



## **Les Entretiens Européens - 19th edition - October 13 & 14, 2021**

# **Promoting nuclear projects in Europe and their financing**

Comparison between Member States and with the major regions of the world (China, United States, Russia, etc.)

## **Questions for the debate**



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### **Objective**

*Les Entretiens Européens* will be held on 13 and 14 October 2021 in Brussels, on the eve of COP 26, the plenary sessions of the European Parliament in Strasbourg and the European Council Summit. An opportune moment to contribute to the public debate on the future of nuclear

power, by considering the value of Europe's investment projects and how they are financed.

Debate is raging around a single question: for or against nuclear power? A poor way indeed to prepare a future for our energy system, and to meet the growing need for electricity while successfully transitioning to a low-carbon economy. Some countries, such as Germany and Austria, are leading an unseemly offensive against those countries that have chosen to develop nuclear power, and Europe is doing nothing to assist them with their projects. Worse still, investments are being discouraged in an inadequate electricity market and discriminated against by EU policies, while renewables benefit from labels, public support and other exemptions.

As we all know, these intermittent energies cannot meet the challenges of climate change and industrial recovery alone, particularly in a context of growing electricity consumption. They also require a stable and controllable base, such as nuclear power. Carbon-free energies are being pitted against each other while use of fossil fuels, which still account for 70% of our energy

*Les Entretiens Européens* 2021 will continue the discussions held in 2019 and 2020, which raised the question of the future of nuclear power in a context of growing electricity consumption and sustainable recovery from the economic and health crisis. We invite you to read the reports of the 17th edition organised in Helsinki: **"A new energy era underpinned by nuclear revival"**; and those of the 18th edition broadcast by Zoom: **"Can nuclear power and its innovations aid sustainable recovery in Europe?"**.

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consumption, must be drastically reduced.

Several Member States are even prepared to supplement intermittent energy with gas, which emits 40 times more CO<sub>2</sub> than nuclear and methane... This makes no sense from a climatic, economic or even financial point of view, since while the cost of capital is high for nuclear power, its advantages in terms of well-being and safety are incomparable.

Yet the Budget Commissioner has just declared that nuclear power will not benefit from the Green Bonds aimed at financing the recovery plan, unlike gas, which on the contrary will. By opposing those countries that choose nuclear power, are we not acting in the interests of others, like Germany? A wrong signal given that a decision on whether to include nuclear in the taxonomy is imminent.

ASCPE will address these issues head-on. We will discuss the logic of the objectives of the "Green Deal" for energy, the financing of carbon-free energies in the taxonomy, the relevance of the electricity market model and its regulation for long-term investments, and the necessary

conditions for increased cooperation between Member States having chosen the nuclear path.

*Les Entretiens Européens* will bring together economists, stakeholders from the entire European nuclear industry (from uranium mining to spent fuel and waste management, with a special focus on the construction of new plants), consumers of electricity, the countries involved in projects, financial partners, market investors and public development banks, representatives from several European countries (both Member States and neighbours: Germany, Belgium, Finland, France, Hungary, Netherlands, Poland, Czech Republic, Slovakia, United Kingdom) and from China, the United States and Russia.

The European Commission will be represented by Massimo Garribba, as Energy DG Director General, who will be heard at the end of the conference, and by the Competition DG and the EIB during the round table discussions.

We also hope to welcome the Minister of Industry of France, which is a major nuclear country accounting for more than half of Europe's nuclear power, and as such has a particular responsibility to ensure its future, not only out of a national industrial interest but also as a European public good.

*Les Entretiens Européens* will publish the proceedings and recommendations for the benefit of the national and European institutions.

## Key issues

### 1. The specific problems associated with promotion of power generation investment projects

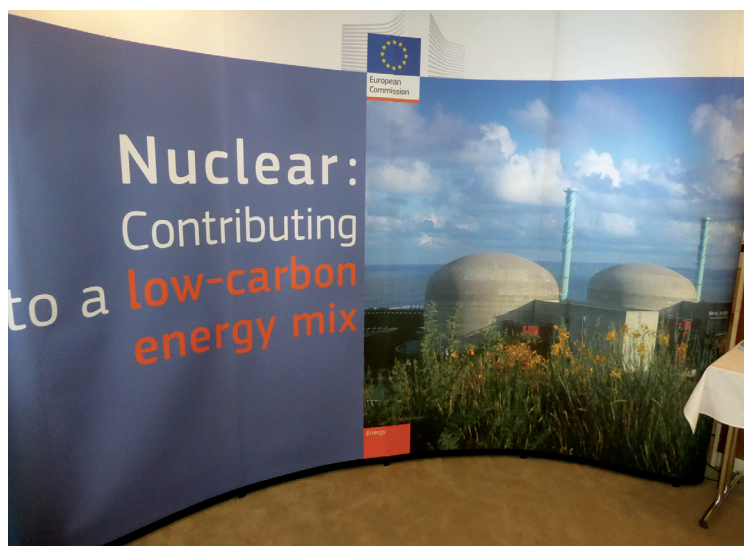
The problem here is not one of setting carbon-free sources against each other, but of developing them faced with the need to drastically reduce use of fossil fuels. It is important to devise a strategy for the energy transition and for new sustainable growth that integrates all clean energy sources, including nuclear power. And such projects must be effectively promoted.

