



House of Commons
Welsh Affairs Committee

The suspension of work on Wylfa Newydd nuclear power station

Third Report of Session 2017–19

*Report, together with formal minutes
relating to the report*

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Welsh Affairs Committee

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Summary

In January 2019, work was suspended on the development of the Wylfa Newydd nuclear power station on Anglesey. In this report, we consider the implications of the suspension, and what might be done to restart development.

Implications for North Wales

North Wales is a key centre for the nuclear sector. Wylfa Newydd was a key part of the North Wales Growth Deal, a new agreement to boost the region's development. We heard it was important for the North Wales economy that other projects from the Growth Deal were brought forward to fill the gap left by Wylfa Newydd.

Recommendations

The UK Government, Welsh Government, local authorities and other partners should work together to ensure that other projects in the Growth Deal bid can be accelerated to minimise the damage to the local economy.

The two Governments should support Growth Deal partners on new high quality projects, in time for the 2019 Budget.

The UK Government should work with the Welsh Government and developers on a proposal for a small modular reactor at Trawsfynydd.

The UK Government should talk to the Nuclear Decommissioning Authority about opportunities for the apprentices from Wylfa Newydd.

Resuming work

We heard that Wylfa Newydd was one of the best sites in the country for nuclear development, not least because of the geology and supply of cooling water. It was suggested that Hitachi, the owners of the site were concerned about the financing arrangements, and that a new model might help to get development back underway. We were told that another option might be for Hitachi to sell the site to another developer.

Recommendations

The UK Government should complete its assessment of the regulated asset base model as soon as it can. If the model is viable, the legislation to enable it should be introduced without delay.

If, after this, Hitachi does not want to resume development, the UK Government should encourage it to sell the site. The UK Government should also seek out other developers who might wish to take work forward.

1 Introduction

1. On 17 January 2019, Horizon Nuclear Power, a subsidiary of the Japanese company Hitachi, announced that it was suspending its UK nuclear development programme.¹ The programme had included the construction of two advanced boiling water reactors close to the site of the old Wylfa nuclear power station on Anglesey, as well as proposed work on a second site at Oldbury in Gloucestershire.² The announcement followed a decision taken by Hitachi on the basis of the financing and commercial arrangements for the project. Horizon’s Chief Executive, Duncan Hawthorne, said that “despite the best efforts of everyone involved”, they had been unable “to reach an agreement to the satisfaction of all concerned”. He added that Horizon would “keep the option to resume development in future”.³

2. The proposed Wylfa Newydd power station was expected to provide a boost to the economy of Anglesey and North Wales. It was anticipated that 850 jobs would be created on the site, with potential for an estimated 8,000 jobs during the construction phase.⁴ Horizon had already taken on 33 apprentices who were due to become part of the operations team at the plant.⁵ Wylfa Newydd was a key plank of the proposal for a North Wales Growth Deal, to which both the UK and Welsh Governments have committed significant funding.⁶

3. In view of the implications for North Wales, we decided to take oral evidence to consider the impact of the suspension of work and how it might be mitigated, as well as exploring the prospect of work resuming. Over three sessions, we heard from Horizon, the UK and Welsh Governments, the local authority, and other stakeholders. We were joined in the sessions by Albert Owen MP, a ‘guest’ from the Business, Energy, and Industrial Strategy Committee, whose understanding of the nuclear sector and local knowledge have been very helpful to us.

1 Horizon press notice, “[Horizon suspends UK nuclear new build activities](#)”

2 The advanced boiling water reactor is the latest design of boiling water reactor (BWR). BWRs work by passing the steam which has been generated inside the reactor directly to the turbine. See Hitachi webpage, “[Introduction to the UK Advanced Boiling Water Reactor](#)”.

