



NUCLEARELECTRICA

European Commission  
Directorate-General for Competition  
State aid Registry  
Rue de la Loi/Wetstraat 200  
1049 Bruxelles/Brussels  
Belgique/ Belgie

**Subject: State aid SA.34947 (2013)/C) (ex 2013/N0 \_ Investment Contract (early Contract for Difference) for the Hinkley Point C New Nuclear Power Station. SN NUCLEARELECTRICA SA COMMENTS PURSUANT TO ARTICLE 108(2) OF THE TREATY ON THE FUNCTIONING OF THE EUROPEAN UNION**

Dear Sirs,

The attached paper represents S.N. Nuclearelectrica S.A. comments pursuant to Article 108(2) of the Treaty on the functioning of the European Union regarding the Investment Contract for the Hinkley Point C New Nuclear Power Station.

Best regards,

Daniela Lulache  
CEO



**State aid SA.34947 (2013)/C) (ex 2013/N0 \_ Investment Contract (early Contract for Difference) for the Hinkley Point C New Nuclear Power Station.  
S.N. NUCLEARELECTRICA S.A. COMMENTS PURSUANT TO ARTICLE 108(2)  
OF THE TREATY ON FUNCTIONING OF THE EUROPEAN UNION**

In line with the 2030 Framework for Energy and Climate Policy, Romania is keen to use its resources to their fullest potential and rely on its own choice of energy mix, as an effective state prerogative. Given this context and Romania's energy strategy for medium and long-term, the development of nuclear energy through the completion of the Cernavoda Units 3 and 4 Project is envisioned as an important part of the country's choice of an efficient energy mix capable to meet the objectives of the strategy: energy efficiency, diversity and security of supply, affordability and environment protection.

In its quality as the only Romanian nuclear energy producer, Nuclearelectrica, based on the relevant operation expertise and beneficial social impact thus far, is eager to develop the afore-mentioned nuclear project and support the identification of fair, market based support mechanisms.

As a reliable producer as well, we are also keen to couple energy efficiency with affordability and, therefore, aim, together with other market participants, at correcting, through both Grid and end consumer beneficial major investment projects, certain market failures.

Starting the early 2000, the policies have focused periodically on different major aspects and today the need to address the pillars of sustainability based on an integrated approach is far greater than ever. Nowadays, concerns based on the history of their incremental impact are mainly related to affordability and decarbonisation.

Based on the constructive directions of the 2030 Framework for Energy and Climate policy, which are mostly welcome, Nuclearelectrica highly supports reaching the targets of decarbonisation through means of technology neutrality and common efforts for the application of efficient support mechanisms in areas where market failures hamper major investment projects.

Nuclearelectrica emphasizes the importance of energy mix based on low-carbon technologies in which source diversity and technology neutrality are playing a significant role, and the importance of a truly competitive energy market.

It is in this context that the EU should recognize the full potential of all non-carbon technologies, including the nuclear energy in supporting a 40% reduction in GHG emissions and should uphold the implementation of support mechanisms in order to develop this potential in due time.

Emphasis by the EC on investment enabling measures, based on technology neutrality, will provide member states with the necessary flexibility in meeting targets.

The development of nuclear energy, in particular, and other carbon-free energy forms, in general, is deterred by a series of market failures which cannot be efficiently addressed as

standalone market corrections and whose effects can be diminished by robust, market based and market corrector investment projects.

Perceived through Units 3 and 4 Project market related issues, market failures impede nuclear development due to:

- The existence of long-term nuclear related risks and liabilities; high risk of regulatory failure and lack of long-term hedging against electricity prices, strictly related to nuclear investment projects;
- The investors reluctance to invest in nuclear due to the perceived risks associated with nuclear industry;
- The investors choice of attractive risk-return investment projects as opposite to social optimal risk-return profile investment projects with impact on the diversity of supply and, implicitly, on the security of supply;
- The internalization of the security of supply benefits by the market is industry related in its entirety; it depends on the expansion of generation capacities as real added value to the system and social capitalization;
- The noticed shortcomings of the ETS and CPF mechanisms and the unrealistic expectancy to rely on possible future results;

Given the above mentioned market failures and its quality of nuclear new build project developer, in the light of all above mentioned objective reasons, Nuclearelectrica is a strong supporter of the Contract for Difference (CfD), the support mechanism proposed by UK for the development of Hinkley Point C, as well as for other appropriate support mechanisms adapted to each MS needs and specific. Thus far, the CfD is a transparent, market based and competitive support mechanism which strictly addresses the nuclear development and one of the main robust two-way pay mechanisms which could be destined to developing a wide array of low-carbon energy generation projects.

Its market based characteristics, competition oriented related mechanisms, market failure corrector best reflect in the following:

- The strike price accurately describes the verified costs of investing and allows a reasonable level of return on investment to be achieved in a 35-year period,
- Periodic reviews to adjust the strike price downwards if the costs turn out to be lower than planned, thus it impedes over-compensation;
- It focuses on direct-marketing of electricity exposing the generator to inherent market risks and obliging it to realize the strike price;
- It is forward market price derived year ahead;
- It reduces the capital and financing costs and end user prices for consumers;
- It creates a level playing field for all low carbon investments;
- It guarantees no fixed level of overall revenues or a fixed level of profit.

Nuclearelectrica firmly supports the development of nuclear energy as a viable solution to decarbonization and as part of the solution to guarantee: affordability, competitiveness, efficiency and development as both the states' prerogative for energy mix choice and a common European ground to counteract present and future challenges.