. Further details of the government’s nuclear strategy will follow in the Energy White Paper. The government will consider the relative needs of the system and the value of new and alternative technologies in delivering a low-cost, low carbon and reliable electricity system.”

This is a major victory for the NIA and for the nuclear industry, as it means that the Government will still explore multiple large-scale nuclear projects. This is critical for our members, for the health of the industry as a whole, and for the UK’s net zero target. We know that many gigawatt-scale reactors will be required to reduce emissions drastically, and that each large-scale project generates tens of thousands of skilled jobs across the supply chain.

Nuclear in Net Zero

In the National Infrastructure Strategy, the Government acknowledged that nuclear was vital to net zero, although they consistently qualified that with conditions about value for money.

The strategy acknowledges that given the intermittent nature of renewable technologies:

- “there will also be a requirement for more reliable sources of power in the future energy provision of the UK. In particular, power generated from nuclear or power stations that burn hydrogen, or gas with carbon capture and storage. The government will therefore ensure private capital investment is able to continue to finance the energy transition and allow these technologies and network investments to come forward.”

Since nuclear power is the only source of firm, zero-carbon power proven at scale, we will continue to make the case that nuclear investment should be prioritised.

The strategy further acknowledged the following:

- “Nuclear is a proven, value-for-money source of reliable low carbon power which can complement renewables. The government is pursuing large-scale nuclear projects, subject to clear value for money for both consumers and taxpayers and all relevant approvals, with further details to follow in the Energy White Paper.”

Once again, it is encouraging to see confirmation that multiple large-scale projects will be considered, although there is a need for the White Paper to present the promised details quickly, so crucial decisions on investment can be made.

Nuclear Financing

On the nuclear section on page 52, there is the following comment:

- “Last year, the government consulted on a nuclear Regulated Asset Base (RAB). The government is considering the responses to this consultation and expects to publish a response in due course. Alongside considering the RAB model the government will also continue to consider the potential role of government finance during construction, provided there is clear value for money for consumers and taxpayers.”

That last sentence is key, at it shows the Government is still open to taking direct stakes in nuclear plants, especially at the critical point of construction, before power generation produces a revenue stream. While Kwasi Kwarteng, the Minister for Clean Growth, had noted this in at a conference event, it is important that the Government has acknowledged this formally in writing, noting the unique requirements of nuclear construction.

Timeline of Further Policy Announcements

As for the timing of the RAB response, we currently expect this to be published around the Energy White Paper, which is still mooted to be published by the end of the year by Ministers and Officials, however towards the end of the NIS, it states it could be up to three months away.

Further events to look for in the timeline include, in the next six months:

- The Net Zero Review final report
- The National Infrastructure and Construction Pipeline
- A transport decarbonisation plan

And in the next twelve months:

- An electric vehicle charging infrastructure strategy
- A heat and buildings strategy
- A hydrogen strategy (although officials believe this could come out in early 2021)
- An industrial decarbonisation strategy
- A refreshed Industrial Strategy

If you have any questions on these announcements, or what the NIA is doing to lobby for nuclear investment, please contact Ieuan Williams, ieuan.williams@niauk.org.