3 Horizon press notice, “[Horizon suspends UK nuclear new build activities](#)”, 17 January 2019

4 Trade and Invest Wales, “[Wylfa Newydd](#)”

5 Q87 [Ken Skates], Nuclear Engineering International, “[New apprentices start at Horizon](#)”, 20 September 2017

6 North Wales Economic Ambition Board, “[A growth deal for North Wales](#)”, p 8

2 Implications for North Wales

4. North Wales has long been an important location for the nuclear industry. The original Wylfa power station, with two Magnox reactors, began generating electricity in 1971.⁷ It ceased operation in 2015, the last Magnox station in the UK to be switched off,⁸ and is now in its defuelling phase.⁹ North Wales was also home to the Trawsfynydd nuclear power station in Snowdonia, the only inland nuclear power station in the UK,¹⁰ which ceased operation in 1991.¹¹ Decommissioning work at Trawsfynydd is ongoing, and, as we discuss below, the site has also been mentioned as a possible location for new nuclear development.¹²

5. In addition to the decommissioning of the power stations there are various new nuclear initiatives underway in North Wales. Bangor University's Nuclear Futures Institute is developing what it describes as "a world leading capability in nuclear science and engineering" with an aim to "establish North Wales as a global centre in nuclear technology".¹³ The UK Government's Nuclear Sector Deal committed to working in partnership with the Welsh Government to develop a £40 million thermal hydraulics facility in North Wales.¹⁴ This facility would be based at the Menai Science Park on Anglesey.¹⁵

The North Wales Growth Deal

6. The nuclear sector is also an important part of the North Wales Growth Deal bid. This bid was submitted in December 2017 by the six local authorities in North Wales, who, along with the North Wales and Mersey Dee Business Council, Universities and Further Education Colleges, would form a new Growth Board.¹⁶ The proposal predicted the creation of 5,000 jobs and investment of £1.3 billion in the North Wales economy from growth deal monies of £383.4 million (£328 million capital and £55.4 million revenue).¹⁷ In the 2018 Budget, the UK Government agreed to commit £120 million to the Growth Deal.¹⁸ On 7 December 2018, the Welsh Government committed to matching the UK Government's contribution.¹⁹

7. The Growth Deal bid states that the 'Smart North Wales' arm will "lead investment in the nuclear and low carbon energy" and "existing initiatives and strengths to increase investment and employment" in the sector.²⁰ It refers in particular to the development

7 Office for Nuclear Regulation, "[Wylfa](#)"

8 BBC News, "[Wylfa's nuclear waste removal delayed by machinery snags](#)", 2 January 2018

9 Office for Nuclear Regulation, "[Wylfa](#)"

10 BBC News, "[600 jobs hope for old Trawsfynydd nuclear site](#)", 25 February 2017

11 Office for Nuclear Regulation, "[Trawsfynydd](#)"

12 Office for Nuclear Regulation, "[Trawsfynydd](#)"

13 Bangor University website, "[Nuclear Futures Institute](#)"

14 HM Government, [Industrial Strategy: Nuclear Sector Deal](#), p 14

15 UK Atomic Energy press release, "[UKAEA to develop national thermal hydraulic facility](#)", 29 November 2018

16 North Wales Economic Ambition Board blog, "<https://northwaleseab.co.uk/blog/north-wales-councils-launch-multi-million-pound-growth-bid>", 2 January 2018

17 North Wales Economic Ambition Board blog, "<https://northwaleseab.co.uk/blog/north-wales-councils-launch-multi-million-pound-growth-bid>", 2 January 2018

18 HM Treasury, [Budget 2018](#), p 66

19 Welsh Government press release, "[Welsh Government announces North Wales Growth Deal commitment](#)"

20 North Wales Economic Ambition Board, [A Growth Deal for North Wales](#), p 10

of Wylfa Newydd, saying, “We will capitalise on the opportunities created by significant private sector investments, most notably Wylfa Newydd on Anglesey, one of the largest contemporary private sector investments in the UK”.²¹

