

How did we get there?

An interview with Claude Fischer-Herzog, Director of ASCPE, Les Entretiens Européens & Eurafricains, by Eric Leser, editor-in-chief, Transitions & Energies



Claude Fischer Herzog



Eric Leser

For Claude Fischer Herzog, the crisis we are going through illustrates the lack of strategic thinking on the part of the European Union and the Member States! And when the Commission refuses to put the spotlight on nuclear power, which is at a disadvantage in the market and whose structural reform is not on the agenda, it persists, despite the major risks of electricity shortages and industrial bankruptcies announced! Not to mention the underestimated risks of financial and monetary crisis.

In an interview with Eric Leser, editor-in-chief of Transitions & Energies, the director of Les Entretiens Européens invites us to get away

from the single-mindedness that would have us believe that "Putin" is the cause. «We must first look for the causes at home if we want to find the right solutions». "Because" she says, «we are at the origin of the energy crisis, which broke out well before the war in Ukraine, it should be remembered!"

To understand this crisis, Claude Fischer Herzog wanted to look back at the «strategy» that the Commission, under German pressure, has pushed to the point of absurdity with the Green Deal, with the complicity of the States that ratified it.

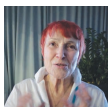
To get out of it, she proposes to link emergency measures to in-depth reforms of the European electricity market in order to rebuild a diversified and decarbonised energy mix, to regain our energy security and our economic and political ambition in a rapidly changing world.

But for her, nothing will be achieved without the mobilization of the nuclear States, which must cooperate and go on the offensive!

This proposal will be at the heart of the 20th edition of the Entretiens Européens on 13 October 2022.

« Les États nucléaires doivent passer à l'offensive pour obtenir enfin une véritable maîtrise de leur choix »

Entretien avec Claude Fischer-Herzog, directrice des Entretiens européens et présidente d'ASCPE



Find the interview
published in French
in *Transitions & Energies*,
September 2022



Eric Leser - Between the European Commission's announcement of its Green New Deal one year ago, which is a copy and paste of Germany's energy transition strategy, and the panic that has gripped a Union up against an unprecedented energy crisis, a world has collapsed. Why do you think the European institutions and the Member States have been so blind as to forget that energy sovereignty is essential to any economic and political ambition? And that constantly increasing energy prices is the best way to impoverish countries and populations?

Claude Fischer Herzog - To understand the energy crisis, we must go back in history to the opening up of the national markets in 1999 (2007 for individuals), and the creation of an electricity market governed by competition rules, without any European public policy or sense of community. We must analyse the energy choices that have had so many damaging effects. Choices made by the Commission under pressure from Germany, but also, let's face it, with the complicity of the Member States that ratified them! What were they? To reduce primary energy consumption by 20%, produce 20% renewable electricity (RE) and reduce greenhouse gas emissions by 20%. There was no logic or strategy behind these figures. Of course, we have not achieved these objectives, but we continue down the same path without exploring either the reasons or the negative effects. And the Commission has proved obstinate, proposing first 3 x 30, then 80, 55, 50 with the Green Deal – which the States once again ratified. As a result, we have never been so dependent on fossil fuels from outside, prices are exploding, greenhouse gas emissions are on the rise (+16% per year), and Member States and companies are exposed to 'distorted' competition. Just one example: Total Energies is making profits of €16 billion in a market where RE is subsidised and gas prices are soaring, while EDF is losing 8 billion, because it is required to sell more and more nuclear electricity below cost to its own competitors.

