



oekostrom AG



Background Information

1. The effect of Hinkley Point C and other nuclear power plant projects on Germany's electricity market

The study prepared by Energy Brainpool on behalf of the action alliance examines the effect of a subsidised operation of Hinkley Point C with an installed capacity of 3.2 gigawatts. Hinkley Point C is expected to receive a guaranteed feed-in tariff of GBP 92.50 per megawatt-hour. This is currently equivalent to about 120 euros per megawatt-hour. This remuneration is guaranteed for 35 years after the plant goes into operation and will be adapted for inflation. Assuming that Hinkley Point C will have an annual power production of 25.7 terawatt-hours and operate at full load for 8,040 hours, the state subsidy for the entire period of funding will add up to EUR 108.6 billion, or EUR 53.7 billion without adjusting for inflation.

This high level of subsidisation in the form of a guaranteed feed-in tariff means that Hinkley Point C can generate power at negative prices without suffering financial losses. Hinkley Point C lowers the wholesale price of power in the UK. Lower prices lead to an increased import of electricity from the UK to Germany. These imports lower the price of power in Germany, reducing the profits of its conventional and renewable power plants. This effect can lower the price of electricity in Germany by as much as 20 euro-cents per megawatt-hour or nearly 0.5 per cent.

Another scenario describes the effects of building nuclear power plants (NPPs) currently being planned in Europe that could use the British subsidy scheme as a model. The study looked at such projects in the UK, Poland, Czech Republic, Slovakia, Slovenia and Hungary. The total installed capacity of proposed NPP projects in these countries amounts to 33.9 gigawatts. The effects of building these power plants are much higher than the effect of Hinkley Point C alone. In such a scenario, the price of electricity is lowered by EUR 5.70 per megawatt-hour, or about 12 per cent.

Reducing the wholesale price of power by building new NPPs also has an effect on the cost of the system set out in Germany's Renewable Energies Act (EEG). For Hinkley Point alone, the added cost to the EEG system comes to as much as EUR 46.7 million per year. In the case of more NPPs being built in the EU states named above, the cost added to Germany's EEG system (and therefore to all consumers who pay the renewable energy surcharge) can go up to EUR 2.2 billion per year. For a four-person household with an average annual consumption of 3,500 kilowatt-hours, the extra cost of the EEG system comes to EUR 16.40 a year.

The large-scale expansion of nuclear power in Europe has a clearly negative effect on the market value of wind and solar power in Germany. This effect on market value amounts to as much as 10.4 per cent for wind and as much as 4.4 per cent for solar. The large-scale expansion of nuclear power in Europe reduces revenues from an average wind turbine by up to EUR 13,400 per year (per megawatt), and revenues from a solar facility by up to EUR 6,100 per year.

2) Key points of the plea for annulment of the European Commission's decision to approve State Aid

The plea for annulment filed by the action alliance is fundamentally permissible because the companies are directly and individually affected by the State Aid decision of the European Commission and have a vested and present interest in the annulment of the contested State Aid decision.

In their plea application, the ten companies in the action alliance express doubt that subsidising Hinkley Point is compatible with European competition law. The Commission has justified its approval of State Aid as the correction of a market failure as laid down by Art. 107 para. 3 lit. c TFEU. From our point of view, **the electricity market has not failed**. Moreover, the British subsidy package does **not have any perceptible incentive effect**.

In reality, the **market will be artificially distorted** in a manner that is contrary to the European Union's stated objectives and principles. The Commission has applied the provisions of Art. 107 para. 3 lit. c TFEU wrongly from multiple aspects. We see in the state subsidisation of Hinkley Point C a **competition-distorting and unlawful operational aid** and we criticize the European Commission for not adequately examining the consequences and compatibility of this State Aid when it gave its approval. Even the Euratom Treaty does not substantiate a common European interest or national subsidies for nuclear power. On the contrary, Hinkley Point C is harmful to common European interests because **strengthening the market position of individual companies obstructs liberalisation of the internal market**.

The action alliance also sees in the State Aid for Hinkley Point C a **violation against applicable EU directives on tendering procedures**, specifically a breach of Directive 2004/17/EC, which is still valid under Article 107 of the new Directive 2014/25/EU in the context of tendering procedures for the energy sector. The UK government did not publicly advertise the construction and operation of Hinkley Point C. Moreover, we see discrimination in the fact that the technology chosen for the power plant is restricted to nuclear technology.

Hinkley Point C does not serve to ensure the supply of electricity. The UK can fundamentally cover its energy needs by increasing the use of other energy sources, improving its linkage to other EU Member States (through the expansion of interconnector capacity) and implementing energy efficiency measures.