8. Given the importance of Wylfa Newydd to the Growth Deal and the North Wales economy, we were keen to explore the effect of the suspension on future plans for the region. Ken Skates AM, Minister for the Economy and Transport in the Welsh Government, told us that the stopping of work had “the potential to inflict a major blow on the economy of north Wales if it is permanent”. He said that if, however, it was a pause, then “we have to ensure that we are able to bridge the period between now and when a nuclear power project gets under way on the west of our mainland shore”.²² A particular concern was the need to avoid a loss of skills in the region. Nick Kardahji, from the trade union Prospect, told us that if the suspension continued for an extended period with no clarity, there was a risk that skills could be lost.²³

9. Mr Skates also said that he had met the North Wales Economic Ambition Board a week after Hitachi’s decision. The Board had agreed to review projects within the growth deal “not just to assess what projects may be impacted and whether they need to be altered, amended or redesigned, but also what projects can be taken forward at pace”.²⁴ Cllr Llinos Medi, representing the North Wales Economic Ambition Board, referred to plans for tidal energy projects, including one involving companies Minesto and Morlais, and said that the board was considering “what we can do to bring those forward”.²⁵ Dylan Williams, Head of Regulation and Economic Development at the Isle of Anglesey County Council, said that certain projects in the growth bid “will happen earlier, and other projects might possibly be supported in greater depth so there is more activity taking place on Anglesey all year - sooner, rather than later, in the 10-year plan”.²⁶ Nigel Adams, then Parliamentary Under-Secretary of State at the Wales Office, told us that the UK Government had had reservations about some of the projects, but that in late March 2019 the Ambition Board had submitted updated business cases which were now being considered:

we felt that some of the projects within the growth deal weren’t as ambitious or as transformational as we would have liked to have seen. They were in the right space in terms of sector. We have gone back to the ambition board and communicated that, both at official and ministerial level. They have come back with a revised set of business cases. I am really hopeful that they provide a much more encouraging situation.²⁷

10. Mr Skates said that there was probably a case for “additional financial resource” as there was “a major hole that needs to be plugged”. He added that if the UK Government were to look at increasing its contribution to the growth deal from the current £120 million, the Welsh Government would look to match the increase.²⁸ If the two Governments were

21 North Wales Economic Ambition Board, [A Growth Deal for North Wales](#), p 8

22 Q86

23 Q120

24 Q99

25 Q118

26 Q119

27 Oral evidence, [Responsibilities of the Secretary of State for Wales](#), HC (2017–19), 1 April 2019, Q234

28 Q101

each to commit a further £44 million, the £328 million capital funding originally sought in the Growth Deal bid would be reached. In relation to further funding, The Secretary of State for Wales, Rt Hon Alun Cairns MP, told us that it was

up to the region to come forward with strong bids—bids so good that we simply cannot turn them down. That is the best way to be: the greater the ambition, the greater the quality of the bid and the greater the investment it attracts, the more foolish it would be for us ever to turn around and say no.²⁹

11. The nuclear sector has long been an important part of the North Wales economy. We were impressed by the various innovative projects, particularly plans for alternative, sustainable energy projects, underway to maintain this importance over the coming decades. Given the suspension of work on Wylfa Newydd, these projects are even more crucial in ensuring the sector in North Wales remains vibrant and that skills are retained.

12. *Ynys Môn is arguably one of poorest parts of Wales, and the over-reliance of the local economy on one big project is concerning. The UK and Welsh Governments must come together to develop a strategy to sustain and diversify the local economy of North West Wales away from solely nuclear, especially considering Hitachi's decision to suspend the project at Wylfa Newydd. This strategy should include how public support earmarked for Wylfa B could be utilised in an alternative manner. Work on this strategy should commence immediately and this committee should be consulted on its development.*

13. *We are concerned about the effects of the Wylfa Newydd suspension on the North Wales Growth Deal. We encourage the UK Government, Welsh Government, local authorities and other partners to work together to ensure that other projects in the Growth Deal bid can be accelerated to minimise the damage to the local economy.*

14. *We note that with a further £44 million each the UK and Welsh Governments could provide the full amount of capital funding originally sought by the Growth Deal. We also accept the Secretary of State for Wales's argument that the money should only be provided on the basis of strong, cost-effective bids. We recommend that the two Governments provide support and advice to the Growth Deal partners to ensure that high quality proposals, worthy of further investment, can be brought forward in time for the 2019 Budget.* We will consider this matter more closely in our forthcoming inquiry on City and Growth Deals in Wales.

