Is there a Hinkley point?

COMMENT

Is Hinkley Point C the future of low carbon electricity generation in Britain or a white elephant – a technology hangover from the 20th century? The new UK government seems to be having doubts. It states that it has concerns about security with the Chinese investment partners to EDF in the project. China General Nuclear Power would fund one third of the £18bn costs in exchange for permission to build another nuclear power station in Bradwell, Essex.

The idea of bold engineering projects that produce low carbon electricity in abundance is attractive. Hinkley C alongside projects such as the Severn Barrage, both of which have the potential to generate 7% of the UK's power needs, attempt to solve the problem of low carbon electricity generation. However, attractive though they are from a technological point of view, they should not be built. The reason is simply economics.

Centralised large-scale engineering projects were intrepid examples of 19th and 20th century dreams. The future is localised and the reason for this is cost. As prices fall for battery and renewable technology along with smart grids able to adapt to demand variations, the need for expensive centralised generation with its transmission losses is unnecessary.

Nuclear technology can be made to work and be relatively safe if operated effectively yet it cannot at present compete financially. The basis of the £92.50/MWh strike price to incentivise the development of Hinckley C was based on the assumption that the price of non-nuclear fuel would double. Yet they are lower than in 2013 not rapidly rising. The National Audit Office has said that the value of the strike price in top-ups to the generator has gone from £6bn to almost £30bn due to wholesale costs falling. In terms of value for money it is becoming Hinkley pointless, and it is questionable whether this technology is the solution to the UK's looming energy gap.

Utilitywise's strategy and innovation director Jon Ferris has stated that "the UK could offset more than the expected output from Hinkley Point C by taking all the opportunities to save energy identified due to Esos, and at a much lower cost". The Esos savings identified are not the end of the whole story but if we just take these it would save nearly 30 TWh annually, or 10% of current UK electricity demand. So as ever energy efficiency, sometimes called the fifth fuel, makes a compelling case for serious consideration.

If the government decides to go ahead it will be more to do with pleasing France and China politically than the economic reality of secure, affordable low carbon generation.

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