Why so "obstinate"? Because of an imposed market culture: free and undistorted competition was supposed to stimulate innovation and bring only benefits to consumers. Instead, it has fostered position advantages, national interests and rivalries – and we have not prepared for the future. Worse still, excess intermittent RE in a market that discourages nuclear power has caused gas prices to soar. To make up for the intermittency of renewables, we are resorting to controllable sources: first nuclear, then coal, then gas. However, prices in Europe are determined by the final kWh required to meet demand, and therefore by the price of gas! Electricity prices have exploded from lack of wind and sun, low nuclear production (linked to the current low productivity of the French fleet caused by insufficient maintenance resources) and excessive demand for gas. In December we broke new records, with over €220 per MWh. All this before the war in Ukraine even began! And the worst is yet to come. Estimates predict €320 per MWh for gas and €1,000 for electricity. We can expect industrial disasters in "electro-intensive" groups and in SMEs, which will no longer have the means to continue production. To the extent that the Commission, which has always fought against the idea of a market reform, has finally come to a provisional agreement. But it will take much more than a market price cap for electricity to build a real European energy policy. And a long hard look at ourselves.

E.L. - Can you maybe also explain why we found the German energy model, which consisted of large-scale investment in intermittent renewables and abandoning nuclear power, and forced massive use of thermal power plants with gas and coal, so appealing for so long? And it continues to work its charm. The European institutions and several Member States still insist that to overcome the crisis and go without gas, we need more renewables!

C. F.-H. - The divisions between those for and against nuclear power have plagued the energy union, which is a union in name only. The pressure of political environmentalism has proved stronger. It is why Germany was able to impose its model. Germany's 80% RE target was set for Europe as a whole, in all Member States, but it is untenable! Germany has spent €565 billion on its EnergieWende, which has resulted in energy insecurity (6.9 million Germans can no longer pay for their electricity) and the restructuring of major groups like RWE and Wattenfall, which have made 6,900 employees redundant. It has also become Europe's biggest polluter in terms of greenhouse gases, with coal accounting for 58% of final energy consumption (source: EEA) – much of which is dirty coal, lignite, and very polluting. Germany's objective was to replace coal with gas, which is less polluting, but much more so than nuclear.

If applied to the whole of Europe, the system would explode! Studies like those conducted by the NEA at the OECD prove that beyond 30% intermittent RE (40% maximum), energy security is no longer guaranteed. RE is intermittent, it requires an installed capacity that far exceeds power demand. It enjoys grid priority (which must be reinforced, at huge cost) and a guaranteed purchase price, the difference between that and the market price being paid by the taxpayer (7 billion per year in France). But above all, it requires complementary and flexible means of production, and a controllable, stable and flexible base: nuclear or gas? Germany chose gas and wanted to impose its choice on the whole of the EU. In the name of what? Safety, they say. Or perhaps economic interests? These were massive (bordering on a conflict of interest) before the conflict in Ukraine and Gazprom's decision to reduce its supplies. Don't forget that we were preparing for a European electricity mix with even more gas, which Germany was to distribute throughout Europe. Europe imported 440 billion m³ in 2019 (37% from Russia), and Germany, which was importing 63 billion m³ from Russia with Nord Stream 1, was about to import 55 billion m³ more with Nord Stream 2.

The war in Ukraine has reshuffled the cards and Germany, which is talking about reopening its coal-fired power stations, is seeking to diversify its imports, not only from the USA but also from Norway or Canada (which are reluctant), or from Algeria via Spain and France (which are also reluctant). It refuses to keep its nuclear power (except temporarily to "get through the winter") and has instead decided to triple the number of onshore wind turbines by 2032, which will create new vicious circles, since more wind turbines will require a bigger controllable base for when there is no wind or sun!

I'm not sure that people still find this model appealing, it seems to me that nuclear power is making a comeback in the minds of Member States and societies – even in Germany! Belgium is talking about extending the life of its two reactors, and in Switzerland there is growing talk of not closing the door to nuclear. That said, the Commission

is staying the course, with ever more unrealistic objectives: 50% reduction in energy consumption, 80% RE in the electricity mix, 15% nuclear power by 2050 (100% RE by 2100?), and France will not be outdone. The President has proposed to revive nuclear power, but he has also proposed to reduce our electricity consumption by 40%, increase the share of electricity in the mix by 60% while decreasing fossil fuels, and reduce the share of nuclear power to 40% against 70% at present while increasing RE by 60%! But RE is coming up against problems of social acceptability linked to its inefficiency (€150 billion to replace 2.5% of carbon-free electricity with another carbon-free electricity!). The French don't want turbines on their soil? No matter, we'll build them at sea! 50 fleets along our coasts, against the best interests of tourism, fishing, marine wildlife... democratic nonsense!