Trawsfynydd

15. We heard that there was particular interest in ideas for new nuclear development at Trawsfynydd, to sustain the local economy and retain the key skills base. In 2016, our predecessor Committee found that Trawsfynydd would be an “ideal site” for the introduction of new small modular reactor (SMR) technology:³⁰

29 Oral evidence, [Responsibilities of the Secretary of State for Wales](#), HC (2017–19), 1 April 2019, Q236

30 The International Atomic Energy Authority states that SMRs are “are defined as advanced reactors that produce electricity of up to 300 MW(e) per module. These reactors have advanced engineered features, are deployable either as a single or multi-module plant, and are designed to be built in factories and shipped to utilities for installation as demand arises”. See IAEA website, [“Small modular reactors”](#).

It is clear that Trawsfynydd would be an ideal site for a first-of-its-kind SMR. The availability of cooling water and the grid connections mean it would meet the technical requirements, and its history as a nuclear site and its ownership by the Government mean that it would be easy to designate it as a site for SMR development. The presence of a skilled workforce, which is strongly in favour of the project, would also be a major boost to SMR development.³¹

Dr John Idris Jones, a chartered physicist and independent consultant from the area, pointed us to a ‘science and innovation audit’ sponsored by the Department for Business, Energy and Industrial Strategy, which shared our predecessors’ positive view of the Trawsfynydd site, and concluded that using it for a first-of-a-kind SMR deployment would “provide the region with high value jobs and help boost the local economy”.³²

16. We asked Mr Skates what the Welsh Government could do to ensure development came to Trawsfynydd. He said that it was “partly down to the site being an attractive proposition and to ensuring that the developers of SMR have all the support necessary from the UK Government and the Welsh Government”.³³ The UK Government’s nuclear sector deal states that it recognises “growing local and regional interest in a number of sites, such as Trawsfynydd, for further nuclear development” and will be “actively considering the question of siting for SMRs”³⁴ Encouragingly, the Secretary of State for Business, Energy and Industrial Strategy, Rt Hon Greg Clark MP, chose Trawsfynydd as the venue for the launch of the sector deal.³⁵

17. We reiterate our predecessors’ conclusion that Trawsfynydd is an ideal site for a first-of-its-kind small modular reactor. It is imperative to explore new ways of sustaining the local economy, ensuring expertise is retained in the area and sustained by similar employment opportunities. The suspension of work on Wylfa Newydd makes it all the more important that plans for Trawsfynydd are brought forward at the earliest opportunity. We recommend that the UK Government work with the Welsh Government and potential developers on a proposal for Trawsfynydd to be designated as a site for a new SMR. We ask the UK Government to update us on this work in its response to our Report.

Apprenticeships

18. Gwen Parry-Jones, Director of Nuclear Operations at Horizon, told us that the 33 apprentices were “very talented” and “represent some of the best that we have to offer in north Wales”. She said that Horizon intended to complete supporting them through their three year programme:

What I mean by that is the salary that we pay them, but also that their training will be completed through the Coleg Menai-Grŵp Llandrillo Menai support. [...] What we are working on now [...] is figuring out how best to offer a future employment route. We have had a number of

31 Welsh Affairs Committee, *The Future of Nuclear Power in Wales*, HC (2016–17), para 146

32 Q149, *The North West Nuclear Arc Science and Innovation Audit: A Science and Innovation Audit Sponsored by the Department for Business, Innovation and Skills*, March 2018, p 24

