



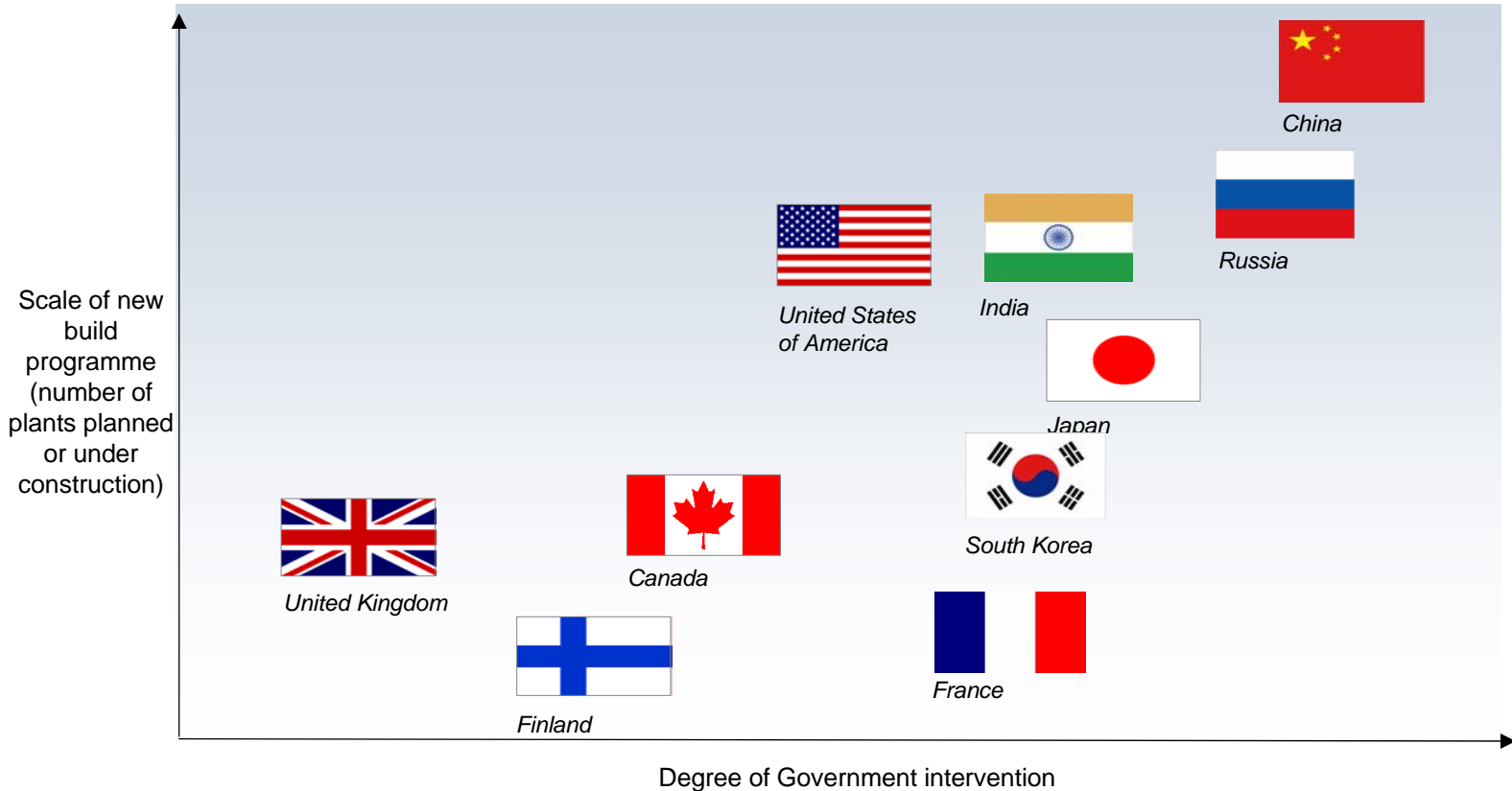
CORPORATE FINANCE

Assessing strengths and weaknesses on the new build corporate battlefield, and evaluating the likelihood of timely UK new nuclear build