E. L. - What about the future? Might the current crisis, paradoxically, be beneficial? Might it perform the miracle of moving European energy policy away from ideology and posturing? Is a radical policy change possible with the same technocrats and politicians who have been pushing an absurd model since 2006?

C. F.-H. - Crises always push for change. This time, we are spoiled for choice: we are hit by an economic and financial, geopolitical, climatic and also political crisis! But let's not kid ourselves, it will be difficult, because these choices will involve the populations that are ill-prepared and tend to delegate. It will not work if the government sits on one side and society on the other: they form a couple. Environmental pressure from societies has been huge and has hampered the Member States, which have done nothing to push for their acceptance of nuclear technology. Today's geopolitical tensions call for a nuclear renaissance, to ensure our energy security. And in the wake of the climatic shocks experienced this summer, it would also seem to be a solution. Moreover, given our new lifestyles and production methods, and the growth in electrification (buildings, transport, agriculture, digital economy), it is an asset. So, what we should be doing is not consuming less, but producing more carbon-free electricity. Our energy mix is still 80% fossil fuels and 20% electricity, so we will obviously need to produce more RE and more nuclear... The big question is: in what proportion? And what type of RE? Because it is not equivalent to nuclear power, and some renewable energy sources are more reliable than others!

Revival and new growth of a new kind of energy can be achieved only if we have a continuous supply of decarbonised electricity for all, at affordable prices. With the exception of hydroelectricity, only nuclear energy meets these criteria, yet it is penalised on the market by competition rules. Nuclear energy is not just another commodity. It is a public good, unlike gas and RE. The competition rules are unsuited to the nuclear industry, which requires very substantial, long-term investment and cooperation to share costs; it needs a new regulation offering public guarantees with respect to prices, stakeholders cannot invest or attract institutional and private investors without financial arrangements that ensure profitability. But this is quite a challenge. We will need to invest between 500 and 800 billion to renew our fleet...

I don't know if we can make radical policy changes with the institutions as they are: I have no illusions as to the Commission's proposal to reform the market, because at this stage there is no question of changing the market rules.

The States that choose nuclear power need to take the offensive, urgently. There are 13 of them. They are stronger but less combative than the anti-nuclear camp, which wants to deprive Europe of a truly diversified, carbon-free energy mix and prevent it from resuming its status as a global nuclear industrial power at the very moment when nuclear power is seeing a comeback everywhere else.

Might I remind you that at the beginning of 2021, the European nuclear fleet totalled 105 GW, with 126 reactors in 13 countries (+ UK and Switzerland), providing 25% of electricity and 800,000 jobs. It is a strength. The door to a new future for nuclear power is ajar, we must now push it wide open. There are promising signs: the Member States are showing interest in consolidating their fleet, and projects are underway in France, Hungary, the Netherlands, the Czech Republic and Poland. Discussions on long-term operation are resuming in Germany, Belgium and Sweden – even Switzerland.

The plea of eleven ministers – led by France – to secure Europe's energy future with nuclear power and taxonomy was positive, but it does not make for a European industry, and given the serious tensions with Russia, the States will prioritise their own interests, which are not necessarily good for Europe. Poland is being tempted by the Americans, who have other trump cards in their bag: nuclear, LNG, weapons, etc. As too is the Czech Republic. France, which could lead the way in a dynamic European policy, did not do so when presiding over the EU. It must now move beyond declarations and rapidly demonstrate its readiness at home. For this, the government must enact emergency reforms with major changes in three areas: the 2019 law (PPE), market regulation and EDF, which must regain control of its management (it is being pulled down by a regulatory state, itself a shareholder!). As for the much-maligned EPR, it is a national asset and should become a European one...

