



The Sizewell C Project

4.2 Funding Statement

Revision: 1.0
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Planning Act 2008
Infrastructure Planning (Applications: Prescribed
Forms and Procedure) Regulations 2009





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Executive Summary

This **Funding Statement** (Doc Ref. 4.2) confirms that if the Secretary of State were to grant NNB Generation Company (SZC) Limited's (SZC Co.) application for compulsory acquisition powers, the Sizewell C Project is likely to be undertaken and not be prevented due to difficulties in sourcing and securing the necessary funding, including the cost of acquiring any land, interests in land and rights over land and the payment of compensation.

SZC Co considers that the Secretary of State can be satisfied that there is a reasonable prospect of the requisite funds for the acquisition becoming available, in accordance with the former Department for Communities and Local Government guidance, 'Planning Act 2008: Guidance related to procedures for the compulsory acquisition of land' (September 2013) (Ref. 1.1).

1. Introduction

- 1.1.1 This **Funding Statement** (Doc Ref. 4.2) forms part of an application by NNB Generation Company (SZC) Limited (SZC Co.) to the Secretary of State for Business, Energy and Industrial Strategy (BEIS) under the Planning Act 2008 (the Act) for powers to construct, operate and maintain a nuclear power station in Sizewell (Sizewell C) and associated development in the vicinity necessary for the construction or operation of Sizewell C or to help address its impacts.
- 1.1.2 Sizewell C would have a total site generating capacity of 3,340 megawatts (MW), providing reliable, low-carbon energy for approximately six million homes for decades. It would involve substantial investment in the area and create significant short, medium and long-term employment opportunities and economic benefits for Sizewell and East Anglia.
- 1.1.3 Sizewell C falls within the definition and thresholds for a Nationally Significant Infrastructure Project (NSIP) under sections 14(1)(a) and 15 of the Act and its construction must be authorised by a Development Consent Order (DCO).
- 1.1.4 A detailed description of the main development site can be found in **Volume 2** of the **Environmental Statement (ES)** (Doc Ref. 6.3). The associated development sites are described in **Volumes 3 to 9** of the **ES**. The location of the proposals is shown on the **Land Plans** (Doc Ref. 2.1). SZC Co is engaging in negotiations with all affected landowners and the current status of those negotiation is outlined in the **Statement of Reasons** (Doc Ref. 4.1).

2. Purpose of this Funding Statement

- 2.1.1 This Statement is required because the **Draft DCO** (Doc Ref. 3.1) (the Order) would authorise the compulsory acquisition of land, interests in land and rights over land. Under the relevant regulations, SZC Co. must provide a statement setting out how, if the Secretary of State were to grant the Order containing such powers, it would fund such acquisition.
- 2.1.2 This Statement has been produced in accordance with Regulation 5(2)(h) of the Infrastructure Planning (Applications: Prescribed Forms and Procedure) Regulations 2009 (APFP) (Ref. 1.2) and the former Department for Communities and Local Government guidance, 'Planning Act 2008: Guidance related to procedures for the compulsory acquisition of land' (September 2013) (Ref. 1.1) and 'Planning Act 2008: Application form guidance' (June 2013) (Ref. 1.3).
- 2.1.3 The Government's application form guidance explains:

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“25. Where an applicant intends to compulsorily acquire land, an interest in land or rights over land, information relating to this must be set out within a ... a funding statement ...

26. ... A funding statement must contain sufficient information to enable the Secretary of State to be satisfied that, if it were to grant the compulsory acquisition request, the proposed development is likely to be undertaken and not be prevented due to difficulties in sourcing and securing the necessary funding.”

2.1.4 In addition, its guidance on the compulsory acquisition of land explains:

“9. The applicant must have a clear idea of how they intend to use the land which it is proposed to acquire. They should also be able to demonstrate that there is a reasonable prospect of the requisite funds for acquisition becoming available. Otherwise, it will be difficult to show conclusively that the compulsory acquisition of land meets the two conditions in section 122

[...]

17. Any application for a consent order authorising compulsory acquisition must be accompanied by a statement explaining how it will be funded. This statement should provide as much information as possible about the resource implications of both acquiring the land and implementing the project for which the land is required. It may be that the project is not intended to be independently financially viable, or that the details cannot be finalised until there is certainty about the assembly of the necessary land. In such instances, the applicant should provide an indication of how any potential shortfalls are intended to be met. This should include the degree to which other bodies (public or private sector) have agreed to make financial contributions or to underwrite the scheme, and on what basis such contributions or underwriting is to be made.

18. The timing of the availability of the funding is also likely to be a relevant factor. Regulation 3(2) of the Infrastructure Planning (Miscellaneous Prescribed Provisions) Regulations 2010 allows for five years within which any notice to treat must be served, beginning on the date on which the order granting development consent is made, though the Secretary of State does have the discretion to make a different provision in an order granting development consent. Applicants should be able to demonstrate that adequate funding is likely to be available to enable the compulsory acquisition within the statutory period following the order being made, and that the resource implications of a

possible acquisition resulting from a blight notice have been taken account of."

