



CORPORATE FINANCE

A Future for Nuclear?

Rob Cormie

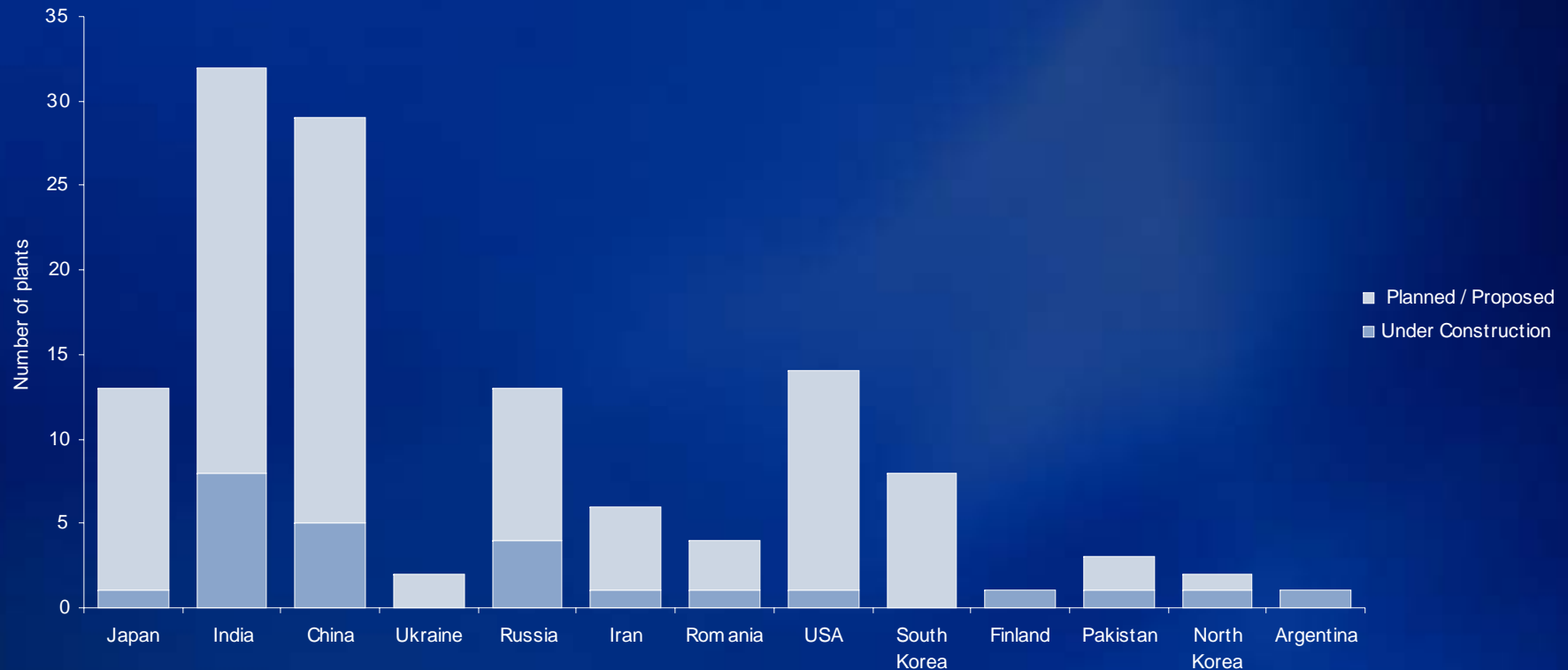
Partner, KPMG Corporate Finance

Westminster Energy Forum – 16th January 2007

ADVISORY

The Global Nuclear Market is Taking Off....

