Speech: Nuclear Industry Association (NIA) annual conference 2017

Introduction

Good morning and thank you to the NIA for the opportunity to address you all today.

Firstly, I want to congratulate John Hutton on his new role as Chairman of Energy UK – which means I can look forward to him lobbying me on my entire brief!

I also want to thank John, his team and the many industry leaders here today, who have contributed to the development of the Nuclear Sector Deal.

Clean Growth and Industrial Strategy

Sector Deals are a major component of the Industrial Strategy, which we published just last Monday.

The strategy is one of this government's top priorities, because it sets out, in practical terms, how we intend to build a Britain fit for the future – a Britain ready to embrace the challenges and opportunities ahead.

By focusing on the 5 foundations of productivity: ideas, people, infrastructure, business environment and place, we can unlock our potential and in doing so build prosperous communities across the UK.

We also identified 4 Grand Challenges – areas where we can seize the initiative with the technologies and industries of tomorrow. One of these is clean growth.

This follows September's Clean Growth Strategy, which set out how the whole country can benefit as we cement our place as the world leader in low carbon technologies and industries.

The nuclear industry is well placed to deliver against these important objectives – providing clean, reliable energy while growing the economy.

The sector provides tens-of-thousands of highly-skilled jobs and benefits diverse regions across the UK, from Cumbria to Somerset and from Wales to Oxfordshire.

Look at Hinkley Point C: when complete, the plant will provide enough clean energy to meet an impressive 7% of the UK's electricity needs…

…but the project has already begun to benefit the South West, which is now home to the 2,500 workers currently on site and where we have seen over £450 million in contracts let to local businesses in the first year.

We want to build on the momentum created by Hinkley and we continue to work closely with EDF, CGN, Horizon and Nugen on their proposals for future plants. I also welcome the news that Toshiba has selected a preferred bidder for the Nugen project, and we now look forward to continuing to work with KEPCO to discuss their plans.

At the other end of the fuel cycle, we continue to lead the way in waste and decommissioning and we are seeing the benefit of this at Sellafield. Today, our expertise across the nuclear sector is recognised throughout the world.

We have to use this as a springboard.

As the Industrial Strategy makes clear, we must build on the UK's strengths to take advantage of the opportunities of the future.

So I welcome today's publication from the Nuclear Industry Council of proposals for a sector deal which sets out a number of steps to deliver on that potential.

Boosting the competitiveness of the sector by driving down costs…

While supporting high skilled, well paid jobs in regions across the United Kingdom…

We will be working with industry over the coming weeks to explore their proposals in detail.

I am pleased with the progress of our discussions to date, and as co-chair of the Nuclear Industry Council, I have witnessed first-hand the determination shown by the industry's leaders to see it succeed.

Government too is committed to a thriving and innovative industry, so I am pleased to announce a package of new measures to boost innovation and provide greater clarity on our future plans.

National Policy Statement (NPS)

Government recognises the value industry places on policy certainty, so today I am pleased to launch a consultation on siting arrangements for large scale new nuclear plants. This will begin the process towards designating a new National Policy Statement for conventional nuclear power stations deployable between 2026 and 2035.

This initial consultation sets out the proposed siting process and assessment criteria for sites potentially suitable for nuclear plants with single reactor capacity above 1GW.

Having this new National Policy Statement in place will provide reassurance and certainty to developers into the 2030s.

Geological Disposal Facility (GDF)

Looking further ahead, we recognise the need to implement a responsible long term solution for the disposal of higher activity radioactive waste.

That is why early in the New Year, we will be launching two consultations as part of the process to site a Geological Disposal Facility for higher activity radioactive waste. We will be consulting on a framework for future planning decisions and separately, on our approach to working with local communities in the siting process.

Internationally, it has been shown that ‘willing host communities’ are central to a successful siting of a Geological Disposal Facility. Strong, effective and lasting relationships, built on mutual trust and a shared vision of the long-term economic benefits for the host community, are key to successful delivery of a GDF.

These consultations will help reassure industry that investment in the supply chain, both in people and capability, will pay dividends once we move into the delivery phase of this project.

Again, this will support both the objectives of our Industrial Strategy.

On our current estimates, at the peak of construction, the site will support up to 1,000 jobs, with an additional 1,000 jobs in the supply chain.

When it’s ready, the facility will sustain around 600 jobs a year for more than a century, while delivering significant investment and innovation to local communities.

Innovation and future technology

Another key element of our Industrial Strategy is a big commitment to supporting innovation, with a pledge to raise R&D investment to 2.4% of GDP by 2027.

It is only by innovating across the nuclear supply chain that will we be able to maintain our competitiveness into the future.

This means new approaches to nuclear technology that drive down costs and improve safety.

I know you will be keen to maintain the pace.

After all, the UK has the potential to become a world-leader in developing the next generations of nuclear technologies.

Your appetite is clear; industry has repeatedly called for clarity on the government’s plans for emerging nuclear technologies.

So today I am pleased to be able to set out the first steps in our proposed way forward.

We have spent the last 18 months working closely with you to understand new technological developments, and to assess their viability through the Small Modular Reactor competition.

That exercise is now closed, but it has greatly informed the evidence base and helped shape our thinking in this area.

In particular, 3 key requests came through.

The first was that you want better and earlier access to Regulators.

