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Réseau Sortir du nucléaire > Archives > Revue de presse > **EDF Pushes for U.K. Nuclear Project Energy Experts Call 'Crazy'**

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EDF Pushes for U.K. Nuclear Project Energy Experts Call Crazy

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Protesters gather in Bridgwater, Somerset, U.K., on July 28.

Photographer : Andrew Matthews/AP Photo

- Rushed final investment decision questioned post-Brexit
- Nuclear power plant may be most expensive object in world

Critics of the U.K.'s first new nuclear plant in more than 20 years, who say the project will prove bad value for millions of British consumers, could be proved right after the government asked to review the deal.

U.K. Business and Energy Secretary, Greg Clark, said the government needed to carefully consider the project before making a final decision to build the 18 billion-pound (\$23.7 billion) station. That statement came just hours after the board of Electricite de France SA had decided to press on with construction.

It will take almost a decade to build the two giant reactors and the new power station has been described by Peter Atherton, an associate at Cornwall Energy, as "the most expensive object in the world."

Others in the energy industry are equally forthright.

"It's a terrible deal for bill payers," said Michael Liebreich, founder of Bloomberg New Energy Finance. "It's a stupid deal."

The station will provide about 7 percent of the U.K.'s power demand and EDF will be paid 92.50 pounds for every megawatt-hour of electricity it produces for 35 years. Those subsidies are projected to reach more than 30 billion pounds, more than twice the estimate made a year ago, according to data published on a government website on July 7. The estimate reflects declining long-term forecasts for wholesale electricity prices.

'Crazy' Price

"The crazy thing is the price," said Juan Camilo Rodriguez, analyst at AlphaValue SA, in a phone interview. "You pay a really high price for a technology that hasn't been tested yet," referring to the EPR reactor design that's under construction in Finland, France and China, but hasn't yet been commissioned.

Renewable energy, which last year delivered a quarter of the U.K.'s power demand, could be a cheaper option, according to a report by the National Audit Office last month. Danish utility Dong Energy A/S [won a contract](#) to deliver offshore wind power in the Netherlands at 72 euros a megawatt-hour (\$80) for 15 years earlier this month, a deal that may be the cheapest in the world for the technology.

While many condemn the economics of the projects, others point out that it's so long-term it's impossible to know the final outcome.

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EDF "could either look like geniuses in 10 years time when it's built if we've electrified transport and

heating and there is an increase in demand for electricity,” said Jon Ferris, strategy director at Utilitywise, a Newcastle, England-based utility, said by phone. “Or it could be that increasing storage from electric vehicles means that demand peaks are lower and we’re making more efficient use of generation we’ve got.”

CFO Resigns

EDF stalled on making a final investment decision in Hinkley Point amid claims from inside the company the project will be financially crippling. EDF Chief Financial Officer Thomas Piquemal quit in March after his plea to delay the decision due to cost concerns was rejected.

After months of delays EDF may have now rushed the decision at short notice over fears the new Prime Minister Theresa May may be seeking to ditch the project as part of a new [industrial strategy](#), said Liebreich.

At a meeting between Theresa May and French President Francois Hollande earlier this month Britain’s new prime minister was non-committal about the project, according to people present at the private talks.

Now that EDF has made the final investment decision, “if the U.K. cancels it, then the U.K. becomes liable for canceling the contract,” said Liebreich.

EDF has already spent 2.5 billion pounds on Hinkley Point, and needs the project to maintain its know-how in the industry, according to the company’s chief executive Jean Bernard-Levy.

“EDF are so exposed now. There’s a 2.6 billion-pound hole in the Somerset ground that EDF have spent of their own money,” said James Heappey, a local MP and member of the Energy and Climate Change Select Committee. “I don’t think they can walk away from that scale of investment.