Nuclear Power Plants Under Construction and Planned 2003-2010



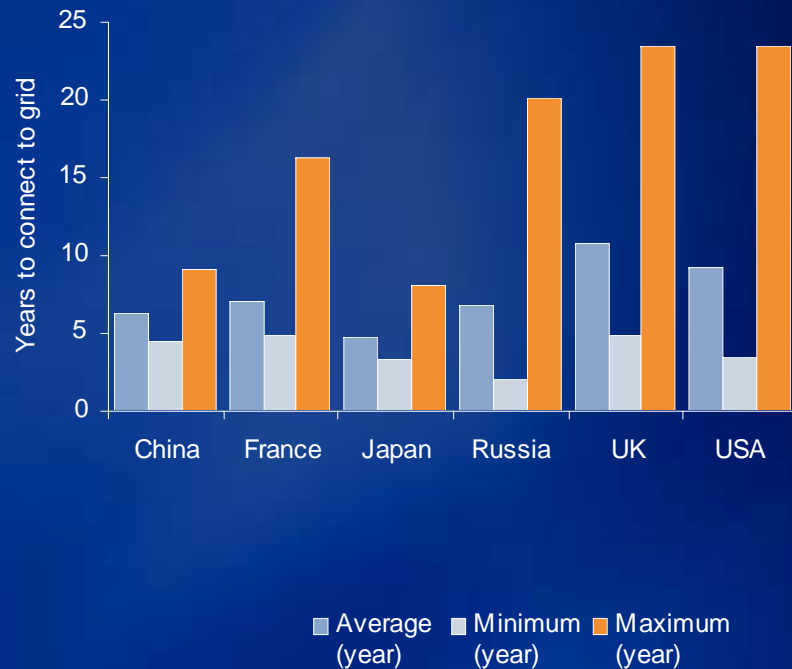
Source: World Nuclear Association



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..already leading to global supply pressures

- It's a global, not just a UK market
- Long lead times
- The UK's track record in procurement
- Concerns for the UK market



Source: IAEA Database

Options for influencing investor appetite



United States of America

- Pre-licensing of reactor designs by NRC
- Time-limited capital allowances – 1.8 cents/kWh for first 6000 MW of new build (using specified technologies) which is placed in service before 2021 for the first 8 years of operation.
- Loan guarantees – up to 80% of cost of ‘innovative technologies’ provided in US Energy Policy Act 2005
- Risk insurance against licensing delays (US EPA 2005)
- Decommissioning levy - 0.1-0.2 cents/kWh to build ‘trust fund’ (similar to non-fossil fuel levy)
- Limit public liability for accidents - Price-Anderson Act



Canada

- 40 year Power Purchase Agreements (PPAs)
- Government acts as intermediary – buying and selling electricity
- Operators lease fuel – decommissioning liabilities remain with Government



Japan

- Government and private sector jointly plan future developments
- Atomic Energy Commission of Japan concluded new “Framework for Nuclear Energy Policy” in October 2005
- Ministry of Economy, Trade and Investment (METI) re-established its Nuclear Energy SubCommittee to flesh out new strategy.



Finland

- Government and energy intensive companies have equity stake in TVO
- Long-term, fixed price, off-take contracts
- Electricity sold to shareholders (e.g. pulp and paper manufacturers) at cost
- Fixed price (3.2bn Euros) construction contract with Framatone AP & Siemens



United Kingdom

- Phase 2 EU ETS currently being set. Trying to provide long term carbon market
- NII consulted on potential ways of speeding up licensing process
- Planning consultation underway to reduce planning approval
- Levy to cover decommissioning costs?
- Limit public liability for accidents?