**At this conference, we will take a closer look at the nuclear projects of the Member States concerned, comparing them with projects involving other carbon-free sources, and evaluating their costs in relation to their benefits.**

Nuclear investments are investments in the public interest, which bring lasting benefits in terms of well-being and safety for the public and for the economy. They are heavy investments that deliver slow returns. They presuppose a capacity for planning and anticipation on the part of Member States, and visibility for

the companies in the European market. Project costs and benefits must be measured accordingly, with internalisation of external costs and favourable discount rates.

Regarding nuclear power, the main problem is the very high cost of capital, in particular in terms of financial risk. Sharing costs between several partners making a joint commitment to such investments would significantly reduce the unit cost for each.



### 2. Discussion of current market and financing conditions within the European Union

The Member States are sovereign states in terms of their energy mix, and hence their choice to adopt nuclear power, and since investments in this sector are in the public interest, they require public guarantees. The European Union needs to introduce regulations that take on board their specific contribution to our European energy market. Its policy was aimed initially at opening up national markets to competition; it must now evolve in the new context of a common energy strategy. However, the market price signals are ill-suited to the realities faced by long-term investors.

**During the conference, we will look explicitly at how the decisions needed on investment, regulation and financing fit nicely into the European agenda:** what place do nuclear investments have in the taxonomy and recovery plans? What financing conditions are required for nuclear investments?

Issues raised will include: eligibility for public guarantees for pricing, without which long-term investment is not possible; and a market reform where cooperation must involve the competition, and market price signals should act as an incentive (integration of a carbon price, price stability over time, etc.).

We will examine the need for companies like EDF, subject to obligations in their national

area to provide continuous electricity access to all and at affordable prices, to be able to respond effectively by entrusting them with service missions of general economic interest (SGEI), which are not subject to competition rules. This is legally possible, thanks to the principle of co-responsibility obtained in the Treaty of Lisbon following the Herzog report of 2004 and the initiative of Mario Monti in 2007.

We will also look at the possibility of bringing together "patient" financial investors. Financial arrangements already exist between operators, investors and governments, but they must be approved by the Commission. We will compare the models existing in Europe (CfD, RAB, PPA, Mankala, etc.). Some Member States are turning to foreign investors (Hungary, Poland, etc.). We will compare the European models, and their advantages in terms of significantly reducing the unit cost of a project and stabilising the price of electricity over the long term.

If the European Union wants to reduce the cost of invested capital, it must reflect on the type of financial industry needed. We will consider the role of public development banks and other financial institutions, such as insurers and pension funds.

We will discuss the possibility of an asset class for long-term investments on the national financial markets, with maybe a future European bond market.

### 3. What are others doing?

The world's major nuclear powers are defending their industrial interests and their national champions with substantial public aid and rules. This is not the case in Europe.

**At the conference, we will hear representatives from China, the United States and Russia.**

What lessons can we draw to increase our competitiveness both in Europe and in a resurgent global nuclear market? How might we cooperate with these countries and stakeholders?

## 4. Sharing of political responsibilities within Europe

The sovereign states are currently very unequal in terms of power and capacity. And this is underpinned by a general lack of agreement<sup>1</sup>. What strategic synergies are required between Member States and with the Union to ensure that nuclear investments of proven public interest are sufficiently planned and visible?

ASCPE and Les Entretiens Européens have for a long time believed in the establishment of an energy solidarity pact, allowing nuclear and non-nuclear states to coexist more effectively, in the general interest. Is this still feasible faced with a European Union that chooses to ostracise, by leaving it up to the Member States alone to tackle the problem of financing the renewal of their nuclear plants?

They need to regain public control and they should be able to consolidate their positive choices by defining the missions of SGEI for companies supplying nuclear electricity.

**At the conference, we will consider the type of cooperation required between nuclear states, not only upstream on research and training, and downstream on grids and management of spent fuel and waste, but also on investments in production capacity.**

The idea here is to examine the conditions necessary to not only pool costs and risks, but also build a competitive industry in Europe and in the world in a context of nuclear renaissance.

<sup>1</sup> The article « Nuclear power in Europe in the low carbon transition in Europe. A difficult deal ». Published in L'encyclopédie de l'énergie. June 2021. [www.entretiens-europeens.org](http://www.entretiens-europeens.org)

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