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Our ref:

Members of the Public Accounts Committee

House of Commons

Westminster

SW1A 0AA

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Dear Members of the Public Accounts Committee,

UPDATE ON HMG INDEMNITY TO COVER A GAP IN THE NUCLEAR THIRD PARTY LIABILITY INSURANCE MARKET FOR LONG TAIL PERSONAL INJURY CLAIMS IN 2023

I am writing to you to give an update on the HMG indemnity to cover a gap in the nuclear insurance market for long tail personal injury claims in 2023. The Minister for Energy, Clean Growth and Climate Change wrote to the committee in August 2022 regarding this indemnity.

Nuclear has a vital role to play in energy security and reducing greenhouse gas emissions to net zero by 2050. Nuclear power stations provide reliable, low carbon power, which is required to complement variable renewable generation in order to ensure a low cost, stable, 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 came into force on 1 January 2022, and triggered the 2016 Order

coming into force in the UK. Overall, the ratification of the 2004 Protocols enhanced 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.

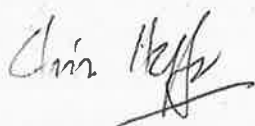
The 2004 Protocols imposed mandatory liability upon the operator for personal injury claims made 10-30 years after a nuclear incident, however, the UK insurance market could not provide cover to the full liability limits. After carefully assessing a range of options for covering this, the Government 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 and only for personal injury claims made in the 10 to 30 year period after an incident. Other countries are equally challenged and are addressing the challenge similarly to the UK.

Following a detailed review of the indemnity and other potential options, we have concluded the need to continue the indemnity into 2023. This has been agreed with HM Treasury. The economic charge for operators has also been updated and calculated by the Government Actuary's Department and approved by HM Treasury. For 2023, the total HMG indemnity is €823.5m, noting that this only relates to personal injury claims made in the 10 to 30 year period after an incident and HMG will receive an economic charge from operators that has been calculated to reflect the risk government is taking on. This will be a remote contingent liability and not sit on the balance sheet.

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.

I am copying this letter to the Treasury Officer of Accounts and BEIS Select Committee.



Chris Heffer

Director Nuclear Power and Decommissioning