33 Q107

34 HM Government, *Industrial Strategy: Nuclear Sector Deal*,

35 HC Deb, 28 June 2019, [col 1039](#)

industrial offers from around the country. We are just trying to make sure that we hear what the apprentices want before we finalise the arrangement for those extremely talented people.³⁶

19. We were keen to know whether these industrial offers would enable the apprentices to stay in North Wales, or whether they would have to move to other parts of the UK. Dylan Jones, from Anglesey County Council, told us he understood informally that many of the apprentices prioritised “completing their training in the nuclear industry, and they are willing to move from the area in order to complete that training, and that that is more important than having training locally in a different industry”.³⁷

20. Notwithstanding whether they would have to move away for their training, Ken Skates believed that the apprentices would “most certainly have an opportunity to get back on to the Wylfa Newydd programme when the pause is lifted, because the skills they are learning right now are highly specialist and hard to come by”.³⁸ Dr John Idris Jones suggested that there might also be opportunities available in North Wales with Magnox Ltd, shortly to become a subsidiary of the Nuclear Decommissioning Authority,³⁹ which carries out the decommissioning work on the original Wylfa and Trawsfynydd plants:

I would suggest that there is a need for some discussion with the decommissioning authority to see how we could perhaps ensure that some of these apprentices have the offer of an opportunity with Magnox. I know that this is a difficult subject at the current time, because Magnox is also looking towards reducing the number of its staff. Looking at opportunities for young people in this industry, it is important that employers, like the decommissioning authority and the other major companies in the supply chain, take on apprentices.⁴⁰

21. If North Wales is to remain a centre for the nuclear sector, it is important to have a supply of skilled workers for the future. While we are pleased that funding is in place to enable the apprentices from Wylfa Newydd to complete their programmes, we would be deeply concerned if they moved permanently to other parts of the UK and their skills were lost from North Wales. We recommend that the UK Government work with the Nuclear Decommissioning Authority to explore opportunities for the apprentices at the Wylfa and Trawsfynydd sites, to complete their training and for permanent roles at the end of their programmes.

36 Q22

37 Q125

38 Q90

39 Nuclear Decommissioning Authority press notice, “[Magnox Limited to become a Nuclear Decommissioning Authority subsidiary](#)”, 2 July 2018

40 Q122

3 Prospects for resuming work

22. Gwen Parry-Jones, Horizon’s Director of Nuclear Operations, emphasised to us that work on Wylfa had been suspended, rather than cancelled. She said that “the words have been chosen very carefully. In a Japanese sense, they have been translated as between ‘freeze’ and ‘suspend’”.⁴¹

23. Some witnesses were hopeful about the prospects for resuming work on Wylfa Newydd, given the quality of the site. Dr John Idris-Jones, a chartered physicist and independent consultant, said:

The Wylfa site is counted as one of the best sites in western Europe, if not in the whole of Europe, for building nuclear power stations. The water is there, the rocks and so on are there, and we have such strong local support, which continues to be strong, for the development.⁴²

Gwen Parry Jones agreed, saying that in her experience as a nuclear engineer, the site represented “potentially the best site in the UK from the point of view of geology, cooling water and many different aspects”.⁴³

24. *We note that witnesses spoke positively about the potential for resuming work at Wylfa Newydd. The site clearly offers a number of advantages that make it favourable for the development of a nuclear power station.*

Financing

25. It was made clear to us that addressing Hitachi’s concerns about the financing of the project was critical to resuming work on Wylfa Newydd. Gwen Parry-Jones said that, prior to the suspension, good progress was being made on the “technical side” and the “social and permissions part” of the project, but that there had not been agreement about how to finance it.⁴⁴ She explained that it was a question of “the structure of how the shareholder was being asked to participate” and said that a particular issue “was the timing of returns to the shareholder”.⁴⁵

