



Open letter to the institutions

Europe's nuclear revival requires structural market reform with long-term contracts

Mrs Claude Fischer Herzog
Director of Les Entretiens Européens

To Mr Prime Minister of Sweden,
Presidency of the European Union

Mr President of the European Council,

Mrs President of the European Commission, Mr General
Director of DG Competition

Mrs General Director of DG Energy

Ministers of the Member States of the European Union,
Members of European Parliament,

As we approach the June 2023 Summit, I am pleased and honoured to send you these options and recommendations put forward at the Entretiens Européens conference¹ held in Paris on 16 June on the theme "Market reform and alliance: a new beginning for nuclear power in Europe?"

The Entretiens Européens conference brought together 180 prominent figures from the energy sector, from energy-intensive industries, banks and from local authorities, for dialogue with the European Commission and representatives from three member states: Belgium, France and Poland².

Under the impact of the energy crisis, nuclear power has made its return to the public debate. Recognised by the European Commission as a low-carbon electricity in the energy mix, **we must now create the conditions for its revival in Europe.**

We welcome the fact that the reform of the electricity market is on the agenda, but the member states and the elected members of the European Parliament do not all agree on the content of the reform and its agenda.

We are also delighted that the nuclear states have formed an Alliance to enhance their cooperation, despite their different interests and energy policies.

Our concern is to help reach good compromises in the general interest of the whole of Europe.

¹ Cf. A short presentation of Les Entretiens Européens – Page 4

² Find the round tables and the conclusions of the conference on YouTube – Page 4

Market reform, which will lay the groundwork for all policies, seems to us to be of a structural nature. This should therefore solve the problem of how to finance massive investments with a strong public dimension.

The political decisions made must address the following issues: market reform, long-term financing and creation of a nuclear power industry.

Nuclear power is not a “neutral” technology, it is a public good for the European general interest, because it is a source of energy that is accessible to everyone, continuously and at affordable prices. It is not just the business of the states which choose it, because without it, the energy transition and sustainable growth will be simply empty words.

Therefore, we believe it is important that the European Union as a whole renew its commitment to nuclear energy, and that the Commission encourage public acceptance.

Nuclear energy was the subject of a Euratom Treaty, whose mission has been lost along the way, and some states are systematically obstructing decisions that must be taken unanimously.

Building a Permanent Structured Cooperation between volunteer states

The Alliance cannot replace Euratom (which needs to be reformed). But it is a source of hope, because it conveys a spirit of cooperation rather than competition, where a spirit of power hurts. It must be extended to the forces of civil society which are taking action against the closure of the power plants in states that have planned to phase out nuclear power.

Given the virulent positions of anti-nuclear states, member states wishing to promote a competitive European nuclear industry will need permanent structured cooperation (PSC). This is compatible with the framework of the Lisbon Treaty – states have used it in matters of defence – and it will be necessary too for nuclear energy.

Market reform must be structural and not simply consist of a derogation from the rules of competition. It is necessary to create the conditions for financing nuclear investments, which, as everyone knows, are heavy and long-term.

During the Energy Council of June 19, some states opposed the long-term contracts for the financing of existing nuclear assets proposed by the European Commission. The violent arguments put forward by the Luxembourg minister, supported by Austria and Germany, on market distortion and the failure to comply with the rules on state aid to the advantage of EDF, are indicative of the fierce battle being waged. These countries appear to also “forget” the enormous distortion of competition from which renewables benefit through the unequal treatment granted by the Commission and member states (including nuclear states): priority on power grids, subsidies and taxes of all kinds, binding targets. **We prefer unanimity that respects the diversity of choices and historical assets and that builds on solidarity, rather than unanimity used as a veto. This is why we proposed a European Energy Solidarity Pact in 2012.**

By taking the initiative, France is defending the European general interest. Its fleet makes up 50% of Europe’s capacity, and European countries wanting to develop their own fleet will need its industry and the innovative technologies (in particular the EPRs which are proving their efficiency in China and Finland, and will enable the construction of power plants in the United Kingdom and a new fleet of EPR2 in France³). We must not oppose renewable energies with nuclear power, but we propose to carefully consider the balance between the sources which are not equal⁴.

The Alliance’s proposal to produce 150 GW of nuclear electricity in Europe by 2050 (compared with 100 GW at present) is a strong, positive signal that nuclear power should continue to account for 25% of electricity production (whereas the PINC envisages 15%). This will mean maintaining the existing fleet and building 30 to 45 new large reactors (supplemented by SMRs), recruiting 450,000 people and implementing bold training and skills policies.

³ Cf. the “Stakeholder viewpoint”: Les Entretiens Européens’ view of the planned new reactors and Penly project. <https://www.entretiens-europeens.org/wp-content/uploads/2023/03/cahier-acteur-en.pdf>

⁴ We are delighted that hydrogen from nuclear power is recognized as «green hydrogen», but we have doubts about the binding target of 42.5% of renewable energy in the mix in 2030. Concerning France, we wonder on the announcements of 50 offshore wind farms.

Market reform must be structural to balance competition with solidarity

The challenges are enormous. A fleet of this size will represent an investment of 800 billion. **Yet the market as it stands is not up to it. We will need to rebalance short-term objectives with long-term strategies, and competition with solidarity and cooperation.** And we will need to do this against a backdrop of economic instability and geopolitical and climatic change. Some European countries are in recession and the general context is one of secular stagnation. There can be no miracle “just make the state pay” type solution.