7 February 2008

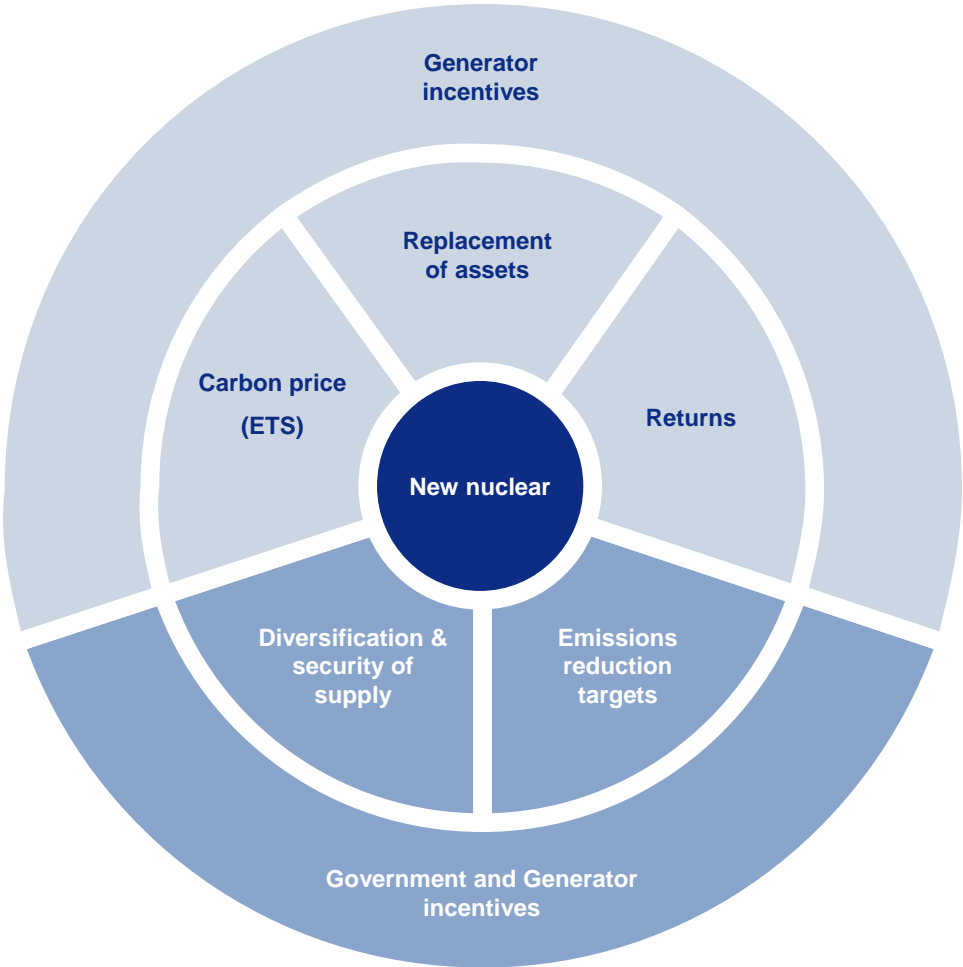
ADVISORY

UK in favour but needs strong private sector appetite

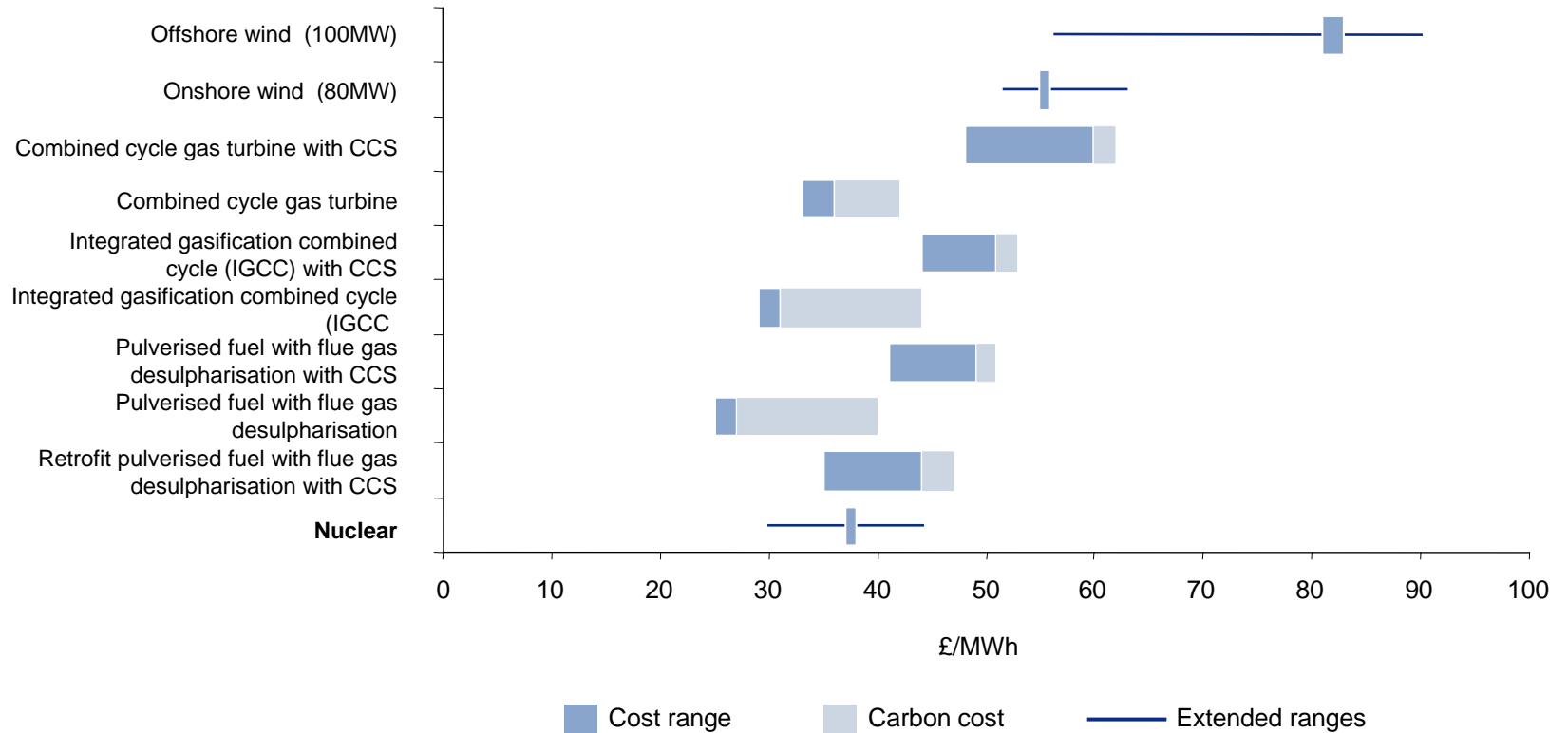


Source: KPMG illustration using WNA figures for new build programmes

Market interest in new nuclear driven by a number of factors

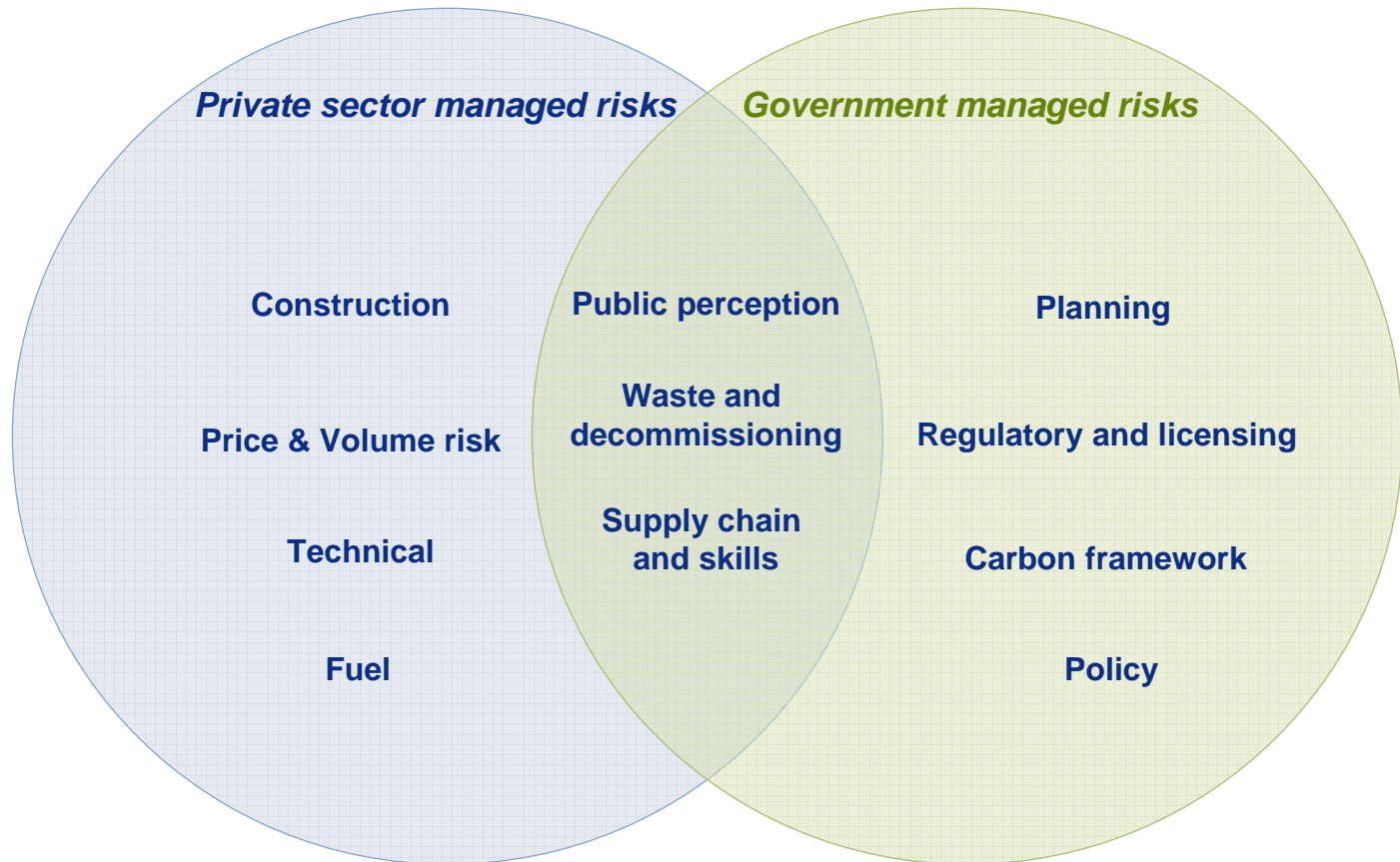


Nuclear needs to be competitive



Source: *The Energy Challenge, DTI, July 2006 (assumes carbon price of €25 p/t)*

Challenges to timely delivery



...But UK is competing in a global market for nuclear

Can new nuclear be financed?

Funding challenges	Structuring issues	Funding sources
<ul style="list-style-type: none">● Scale● Risk allocation● Balance sheet vs limited recourse● Public Perception	<ul style="list-style-type: none">● Security● Direct agreements● EPC vs target price● Technology● Regulatory risk● Contractual structure● Completion guarantee● Equator principles● Credit ratings	<ul style="list-style-type: none">● Corporate debt or equity● Bank markets● Capital markets● Multilaterals● ECAs● Monolines

...All parties have to accept that they will need to bear a significant degree of risk, relative to expected returns