26. In a statement to the House, the Secretary of State for Business, Energy and Industrial Strategy, Rt Hon Greg Clark MP, said that the UK Government had made a “a significant and generous package of potential support, which goes beyond what any Government have been willing to consider in the past”.⁴⁶ He explained that there had been three elements to the UK Government’s offer:

- A one-third equity stake in the project, alongside investment from Hitachi, agencies of the Government of Japan, and other strategic partners;
- Provision of all debt financing needed for the completion of construction;
- Consideration of ‘contract for difference’ with a ‘strike price’ expected to be no more than £75 per kilowatt hour.⁴⁷

41 Q3

42 Q128

43 Q10. See also Q39 [Alun Cairns].

44 Q1

45 Q6

46 HC Deb, 17 January 2018, [col 1342–3](#)

47 HC Deb, 17 January 2018, [col 1342–3](#). CfDs work by fixing the prices (‘strike prices’) received for low carbon generation. When wholesale electricity prices are lower than the strike price, generators receive top-up payments, and vice versa. (Definition taken from House of Commons Library, [Tidal Lagoons, Briefing Paper No. 7940](#), June 2018)

27. Gwen Parry-Jones said that she did not think even with a higher strike price the structural issues would have been resolved.⁴⁸ She considered that the “timing of the returns and the ability to have it fully funded was the reason it failed, not the quantum”.⁴⁹

28. We heard several times that one means of addressing Hitachi’s concerns might be the ‘regulated asset base model’ (RAB), similar to that which had been used to fund the Thames Tideway sewerage project in London. Gwen Parry-Jones explained that her understanding of the model was that it “allows you to receive a regulated income early in the development and build phase of an asset so you are getting returns early rather than waiting” for the asset to become operational.⁵⁰ Nick Kardahji, from the trade union Prospect, told us that the model had not yet been attempted with a project the scale and size of Wylfa, but he thought that it could “give investors the certainty that they need to put their money into a project like this and to get the project over the line”.⁵¹ Unlike in the Contracts for Difference model, under the RAB, some of the risk would shift from the developer to the consumer.⁵²

29. Following the suspension of work on Wylfa Newydd, Mr Clark announced that the UK Government was “reviewing the viability of a regulated asset base model and assessing whether it can offer value for money for consumers and taxpayers”. He said that the UK Government would publish its assessment of the model by summer 2019.⁵³ The Secretary of State for Wales told us that the UK Government was “looking towards potentially bringing forward legislation for a RAB model”.⁵⁴ Richard Harrington MP, then Parliamentary Under-Secretary of State in the Department for Business, Energy and Industrial Strategy, spoke positively to us about the model’s potential:

However, I am hopeful that, because it is such an excellent site [...] if we can develop the regulated asset base system of funding, which has not been used in nuclear before, but has been used extensively in different projects that collectively are of much more than that magnitude; that is the amount if you add them all together. There is more than £160 billion in current prices of regulated asset base projects. But the most recent one that’s got the attention of the media, quite understandably, is the £4.2 billion for the Thames Tideway.⁵⁵

30. The regulated asset base model appears to offer a potential means of addressing Hitachi’s concerns about the financing structures. We welcome the UK Government’s intention to assess the model. We encourage it to complete and publish the assessment as quickly as possible. If the assessment concludes that the model would help to restart development on Wylfa Newydd, the UK Government should bring forward the necessary legislation without delay, and explore whether it offers a viable model for other large scale energy projects.

48 Q32

49 Q15

50 Q17

51 Q132. See also Q135 [John Idris Jones].

52 Q18. See also HM Treasury and Infrastructure UK, [National Infrastructure Plan 2010](#), October 2010.

53 HC Deb, 17 January 2018, [col 1343](#)

54 Q39

55 Q77

31. *When considering alternative financing and funding models, such as the regulated asset base model, the UK Government should consider conducting an assessment of a 100% equity stake model. All models should be assessed on the costs and risks to taxpayers and consumers.*

Another developer

32. We were told that it was possible to envisage a situation where development resumed, led either by a consortium involving Hitachi or, if Hitachi were prepared to sell the site, with a new developer altogether. Dr John Idris Jones said:

[...] If the RAB model and so on all fell into place, I could see a situation whereby a consortium of companies came together and perhaps Hitachi would be part of that consortium. That is just my personal opinion. That then would be an entity for development, which could possibly use Hitachi technology.

