



Department for
Business, Energy
& Industrial Strategy

Meg Hillier MP
Chair of the Public Accounts Committee
House of Commons
London
SW1A 0AA

The Rt Hon Greg Hands MP
Minister of State for Energy, Clean Growth
and Climate Change

**Department for Business, Energy &
Industrial Strategy**
1 Victoria Street
London
SW1H 0ET

T +44 (0) 20 7215 5000
E enquiries@beis.gov.uk
W www.gov.uk

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Dear Chair,

HMG indemnity for a gap in nuclear insurance market and NDA indemnity to cover nuclear third party liability obligations.

I am writing to you, belatedly, I apologise, to notify you that Parliament was informed on 16 December 2021 about an indemnity the Government is offering to civil nuclear operators to fill a gap in nuclear market insurance, and an indemnity for the Nuclear Decommissioning Authority to cover their extended nuclear third party liability obligations. The Permanent Secretary wrote to you on the 11 August 2021 regarding the indemnity for civil nuclear operators, and I apologise that a subsequent letter was not sent to you on the day the parliament was notified. Full details of the indemnity are provided below.

Copies of the relevant documents are attached to this letter, and they can be found at the following locations:

- The Written Ministerial Statement was laid on 16 December <https://questions-statements.parliament.uk/written-statements/detail/2021-12-16/hcws504>
- A Departmental Minute also laid on 16 December, as referred to in the [Votes and Proceedings](#) for that day (Ref: 'Other Papers', Item 10(2), and available from the vote office.
- A letter from Permanent Secretary to you dated 11 August 2021 relating to the indemnity offered to civil nuclear operators to fill a gap in nuclear insurance market.

HMG indemnity for a gap in nuclear insurance market

As the Permanent Secretary made clear in her letter dated 11 August 2021, nuclear has a vital role to play in energy security and reducing greenhouse gas emissions to net zero by 2050. Nuclear power stations provide firm, low carbon power, which is required to complement variable renewable generation in order to ensure a low cost, stable, reliable, low carbon energy system in 2050.

Nuclear and radiation safety is a top priority for the Government. The UK is fully supportive of a strong global nuclear liability regime and is party to the Paris Convention and Brussels Supplementary Convention on nuclear third-party liability. The conventions ensure that

victims of a nuclear incident have access to adequate compensation and support investor confidence in a global industry where incidents are very low probability but potentially very high impact.

The Paris and Brussels Conventions are implemented domestically through the Nuclear Installations Act 1965. This has been amended prospectively by the Nuclear Installations (Liability for Damage) Order 2016 to implement the 2004 Protocols. The 2004 Protocols were ratified on 1 January 2022, and triggered the 2016 Order coming into force in the UK. Overall, ratifying the 2004 Protocols enhances our liability regime to further protect victims of a nuclear incident and ensure more compensation is available for more victims for a broader range of damages.

The 2004 Protocols imposes mandatory liability upon the operator for personal injury claims made 10-30 years after a nuclear incident, however, the UK insurance market could not provide cover to the full liability limits. After carefully assessing a range of options for covering this, the Government agreed to provide an indemnity directly to operators to cover any allowable claims made 10-30 years after an incident, up to a maximum of €1.2bn after 5 years for the highest risk sites. There is a charge for providing this cover and operators' premiums for 2022 were calculated by the Government Actuary's Department and approved by HM Treasury. The Government would only pay out in the event of a nuclear incident. Other countries are equally challenged and are addressing the challenge similarly to the UK.

The indemnity has been approved by the Domestic and Economic Implementation Committee. The indemnity is to be reviewed annually and withdrawn should the market be able to provide a suitable alternative. We expect and encourage the insurance market to step up in full in future years and we are continuing to explore alternative solutions and discussing these in detail with the market.

This year, 2022 is the first year in which this level of liability cover, and Government intervention via the indemnity, has been required. There are encouraging signs that the market is already developing in this space – the insurance market is motivated to cover this gap for their economic benefits and some insurers are already covering the risk (up to the limits of their capacity). The ultimate resolution would be to cease the Government indemnity. Going forward, we will annually review arrangements, and reduce the level of Government intervention as the insurance market increasingly covers the gap.

NDA indemnity to cover nuclear third party liability obligations

Ratification of the 2004 Protocols increased the maximum total liability of the Nuclear Decommissioning Authority (NDA) to €700m in 2022, rising annually by €100m up to €1.2bn after five years. The NDA are a non-departmental public body who are responsible for the decommissioning of several civil nuclear facilities, and will be required to have appropriate cover in place. The Government has offered a full indemnity to the NDA for all heads of damage which creates a maximum contingent liability of €700m in 2022, rising to €1.2bn for the government over a five year period. This contingent liability has been approved by HM Treasury.

This approach offers the best value for money for the government. In the event the NDA were to seek commercial insurance, the NDA would expect to pay significant premium payments and could potentially lose control over claims handling. Additionally, it is not clear that sufficient levels of coverage would be available on the commercial market.

I am writing in equivalent terms to Darren Jones as Chair of the Business, Energy and Industrial Strategy Committee. I am copying this letter to the Treasury Officer of Accounts.

Yours ever,

A handwritten signature in blue ink, appearing to be 'GH' followed by a long horizontal stroke.

THE RT HON GREG HANDS MP

Minister of State for Energy, Clean Growth and Climate Change