



Department for Energy Security & Net Zero

Rt Hon Graham Stuart MP
Minister of State for Energy Security & Net
Zero

**Department for Energy Security & Net
Zero**
1 Victoria Street
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Dame Meg Hillier MP
Chair of the Committee of Public Accounts
House of Commons
London
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www.gov.uk

Our ref: MCB2022/32822

2 May 2023

Dear Meg,

Thank you for your Letter of 21 March, regarding the contingent liability arising from the introduction of the Sellafield Replacement Sea Line (RSL) lease and subsequent delays involved. Thank you for confirming that you have no issue with the contingent liability arising.

The failure to provide timely notification to your Committee ahead of the effective lease start date was due to a misunderstanding of the Nuclear Decommissioning Authority (NDA) regarding the requirement for this additional process to have received HMT approval in order to proceed with the indemnity, and having subsequently undertaken negotiations with the relevant parties. We had expected the NDA to notify the Department prior to the start of the lease, but were only made aware of this after the lease had already begun.

The NDA was under pressure to enter into both leases (with the Crown Estate and Lord Egremont) to avoid entering Court proceedings. Having received HMT approval for the indemnity, considerable time and effort was required for the NDA to bridge the respective positions of the landlords and Sellafield (the NDA's subsidiary) regarding access to the pipeline and how much of the beach area could be used when Sellafield were carrying out works on the pipeline. I understand that there was also an unfortunate lack of responsiveness from one of the landlords involved, and some uncompromising positions taken.

As matters continued without resolution, the NDA eventually applied to the Court for new leases to protect the positions of the NDA and Sellafield, albeit that proceedings were stayed to allow further time for a negotiated settlement. The NDA had hoped that the deadline imposed by the Court application would help to bring negotiations to a head. This was the case, with the NDA and Sellafield eventually agreeing new leases with the Crown Estate and Lord Egremont at the end of 2021.

At this point the NDA requested a further four week stay of Court proceedings to allow the leases to be executed by all parties. The Crown Estate would not agree to this, necessitating urgent completion of the leases in order to avoid time consuming and costly Court proceedings and remove a significant risk from the operation of the Sellafield site.

The NDA completed both leases and, as of 17 January 2022, they were both live. Although the indemnity was approved by HMT in February 2021, as the NDA had already entered into the lease, unfortunately on this occasion Parliament was not afforded a notice period.

The NDA worked with colleagues from the Department for Business, Energy and Industrial Strategy (BEIS) with every intention of making sure all procedures were followed correctly. A changeover of key team members in the NDA Sponsorship team within BEIS unfortunately coincided with the period in which this issue arose, and may have negatively impacted the usually excellent communications between the NDA and the sponsorship team within BEIS.

The NDA has now reviewed its Delegation's framework. It has implemented a more robust procedure for submitting contingent liability requests like these, including having a single point of contact in its finance department with responsibility for submitting all contingent liability requests into the Department of Energy, Security and Net Zero (DESNZ) and managing sponsors through the process. These steps have been taken to ensure future compliance with the provisions of Managing Public Money and those relating to timely notification to parliamentary committees.

Thank you again for taking the time to write.

Yours ever,

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke at the end.

Rt Hon Graham Stuart MP
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