If that did not happen, other developers who develop nuclear power stations in the rest of Britain might be interested in the site—for example, EDF. In the past, it owned some of the land, but it was forced to sell it, and that was when Horizon bought the land in Wylfa back in 2009. So there are other companies.⁵⁶

33. We asked the Welsh Government Minister, Ken Skates, whether he would encourage Hitachi to sell the site to another developer. He said:

I think they are on record as saying that they are more likely to be a vendor than a developer. In all likelihood, that will be a course of action that they would want to take themselves without us having to prompt them. The fact that they are seeing [the development consent order] through to completion suggests that it is in their commercial interests. They are in a very good position to command maximum value for that land and the connections that go with it.⁵⁷

Richard Harrington MP, then the responsible UK Government Minister, said that Hitachi had not given any indication of its intention to sell the site, and that if they did, the Government would have to ensure the purchaser was one “of the right standing”.⁵⁸

34. *If Hitachi is not prepared to resume development of the site, it is possible that another developer might wish to take the work forward. We recommend that, if after the assessment of the regulated asset base model is completed, it becomes clear that Hitachi does not wish to take work forward alone, the UK Government encourage it to sell the site or to take part in a consortium of developers. Alongside this, the UK Government should take steps to identify other developers who might be willing to resume the development of, and explore alternative energy projects to, Wylfa Newydd.*

56 Q131. For Hitachi’s statement on Wylfa Newydd, see its [press notice of 17 January 2019](#).

57 Q94

58 Q80

Conclusions and recommendations

Implications for North Wales

1. The nuclear sector has long been an important part of the North Wales economy. We were impressed by the various innovative projects, particularly plans for alternative, sustainable energy projects, underway to maintain this importance over the coming decades. Given the suspension of work on Wylfa Newydd, these projects are even more crucial in ensuring the sector in North Wales remains vibrant and that skills are retained. (Paragraph 11)
2. *Ynys Môn is arguably one of poorest parts of Wales, and the over-reliance of the local economy on one big project is concerning. The UK and Welsh Governments must come together to develop a strategy to sustain and diversify the local economy of North West Wales away from solely nuclear, especially considering Hitachi's decision to suspend the project at Wylfa Newydd. This strategy should include how public support earmarked for Wylfa B could be utilised in an alternative manner. Work on this strategy should commence immediately and this committee should be consulted on its development.* (Paragraph 12)
3. *We are concerned about the effects of the Wylfa Newydd suspension on the North Wales Growth Deal. We encourage the UK Government, Welsh Government, local authorities and other partners to work together to ensure that other projects in the Growth Deal bid can be accelerated to minimise the damage to the local economy.* (Paragraph 13)
4. *We note that with a further £44 million each the UK and Welsh Governments could provide the full amount of capital funding originally sought by the Growth Deal. We also accept the Secretary of State for Wales's argument that the money should only be provided on the basis of strong, cost-effective bids. We recommend that the two Governments provide support and advice to the Growth Deal partners to ensure that high quality proposals, worthy of further investment, can be brought forward in time for the 2019 Budget.* (Paragraph 14)
5. *We reiterate our predecessors' conclusion that Trawsfynydd is an ideal site for a first-of-its-kind small modular reactor. It is imperative to explore new ways of sustaining the local economy, ensuring expertise is retained in the area and sustained by similar employment opportunities. The suspension of work on Wylfa Newydd makes it all the more important that plans for Trawsfynydd are brought forward at the earliest opportunity. We recommend that the UK Government work with the Welsh Government and potential developers on a proposal for Trawsfynydd to be designated as a site for a new SMR. We ask the UK Government to update us on this work in its response to our Report.* (Paragraph 17)
6. *If North Wales is to remain a centre for the nuclear sector, it is important to have a supply of skilled workers for the future. While we are pleased that funding is in place to enable the apprentices from Wylfa Newydd to complete their programmes, we would be deeply concerned if they moved permanently to other parts of the UK and their skills were lost from North Wales. We recommend that the UK Government*