So, as announced in the Clean Growth Strategy, we are providing up to £7 million of funding to regulators to build the capability and capacity needed to assess and licence small reactor designs.

This funding will also provide support for pre-licensing engagement between vendors and regulators. I'm pleased to say a very successful first event took place in November with a focus on regulatory issues relating to smaller water-cooled reactors.

The second is to help turn new developer's ideas into detailed designs.

To help deliver this, over the next 3 years we will be providing up to £44 million pounds in R&D funding to support Generation IV advanced reactors.

The third request was to create the right market conditions to enable developers to bring new reactors to market.

A crucial element of this is demonstrating commercial viability – in particular, the ability of new designs and delivery mechanisms to attract investment and generate cost-competitive electricity.

Smaller scale designs, using modular and other modern manufacturing techniques offer the possibility of achieving these aims, and I am grateful to those developers who have shared their financial estimates with us.

But I want to go further, so I'm setting up an expert finance group to report to me by the spring on smaller scale designs, identifying the barriers to investment and how these might be overcome.

I will also be considering what further steps government might take to support smaller reactor designs and maximise the benefits to the UK supply chain.

In the Clean Growth Strategy we confirmed £460 million of funding to support work in areas including future nuclear fuels, new nuclear manufacturing techniques, recycling and reprocessing, and advanced reactor design.

As part of this I am happy to announce that we will soon be launching the second phase of the Nuclear Innovation Programme. This will include up to £8m pounds for work on modern safety and security methodologies and advanced fuel studies.

We have also recently awarded contracts worth over £5 million pounds for work on materials and manufacturing as part of the Small Business Research Initiative that we launched last year

… and I am happy that we will be working with AMEC, Nuclear AMRC, Fraser Nash Consultancy and the University of Sheffield on this essential work.

Our leadership in nuclear technology is not just about progress in fission technology. I also want to see us maintain our global advantage in fusion technology.

So I am delighted to confirm the announcement of £86m of funding to establish the National Fusion Technology Platform.

Our investment will support UK industry in targeting major contracts for nuclear fusion and build on our expertise in this potentially transformative field.

This builds on the pledge we made in June to underwrite our fair share of funding for JET until the end of 2020. These actions underline our commitment to close collaboration with our European partners on nuclear research and training as we prepare to leave the EU and Euratom.

Euratom

While we are leaving the European Union, we have been clear that our decision to withdraw from the Euratom Treaty in no way diminishes our nuclear ambitions.

The objective for our negotiations is to seek maximum continuity with Euratom across nuclear trade, nuclear research and nuclear regulation.

And I am pleased to say that we are making good progress with our negotiations with the EU, with the IAEA, and with our key trading partners across the globe.

The first phase of EU negotiations has focussed on legal and technical issues related to nuclear materials and safeguards arrangements.

In his report, the Secretary of State for Exiting the European Union noted that:

> We are now close to reaching agreement on the vast majority of issues set out in our position papers on Euratom.

So we are keen to continue this good progress by moving on as quickly as possible to the negotiations on the future relationship with Euratom, with the aim of maintaining a very close a relationship.

But we don’t underestimate the challenge we are facing. There are some areas, such as free movement of goods and services, which are linked to broader

negotiations with the European Union.

That is why we are putting the necessary arrangements in place to provide certainty for the civil nuclear industry that it will be able to continue to be successful under any scenario.

This includes negotiating bilateral safeguards agreements with the International Atomic Energy Agency…

… Negotiating bilateral Nuclear Cooperation Agreements with Japan, Australia, the United States and Canada…

… Delivering a new domestic nuclear safeguards regime, regulated by the Office for Nuclear Regulation …

… Exceeding the standard that the international community would expect from the UK…

… And the Nuclear Safeguards Bill, giving government the power to establish that domestic safeguards regime. Good progress has been made on the bill, which passed Commons Committee Stage on 14 November.

We've also held many discussions with the nuclear sector to better understand your concerns, including my own attendance at September's industry forum.

Most importantly, we will continue to engage closely with you in parallel with our discussions with the EU…

… And I can announce that we will be holding further industry roundtables on a recurring basis.

Today is another opportunity to engage, and in a moment you will be hearing from David Wagstaff who is the head of EU Negotiations within the Euratom team.

We also have a team of Officials from the Civil Nuclear Directorate in the event space to answer your questions on any of the today's announcements.

Conclusion

These announcements all point to the great opportunities facing the nuclear industry, but we know the sector also faces a big challenge to remain competitive going forward.

This is emphasised by the falling price of offshore wind. While this is great news for our clean growth agenda, it puts a spotlight on nuclear. And the advancement of technologies such as battery storage will only increase the pressure on nuclear to compete with other clean technologies.

To do this, it is clear we must reduce costs across the nuclear lifecycle – from new build to decommissioning.

Government will play a key role in this, but there is no doubt that industry

has to lead the way.

So I’m pleased to see you publish your vision for enduring success, based on ambitious, specific cost reduction… and I look forward to discussing these further with John and his team.

This government is committed to a bold, new Industrial Strategy, with Clean Growth as one of the central components and it is clear nuclear has the potential to deliver against these ambitions.

With a clear commitment to cost reduction, I look forward to supporting a strong and innovative nuclear industry; one which is fit to deliver for decades to come.

Thank you.