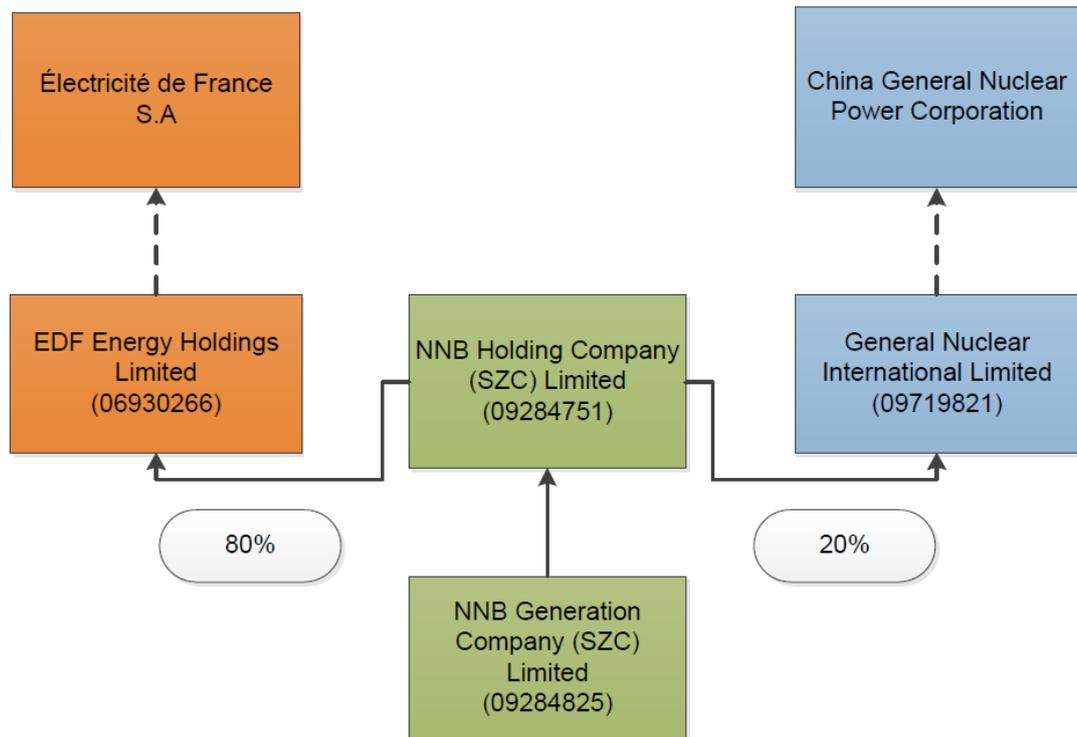
- 2.1.5 This Statement explains how: (i) the acquisition of the land, interests and rights necessary to build the Sizewell C Project would be funded; and (ii) how the implementation of the Sizewell C Project generally is to be funded. It should be read alongside the **Statement of Reasons** (Doc Ref. 4.1), which justifies the powers of compulsory acquisition that are sought and explains how SZC Co. intends to use the land which it is proposed to acquire.

3. Capital Expenditure

3.1 Corporate Structure

- 3.1.1 NNB Generation Company (SZC) Limited (a company incorporated in England, registered number 09284825) (SZC Co.), the Applicant for the compulsory acquisition powers over the Order Land, is currently a wholly owned subsidiary of NNB Holding Company (SZC) Limited (a company incorporated in England, registered number 09284751) (SZC HoldCo).
- 3.1.2 SZC HoldCo is a joint venture company between EDF Energy Holdings Limited (a company incorporated in England, registered number 06930266) and General Nuclear International Limited (a company incorporated in England, registered number 09719821), with EDF Energy Holdings Limited holding 80% of the shares and General Nuclear International Limited holding 20% of the shares.
- 3.1.3 The ultimate parent company of EDF Energy Holdings Limited is Électricité de France S.A. (EDF Energy) (a French société anonyme, RCS Paris 552081317). The ultimate parent company of General Nuclear International Limited is China General Nuclear Power Corporation (a Chinese registered company, CSC number 91440300100001694XX). This corporate structure is shown in **Plate 1.1**.
- 3.1.4 SZC HoldCo has been funded via a cash call process for amounts relating to the pre-development costs of the Sizewell C Project. The cash call funding is provided by each shareholder proportionate to their shareholding in SZC Co. (i.e. 80% by EDF Energy and 20% by General Nuclear International Limited) and funds are made available to SZC Co. in accordance with the approved Sizewell C budget.

