

EIUG represents the UK's energy intensive industries (steel, chemical, paper, cement, glass, ceramics, aluminium, industrial gas producers, etc.). These industries have a common commercial interest in the responsible and efficient use of energy. Due to their exposure to international competition, they also require access to secure, internationally competitive energy supplies to stay in business.

EIUG believes it is vital that energy intensive manufacturing can remain situated within low carbon economies. A failure to permit investment in the most competitive sources of secure, low carbon power generation would increase pressure to locate production in countries that lack emission constraints – an outcome that would be counterproductive in terms of global emissions and needlessly damaging to the UK economy.

EIUG strongly supports the government's preliminary view that the market should be free to invest in new nuclear power stations, and trust that this will be translated into a formal decision in favour of new nuclear without further delay.

Comments on a number of the specific issues raised in the consultation document follow.

Climate change and energy security

EIUG agrees that ensuring energy security and responding to climate change are critical challenges for the UK that will require significant action in the near term and a sustained strategy over the decades ahead. We would add that issues of competitiveness and affordability should not be overlooked in the pursuit of these primary objectives, since sustainable development depends on a balanced approach with regard to social, environmental and economic objectives. It is vital therefore that the market is allowed to deliver secure energy supplies, and to reduce CO₂ emissions associated with energy use, in the most a cost effective manner.

Carbon emissions from new nuclear power stations

EIUG has no reason to question the abundance of evidence that nuclear power stations are amongst the least carbon intensive energy sources currently available.

Security of supply impact of new nuclear power stations

EIUG believes new nuclear power stations would make a considerable contribution to security of energy supplies, principally by reducing the risk of supply failure in a generation mix that is set to become disproportionately dependent on a continuous supply of imported natural gas. It is important to recognise that there is a virtue in diversity within power generation and that it would be unwise to rely on any one technology, whether nuclear, renewable or fossil fuel based, to meet our security needs.

Nuclear power stations play a vital role in providing the secure baseload supplies on which industry depends. A high proportion of industrial demand is met by output from the existing nuclear fleet – far in excess of the 20% or so of overall UK demand – reflecting the fact that industrial demand is ideally matched to baseload generation of this type.

Absent large scale hydro (an option not available to any significant extent in the UK) nuclear is the only proven, commercially viable generating technology that can be relied upon to provide secure, low carbon baseload. Other renewable alternatives are either inherently intermittent (i.e. cannot be relied upon to provide secure supply even when deployed over a wide geographic area) or uncompetitive in the absence of significant and/or indefinite subsidy. The possibility of clean coal (with carbon capture and storage) should not be discounted, but it has yet to be demonstrated commercially. Consequently, if industrial baseload users wish to take a stake in ensuring access to secure, competitive low carbon power generation, either through ownership of plant or long term supply contracts, nuclear is currently the only available option.

Economics of nuclear power stations

EIUG believes that the interests of consumers are most likely to be met if investors are free to make their own assessment of the economic viability of power generation options, including nuclear, and to invest accordingly. A number of utility companies have already indicated their willingness to consider investing in new nuclear power stations in the absence of any direct or indirect subsidy, assuming licensing and planning issues can be satisfactorily addressed, and it is possible that some large industrial consumers may wish to do likewise.

Industrial consumers elsewhere in Europe are already taking advantage of their freedom to invest in a share of the output from new nuclear power (e.g. the Olkiluoto power station in Finland) or long term supply contracts linked to new build (e.g. the Exceltium consortium in France), which gives them the supply security and cost certainty they need to stay in business, without recourse to state aid. EIUG believes that industry in the UK, if it is to remain internationally competitive, needs to have the same opportunity.

Our own internal analysis suggests new nuclear is likely to be cost competitive with gas and coal in a scenario with gas prices around 40p/therm and carbon prices (the combined price of allowances under the EU Emissions Trading Scheme and/or any carbon-based element of UK energy taxation) of around £20/t CO₂ – a highly plausible scenario post 2012. Nuclear is a significantly cheaper option than all equivalently secure renewable-based alternatives (with the exception of large scale hydro) under all scenarios.

The economics of new nuclear – and of low carbon generation in general – would be improved considerably if generators were exposed to the full cost of carbon under the EU ETS and given certainty about emissions levels over the full

planning horizon (licensing, planning, design and construction) for new build projects. Nuclear competitiveness would also be assisted by refining the Climate Change Levy to reflect the carbon intensity of business energy supplies, so that sales of nuclear and other forms of low carbon generation are treated on a consistent and equitable basis.

Waste and decommissioning

EIUG agrees that investors should be responsible for bearing the full cost of waste management and decommissioning associated with new build. If it is thought that the legal responsibility for ensuring these actions are carried out should ultimately rest with government, to protect the interests of future generations, there is no reason why relevant costs should not be accrued in advance over the operational life of a new plant, so the issue of indirect or hidden subsidy need not arise.

Supply of fuel

EIUG has no reason to doubt the reliability of current estimates of proven reserves (which are considerable) or that these reserves could be expanded significantly in the decades ahead in response to a sustained increase in worldwide demand. We note that the principal sources of uranium ore are located in Canada and Australia, both stable democracies with a commitment to free trade.

Supply chain and skills capacity

EIUG is concerned that further delays to a decision on allowing the market to start investment in new nuclear could leave the UK at the wrong end of the queue for access to specialist skills and fabrication capacity in an increasingly global market place.

Actions to reduce the regulatory and planning risks

EIUG supports proposals to reform the planning regime to reduce the risk of needless delay in providing low carbon generating capacity of whatever variety, or in extending and reinforcing the National Grid to accommodate it.