work with the Nuclear Decommissioning Authority to explore opportunities for the apprentices at the Wylfa and Trawsfynydd sites, to complete their training and for permanent roles at the end of their programmes. (Paragraph 21)

Prospects for resuming work

7. *We note that witnesses spoke positively about the potential for resuming work at Wylfa Newydd. The site clearly offers a number of advantages that make it favourable for the development of a nuclear power station. (Paragraph 24)*
8. *The regulated asset base model appears to offer a potential means of addressing Hitachi's concerns about the financing structures. We welcome the UK Government's intention to assess the model. We encourage it to complete and publish the assessment as quickly as possible. If the assessment concludes that the model would help to restart development on Wylfa Newydd, the UK Government should bring forward the necessary legislation without delay, and explore whether it offers a viable model for other large scale energy projects. (Paragraph 30)*
9. *When considering alternative financing and funding models, such as the regulated asset base model, the UK Government should consider conducting an assessment of a 100% equity stake model. All models should be assessed on the costs and risks to taxpayers and consumers. (Paragraph 31)*
10. *If Hitachi is not prepared to resume development of the site, it is possible that another developer might wish to take the work forward. We recommend that, if after the assessment of the regulated asset base model is completed, it becomes clear that Hitachi does not wish to take work forward alone, the UK Government encourage it to sell the site or to take part in a consortium of developers. Alongside this, the UK Government should take steps to identify other developers who might be willing to resume the development of, and explore alternative energy projects to, Wylfa Newydd. (Paragraph 34)*

Formal minutes

Tuesday 30 April 2019

Members present:

David T. C. Davies, in the Chair

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|----------------|------------------|
| Guto Bebb | Jonathan Edwards |
| Chris Davies | Ben Lake |
| Geraint Davies | Anna McMorrin |

Albert Owen, a member of the Business, Energy and Industrial Strategy Committee, was also present (Standing Order No. 137A(1)(e)).

Draft Report (*The suspension of work on Wylfa Newydd nuclear power station*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 34 read and agreed to.

Resolved, That the Report be the Third Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available (Standing Order No. 134).

[Adjourned till Tuesday 14 May at 2pm]

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Tuesday 12 February 2019

Gwen Parry-Jones OBE, Director of Nuclear Operations, Horizon Nuclear Power [Q1–38](#)

Rt Hon Alun Cairns MP, Secretary of State for Wales and **Richard Harrington MP**, Parliamentary Under-Secretary of State, Department for Business, Energy and Industrial Strategy [Q39–85](#)

Tuesday 26 February 2019

Ken Skates AM, Minister for Economy and Transport, Welsh Government [Q86–116](#)

Tuesday 12 March 2019

Dr John Idris Jones, Chartered Physicist and Independent Consultant, **Nick Kardahji**, Research Officer, Prospect, **Councillor Llinos Medi**, Leader, Isle of Anglesey County Council – representing the North Wales Economic Ambition Board, **Dylan Williams**, Head of Regulation and Economic Development, Isle of Anglesey County Council [Q117–153](#)

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website.

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| First Report | The cancellation of rail electrification in South Wales | HC 403 |
| Second Report | Brexit: priorities for Welsh agriculture | HC 402 |
| First Special Report | The cancellation of rail electrification in South Wales: Government Response to the Committee's First Report | HC 1535 |
| Second Special Report | Brexit: priorities for Welsh agriculture: Government Response to the Committee's Second Report | HC 162 |