E. L. - What urgent measures do you recommend?

C. F. -H. - The price debate is on the table. But there is no long-term component. We currently face a twofold, even threefold problem. We have to rise to "ecological" challenges, for which the price of energy should be raised, while also satisfying the masses of people, and indeed the electro-intensive companies who would not survive such an increase. We must of course help our fragile populations, and there are many in Europe, but without penalising nuclear energy producers such as EDF, which has been shackled while others have made huge profits (TOTAL, RWE, etc.). Not to mention traders, who have literally gorged themselves on a crisis that has been a boon for them.

We must disconnect the price of electricity from the price of gas, tax those "profiting" from the system and the crisis, and reform competition policy to set long-term prices. This will require a long-term policy and a financing strategy, to waste no more time and rapidly find nuclear investments. The emergency consists in achieving all the above at once!

Yet the emergency measures put forward by the Commission, which is proposing to tax all electricity producers (excluding gas!) without consideration for the diversity of national systems, and to cap the price of gas (this would still favour Germany, which has no qualms about requesting help from Europe), will have new adverse effects. They will do nothing to encourage Member States to consume less gas, which,

don't forget, emits a hundred times more greenhouse gases than nuclear power. The proposal for a gas central purchasing body would improve regulation of supplies on a European scale, but I insist on the urgent need to set long-term prices to give nuclear operators and consumers greater visibility.

In France, the government is (re)nationalising EDF. But this will not be enough. Because it is the state that has brought the company down. It must find 100 billion to extend the life of its nuclear fleet and build six EPRs. Strong signals are necessary from the government to guarantee long-term prices for industrialists and reduce the cost of capital for patient institutional investors. Management must also be entrusted to an open governance system, maybe involving public and private investors and local authorities. Because what we do not want is to rebuild a centrally administered state-owned enterprise. We need a third type of company and a new mixed economy.

Models do exist. Finland has a cooperative model, MANKALA, which involves all stakeholders. The UK has accepted the CfD for Hinkley Point, and the RAB would allow private investors to become involved in Sizewell. Under this mechanism, funding is reviewed periodically by an independent regulator, which analyses expenditure according to the development cycle (the pre-construction phases being much riskier), thus guaranteeing the contract over the long term. Costs are then recouped from customers, which provides for a return on investment.

Under current market conditions, projects (and their financing) have to meet the requirements of the Commission, which ensures that they comply with competition rules

or grants exemptions, heedless of the strategic logic of establishing a better energy mix.

The nuclear states must take the offensive, to gain real control over their choices and a new regulation. We cannot impose nuclear power on those who do not want it, but why should we forbid it to those who do? The Commission must manage all energy sources, regardless of their type (in place of neutrality, which it does not respect by imposing RE) and aim for a coherent energy policy in the general interest. It is absurd to impose the same technological choices from above on all Member States, particularly when they threaten national and European systems.

It should raise the 15% nuclear target for 2050 and lower the 80% RE target. It should push for stronger and scalable partnerships to share the costs of different risks such as safety, help with waste management, establish a joint licencing system (e.g. SMR), finance staff training, share the costs of CCS R&D between countries that have no other choice than coal or gas as well as R&D for G4, ITER and hydrogen, and finance interconnections. And the nuclear states should enter into permanent structured cooperation (as in the defence sector).

Finally, a low-carbon policy can succeed only if it involves both regions and businesses. It must be based on a plan, to ensure consistency from the local to the global level and system decentralisation, and on an end-use electrification strategy that involves local stakeholders and users. Energy policy choices are societal choices, and as such engage societies.

Paris, September 25th



Les
Entretiens Européens

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20TH edition – October 13, 2022



**THE FUTURE OF EUROPEAN NUCLEAR POWER INVESTMENTS
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