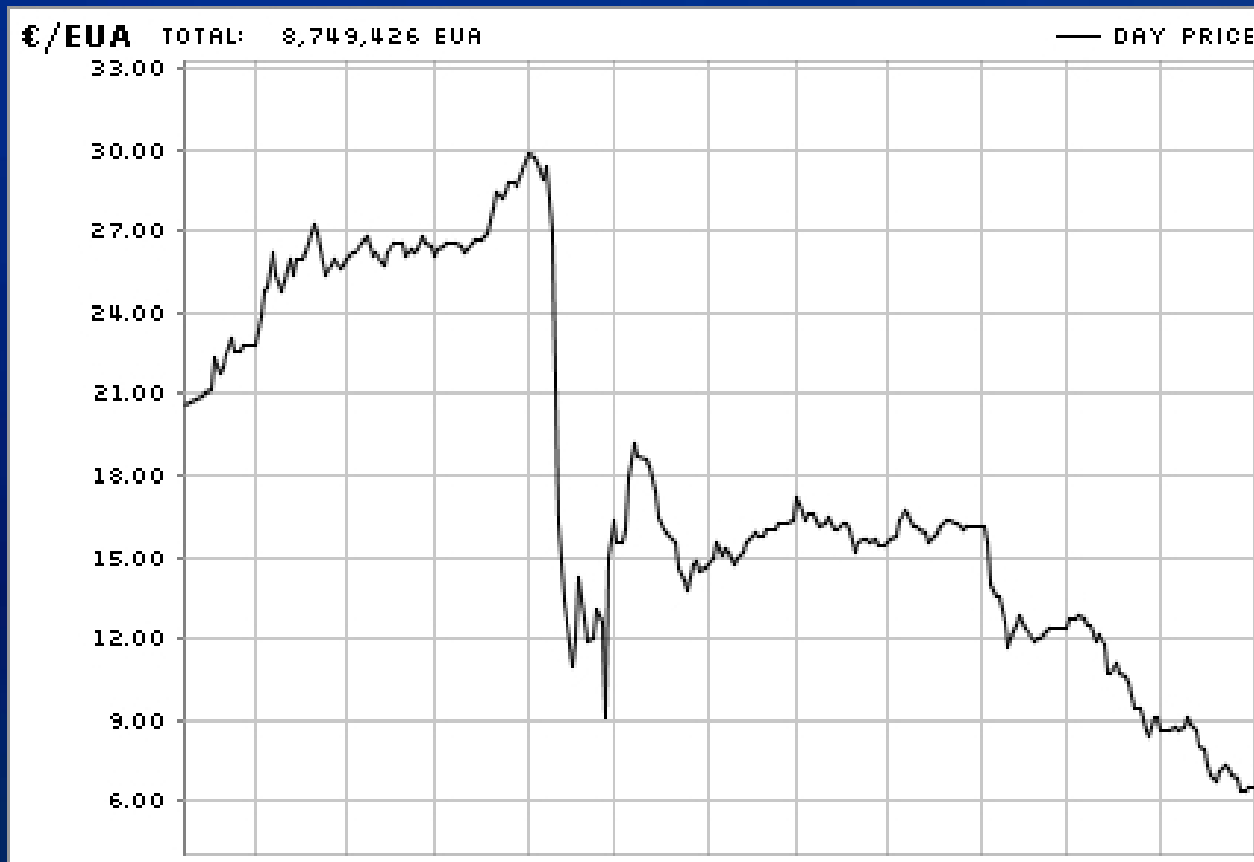
UK Energy Review

The 4 long term goals from the energy review are;

- Climate change
- Security of supply
- Competitive energy market
- Fuel poverty

The key is the Carbon Market....

EU ETS Market Prices 20 / 12 / 05 to 20 / 12 / 06



Source: European Energy Exchange



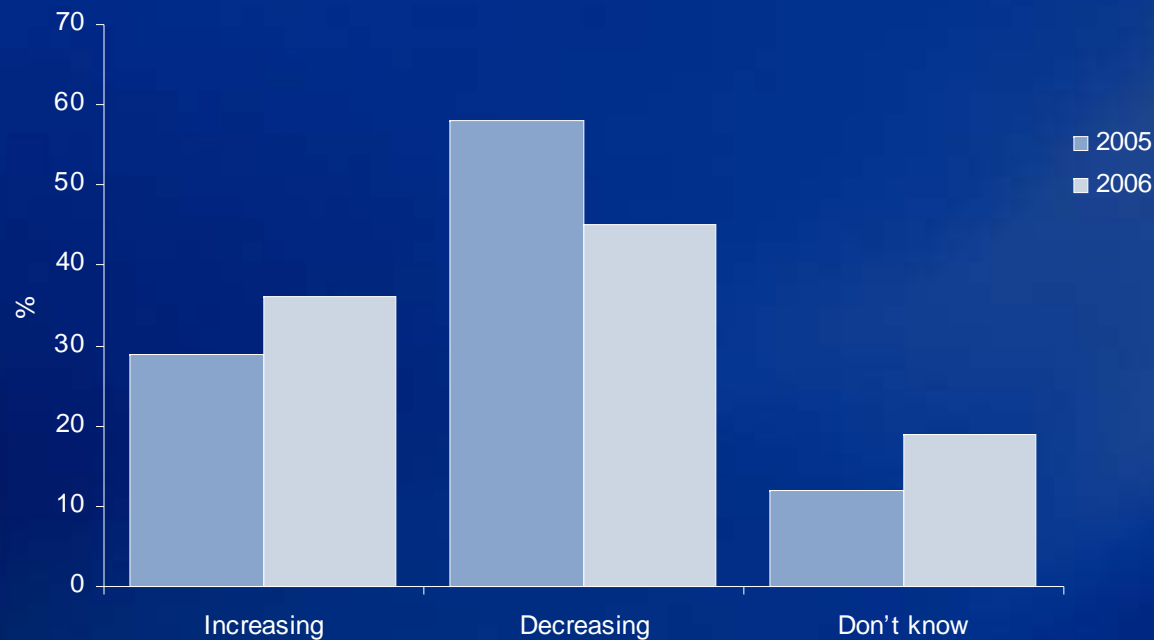
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If nuclear is the answer, investors need certainty

- Carbon
- Speeding up planning process
- Pre-licensing
- Nuclear waste
- Skills

The opposition to nuclear seems to be weakening...

Do you think we should be increasing or decreasing our nuclear generating capacity?



Source: YouGov Poll Commissioned by KPMG

Presenter's contact details

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