Hinkley Point: not the panacea but one piece in the puzzle

EDF announced its decision to proceed with a new nuclear power station at Hinkley Point in Somerset yesterday evening. The 3200 MW plant would supply 7% of the UK’s energy needs when it begins operation, scheduled for the mid-2020s.

The Government has responded by announcing it will be reviewing the project and making a decision in the autumn, surprising many in the industry who expected the contracts to be signed today. Whether this review considers the commercial terms of the project or where Hinkley Point fits into a wider energy strategy, the project may be closer to the finishing line but is not yet a done deal.

EDF’s decision to proceed with a new nuclear site at Hinkley Point sends a positive signal at a critical time for investment in the energy market, but this is not the silver bullet that will solve the UK’s energy problems – this is only the start of an expensive and high risk process.

Hinkley Point would need to be built on time and to budget. The UK government has underwritten £7 billion of the project, which could be at risk should Hinkley be subject to similar delays and overspend as other EPR projects in France and Finland. Beyond the £18 billion construction costs that EDF and its Chinese partners must finance, the government’s contract with Hinkley would bind households and businesses to subsidies amounting to £30 billion that will be passed through on to energy bills for the next 30 years.

New nuclear will play an important role in the future energy mix, but Hinkley Point is just one piece of a wider puzzle and not the panacea for future supply. Renewable and low carbon technology combined with energy storage, as well as demand management from businesses, will also have a fundamental role in a smarter energy system. It will be essential that Government takes steps to ensure other projects are developed in parallel and receive equal levels of support to guarantee a balanced energy market of the future.