

Background Information

Hinkley Point C

The Hinkley Point nuclear power plant is located on England's southwest coast in Somerset. There is currently a plan to build a new Block C with two more reactors in addition to the Hinkley Point A (decommissioned) and Hinkley Point B (operational) stations that have been there since 1965. Construction has been awarded to the French company *Électricité de France* (EDF), two Chinese partners (*China General Nuclear Power* and *China National Nuclear Group*) and power plant builder *Areva*. According to the European Commission, the overall cost of the project will amount to about 43 billion euros.

Hinkley Point C would be the first nuclear power plant construction project in the UK in more than 20 years and the first new reactor construction in Europe since the Fukushima meltdown disaster. Hinkley Point C is scheduled to be completed in 2023 and operate for about 60 years. Its two EPR-type reactors [EPR = European Pressurized Reactor] are expected to have a total capacity of 3,260 megawatts and thereby cover about 7 percent of Britain's power production. Reactors of the same type are currently under construction in France and Finland, but are experiencing significant delays and increases in costs.

The British government is planning to pay a guaranteed remuneration of nearly 11 euro-cents per kilowatt-hour of nuclear power from Hinkley Point C, plus an adjustment for inflation for 35 years. This guaranteed remuneration is approximately three times higher than the market price. Even without adjustment for inflation it is already significantly higher than the feed-in tariff defined in Germany's Renewable Energies Act (EEG) for electricity from wind energy or large photovoltaic systems. In addition to the guaranteed feed-in tariff, the British government is also promising credit guarantees to lower financing costs for constructing of the nuclear power plant (NPP). The proposed British government aid for Hinkley Point C, without which the project could not be financed, amounts overall to 22 billion euros. The NPP could not be built without this massive subsidisation.

The effect of Hinkley Point C on Germany's electricity market

These high subsidies will allow Hinkley Point C to sell its power at a very low price and make a profit even if the market is experiencing negative pricing. Consequently, electricity prices will drop in the UK and Germany through cross-border power transfer and trade in the EU. Depending on the expansion of cross-border interconnector capacity between EU states, the average German wholesale price for power would drop between 10 to 30 euro-cents per megawatt-hour, due to the operation of Hinkley Point C alone, and at peak even by 40 euro-cents.

This impact on prices would affect the competitiveness in particular of committed renewable power providers in Germany, and, in an assessment by the Becker Büttner Held law firm, herald the end of the internal power market because of the 'blueprint' effect. Unlike the utilities that procure 'grey' power (of unknown origin) at the power exchange, the costs do not drop for green providers procuring electricity directly from plant operators at fixed prices in the 'other direct marketing' business (a form of marketing for green energy set out in the EEG, Germany's Renewable Energies Act). In Greenpeace Energy's case, this competitive disadvantage can add up to as much as a six-digit amount of money.

Hinkley Point C will also have implications for the EEG apportionment system in Germany. This system covers the differential costs between the EEG subsidy of a green power plant and the sale value of electricity at the power exchange. The lower the market price at which a renewable energy facility can market its electricity, the higher the differential costs passed on to final consumers – which must be borne by them.

The price effect of Hinkley Point C is therefore likely to put a strain on the cost of fostering renewable energies every year by millions of euros, at peak to 17 million euros in one year. The result is then a light but appreciable increase in the EEG's renewable energy surcharge for all consumers. Even if other effects are observed in the overall pricing of electricity, from Greenpeace Energy's perspective the increase in green power costs due to Hinkley Point C is an outrage.

The price effects described are already noticeable if we assume today's network infrastructure in the European electricity market remains unchanged. However, these effects will significantly increase when cross-border power lines (cross-border interconnectors) are massively extended in the wake of stronger European energy market coupling (Energy Union) in coming decades. Moreover, the effect of Hinkley Point C on the German electricity market can multiply if further NPP projects in the UK and other European states are realised as part of the Juncker European Investment Plan.

Plea for annulment and proceedings before the European Court

An appeal against the EU Commission's decision can be lodged with the European Court of Justice, a lower body of the Court of Justice of the European Union in Luxembourg. The filing of a plea for annulment is possible within an eight-week period that usually begins with the publication of State aid approval in the EU's Official Journal. The actual legal proceedings begin with the approval of the plea application.

EU Member States are entitled to take action. Austria, for example, has announced it will act against the State aid decision; it will also be supported by Luxembourg. Because EU states are authorized to initiate proceedings, they do not need to meet special requirements or prove specific interests to ensure that their applications to the Court are approved.

Companies/competitors may also bring an action against the State aid decision. In this case, prior involvement in the EU Commission's consultation process on Hinkley Point C is definitely important although there is no reason for exclusion if enterprises were not initially involved in the investigation procedure. Greenpeace Energy submitted its official statement in 2014.

Press contact

Christoph Rasch
Policy and Communications Officer
Greenpeace Energy
Hamburg, Germany
office phone: +49 (0)40 / 808 110 – 658
christoph.rasch@greenpeace-energy.de
www.greenpeace-energy.de