

# Collection: Hinkley Point C

*Updated:* Benefits realisation plan published

## **Background**

Hinkley Point C will provide reliable energy at an affordable cost, powering nearly six million homes for around 60 years and creating more than 25,000 jobs.

The project marks a significant step forward in our transition to a low-carbon energy system, and will help us meet our climate change commitments in a cost-effective way.

Bilateral negotiations with EDF on the support for Hinkley Point C began in February 2013 as part of DECC's Final Investment Decision (FID) enabling process. The Strike Price for the Contract for Difference (CfD) and other key terms were agreed in October 2013 and these received State aid approval from the European Commission in October 2014. Following a comprehensive review of the project, and a revised agreement with EDF, the Government made a decision in September 2016 to proceed with the first new nuclear power station in a generation. The Secretary of State then directed the Low Carbon Contracts Company to offer a Contract for Difference with respect to Hinkley Point C and enter into the associated documents.

## **Contract for Difference**

Under the umbrella of Electricity Market Reform, there has been an initiative to facilitate investment in low carbon generation in the UK, in particular by implementing [Contracts for Difference \(CfDs\)](#). This mechanism allows for payments to generators to provide increased certainty around revenue levels, in order to bring forward investment, while retaining the need for the generator to sell its electricity in the commercial market.

The Hinkley Point C CfD provides a Strike Price for the developer of £92.50/MWh (2012 prices), reducing to £89.50/MWh (2012 prices) if EDF take a FID on their proposed Sizewell C project, for a 35 year term from the date of commissioning. This means that for each MWh of electricity generated at Hinkley, the developer is paid the difference between the Strike Price and the market reference price (a composite of wholesale price indices) for electricity sold into the market for the duration of the contract. The generator will pay back the difference should the market reference price rise above the strike price.

## **Secretary of State Investor Agreement**

[A Secretary of State Investor Agreement \(SOSIA\)](#) provides protection for the term of the CfD for investors in relation to qualifying changes in law which

permanently prevent the construction or operation of the facility or a reactor or where there is a political shut down of Hinkley Point C by a UK, EU or international Competent Authority. The SOSIA also includes provision where project outperformance or equity sales that increase investors' realised equity returns above the base case would be shared with the consumer.

## **Exchange of Letters**

The Government will be able to prevent the sale of EDF's controlling stake prior to the completion of construction, without the prior notification and agreement of ministers. This agreement has been confirmed in an [exchange of letters](#) between the Government and EDF.

## **Value for Money**

The Value for Money assessment provides analysis that Hinkley Point C project provides a good deal for both customers and investors.

[The Value for Money assessment](#) supports the Secretary of State's decision on Hinkley Point C.

[The Detailed Value for Money Assessment report](#) provides further details of the Hinkley Point C Value for Money Assessment.

## **Wider benefits realisation plan**

There are many wider benefits from this large infrastructure project during its 10 years of construction. This plan sets out the benefits and how they will be delivered:

[Hinkley Point C: wider benefits realisation plan](#)

## **Funded Decommissioning Programme**

The Secretary of State has approved the [Funded Decommissioning Programme \(FDP\)](#) for Hinkley Point C. Approval is conditional upon the CfD being executed and coming into legal effect. The FDP sets out how the generator will provide for the funding of the treatment, storage, transportation and disposal of nuclear waste, the decommissioning of the facility and the clean-up of the site to so that the taxpayer does not have to bear the burden of these costs in future.