The Commission has proposed recognising the CfD (contract for difference) technique, but still considers it a derogation from the rules in force and is placing the full burden of public guarantees on the states, whereas long-term contracts should be understood for what they are: a structural reform. It will have to accompany the reform of the tarification, with a disconnection of the price of electricity from that of gas.

It’s why the tools must be evaluated because they do not raise technical challenges, but socio-political ones. A number of clarifications will therefore be necessary, drawing on our experience of CfDs, which are costly.

We ask that the CfD technique be combined with the RAB technique, or regulated asset base. By allowing investors and consumers to be involved in projects from the design stage, the RAB would avoid the mass of financial costs that were required under the CfD at Hinkley Point. And we feel it must be possible for electro-intensive companies, banks⁵ and local authorities to become financial partners in the project. Other issues must also be clarified, including PPAs (Power Purchase Agreement) and regulated mechanisms like ARENH.

The rules must evolve to allow greater solidarity between states while respecting the diversity of sources, and to encourage cost-sharing and cooperation between companies and states.

The aim is to reduce the costs of risks, which are too high, and in particular the financial costs at every stage of investment (from construction to operation).

At the same time, creation of a European industry – from research to market – will generate the economies of scale essential for investment. Decisions made by member states in favour of external alliances to develop their production capacity should not replace the need for intra-Community cooperation, which is essential at several parts of the value creation chain⁶.

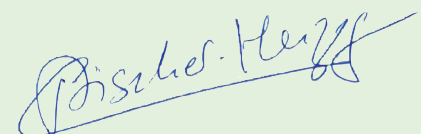
Some are proposing that nuclear power be removed from the market in the same way as renewables. This is not what we want.

We have proposed implementing the Lisbon Treaty, which established the joint responsibility of member states and the EU in ensuring that SGEIs (services of general economic interest) are carried out, in this case for nuclear electricity.

It is an essential battle and one that deserves to be fought. In this way, industry stakeholders could continue to meet their public service obligations domestically and perform their solidarity roles on the European market while continuing to pursue their business objectives worldwide, as there is no doubt that nuclear revival in Europe will change its position in the resurgent global market.

Mrs Claude Fischer-Herzog

24 June 2023



⁵ With the taxonomy, secured after a struggle, private investors will be able to include their investments in their balance sheet with European “sustainable finance” labels.

⁶ France has a considerable advantage in the fields of: i) spent fuel, recycling it into MOX to supply future reactors (the EPR2 and later those of Generation 4); and ii) nuclear waste, with the geological disposal of most highly radioactive waste, for which Cigéo has obtained recognition as a public utility.

Les Entretiens Européens for a nuclear social acceptance in France and in Europe

Set up in 2002, Entretiens Européens promotes dialogue between stakeholders from different European countries and the European Commission, with the aim of creating an Energy Union and encouraging society to embrace nuclear energy. They organised their 20th edition in Brussels on 13 October 2022 on the theme “The future of European nuclear power investments in a context of global instability and geopolitical change” – Find the recommendations : «**Let’s start the ten emergency projects together for a coherent energy transition in Europe**» In the *Supplement of La Lettre des Entretiens Européens* – November 2022. www.entretiens-europeens.org

Réforme du marché et Alliance : vers un renouveau du nucléaire en Europe ?

Find the replay of the conference on YouTube by clicking in the images (in French only)



Réforme du marché et Alliance Un nouveau départ pour le nucléaire en Europe ?

Version intégrale de la conférence

<https://www.youtube.com/watch?v=5YGd34rqsNY>



1ère table ronde

Les propositions de réforme du marché de l'électricité



Claude FISCHER HERZOG
Directrice des Entretiens Européens

Nicolas PESARESI
Chef d'Unité DCS de la Concurrence, Marchés et cas 1: Énergie et environnement - Aides d'État - Commission européenne

Antoine BIZET
Conseiller nucléaire et concurrence à la Direction des affaires européennes, CDF

Elena BURDYKINA
Executive Director Sustainable Banking Credit Agricole CB

Frank ROUBANOVITCH
Président du CDEE

<https://www.youtube.com/watch?v=CGSRDijqzFY>



2ème table ronde

Coopération et Alliance entre Etats nucléaires




Ann MacLACHAN
Journaliste indépendante

François GOULARD
Ancien ministre délégué à l'enseignement supérieur et à la Recherche - Vice-président du PNC-France

Michał KURTYKA
Ancien ministre du Climat Pologne


Marie-Christine MARGHEM
Députée fédérale Ancienne ministre du Développement de l'Énergie et du Développement durable Belgique

<https://www.youtube.com/watch?v=jE6nqSLD9x8>



Conclusions

Pour une réforme structurelle et une Coopération structurée entre Etats nucléaires



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Directrice des Entretiens Européens

<https://www.youtube.com/watch?v=yoTqKHgTCrQ>

Priorities to reinvent the energy strategy of the European Union

Find the article of **Claude Fischer Herzog** after the conference of Les Entretiens Européens June 16 in Paris, and the Energy Council, June 19 in Brussels : www.entretiens-europeens.org



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