Plate 3.1: Corporate Structure



3.2 Project Cost and Funding

- 3.2.1 The current cost estimate for the Sizewell C Project is circa £20 billion. This includes design, land acquisition (including any compensation payable for any compulsory acquisition of land, interests in land and rights over land), and physical construction. This cost estimate takes into account expected inflation and contingencies.
- 3.2.2 This cost estimate has been informed by contributions from a variety of sources, including budget quotations, expert advice and industry recognised rates based upon experience of national frameworks. Primarily, this has been informed by learning from Sizewell C’s sister project, Hinkley Point C, in Somerset which is currently under construction.
- 3.2.3 The Sizewell C development would be carried out by the applicant, SZC Co. However, the funding of the applicant may change once the DCO, if granted, has come into force. External finance is expected to be required to fund the construction of the Sizewell C Project.
- 3.2.4 SZC Co. has had positive engagement with third party investors with a view to attracting the investment required. In June 2018, the Secretary of State for BEIS announced that the Government would review the viability of a

‘Regulated Asset Base’ (RAB) financing model for new nuclear projects (Ref. 1.4) and published an assessment of this model for consultation between July and October 2019 (Ref. 1.5). In the consultation, BEIS concluded that, by providing regulated returns to investors, a RAB model has the potential to attract new investors to new nuclear projects and reduce their cost of finance, thereby reducing consumer bills and maximising value for money for consumers and taxpayers. BEIS also concluded that “*a RAB approach could present a sustainable and value for money model for funding new nuclear projects.*”

3.2.5 The results of this consultation are awaited and discussions with BEIS about the use of a Regulated Asset Base model or another deliverable funding model continue.

3.2.6 The funding of the Sizewell C Project is currently expected to comprise third-party equity (with EDF Energy being a minority shareholder) and debt. Although SZC Co. has already had positive engagement with potential third party investors, the development of the RAB financing model would widen the pool of potential equity and debt investors who would consider an investment in Sizewell C.

3.2.7 The RAB model is well-established and widely used for funding UK infrastructure including electricity, gas and water networks, airports, telecoms and transport. The model has been used to underpin the financing of £100bns of investment in assets in these sectors since the early 1990s. A precedent for the application of a RAB model to secure financing for a discrete and large construction project is the Thames Tideway Tunnel (in respect of which the model was used in 2015 to secure more than £3bn of investment from financial investors). The RAB model is attractive to investors as it provides a long-term revenue allowance which is indexed to inflation, which is underpinned by a large customer base (providing a very high degree of confidence). This revenue allowance is sufficient to cover investor costs and provide a financial return.

3.2.8 SZC Co. is confident that it will be able to raise the funding required for the Sizewell C Project and that adequate funding will be available in order for the Sizewell C Project to commence development and any compulsory acquisition to take place within the timescales set by the Order. The availability of funding is therefore not considered to be an impediment to the implementation of the Sizewell C Project or to the acquisition of land, interests in land or rights over land identified in the Order.

3.2.9 EDF Energy and the wider EDF Energy group have significant experience in delivering major energy infrastructure projects. EDF Energy has already committed significant resources to date in order to bring forward the Sizewell

C Project to meet the Government's recognised need for new nuclear power, thus demonstrating its commitment to the Sizewell C Project.

3.2.10 Considering the above, the Secretary of State should be satisfied that SZC Co. will have adequate funds available for the Sizewell C Project (including the compulsory acquisition of land, interests in land and rights over land) if development consent is granted.

4. Compensation Payments

4.1.1 An estimate of the amounts necessary to cover the payment of compensation associated with the exercise of any compulsory acquisition powers granted in the Order is taken into account in the overall Sizewell C Project cost explained in **section 3** above. Expert advice has been taken by SZC Co. about the amount of compensation that may be payable.

5. Blight

5.1.1 In the event that any claims for blight arise, SZC Co. will be sufficiently capitalised as explained above to meet the costs of dealing with such claims.

References

- 1.1 Department for Communities and Local Government guidance, 'Planning Act 2008: Guidance related to procedures for compulsory acquisition of land' (London, 2013)
- 1.2 Parliament of the United Kingdom, Infrastructure Planning (Applications: Prescribed Forms and Procedure) Regulations 2009 (London, 2009)
- 1.3 Department for Communities and Local Government, 'Planning Act 2008: Nationally Significant Infrastructure Projects – Application form guidance' (London, 2013)
- 1.4 Department for Business, Energy and Industrial Strategy, *Government Review: Viability of a 'Regulated Asset Base' (RAB) financing model for new nuclear projects* (London, 2018). Available at: <https://beisgovuk.citizenspace.com/energy-strategy-networks-markets/regulated-asset-base-rab-model/>
- 1.5 Department for Business, Energy and Industrial Strategy, *Government Response: Consultation on a RAB model for new nuclear Projects*, (London, 2019). Available at: <https://www.gov.uk/government/consultations/regulated-asset-base-rab-model-for-nuclear>