Annex A: Response form for the consultation document on revised Funded Decommissioning Programme Guidance for New Nuclear Power Stations

You may respond to this consultation by email or by post.

Please note that if you accessing this document electronically you will only be able to enter text in the response fields.

Respondent Details	
Name:	
Organisation:	Nuclear Risk Insurers Ltd
Address:	
Town/ City:	
County/ Postcode:	
Telephone:	
E-mail:	
Fax:	

Please return by 8 March 2011 to:
Revised FDP Guidance Consultation Office for Nuclear Development Department of Energy and Climate Change Area 3D 3 Whitehall Place London SW1A 2AW You can also submit this form by email: decomguidance@decc.gsi.gov.uk

Tick this box if you are requesting non-disclosure of your response. ☐

Consultation questions	
1	Do you agree or disagree that the draft guidance sets out what an approvable Funded Decommissioning Programme should contain to ensure that operators of new nuclear power stations (i) estimate the potential costs of decommissioning, waste management and waste disposal and (ii) make prudent provision for meeting their liabilities? What are your reasons?
Response	Note: Nuclear Risks Insurers Ltd’s response is restricted to certain aspects of consultation that fall within insurers’ expertise, specifically the prudent provision of protecting an insufficient fund (Question 1 (ii)). Insurers agree that much of the guidance documentation sets out what an approvable Funded Decommissioning Programme (FDP) should contain, however both operators & Government should note that, contrary to what is implied in the guidance, the majority of risks that expose FDPs to insufficiency are insurable or can be protected elsewhere in the financial services sector. Insurers in the UK, in association with various international reinsurers, have met with various stakeholders to explain that insurance products already exist to cover the majority of fund insufficiency risks such as operator insolvency, generic design fault, construction delay, accident, contamination from neighbouring sites, public protest & terrorism. All these products are well understood & freely traded in the insurance market today; these would be applicable, with some amendment, to protect a potential operator’s FDP. Following the publication of the original FDP guidance document, insurers investigated possible risks and therefore already have prepared preliminary pricing mechanisms and risk assessment models for them. This information has been conveyed to potential operators and insurers are prepared to continue to work with operators to package the insurable risks in an appropriate way. Insurers assert that risk transfer products ultimately offer better protection to the taxpayer; risk transfer insurance (as opposed to risk retention by operators) is a proven and sensible method of ensuring sufficient funds are available following extreme events that can threaten the financial resources of even the most robust business. In the case of provision for insufficiency in an operator’s FDP due to unforeseen events, independently funded risk transfer security would ensure better protection for the taxpayer as the operator’s priorities may well be focused elsewhere.

	Insurance capacity for the risks outlined above is not anticipated to test the market; indeed there is already more than sufficient monetary capacity available for similar products. What aspects of providing for insufficiency might the insurance & financial services industry find difficult? Primarily political, regulatory and commercial risk. Although long term risks (e.g. exposure for 60 years) are more difficult to obtain from the markets, this is not considered an issue as almost all risks of insufficiency could be provided for by products with terms that are already available; the actual exposure to a FDP is in reality relatively short term (perhaps 3 to 5 years) and for some risks (e.g. insolvency), the underlying asset will still be available for use and so continue to generate revenue. To summarise: • The insurance & financial services markets have products & capacity already available to help ensure the taxpayer is protected from the majority of risks to an FDP insufficiency. • It is insurers' opinion that risk transfer away from operators & Governments of any FDP insufficiencies offers better security for taxpayers. • The insurance & financial services markets are willing to investigate the provision of the appropriately packaged products to potential operators for both well understood and newer risks. The insurance & financial services market would like to see the above sentiment reflected in any final guidance issued to operators on provision for insufficiency of FDPs.
2	Does the draft guidance contain sufficient information to enable operators of new nuclear power stations to understand the matters that their funded decommissioning programmes should contain?
Response	See above.

Please select the category below which best describes who you are responding on behalf of.

☒ Business representative organisation/trade body
☐ Central Government
☐ Charity or social enterprise
☐ Individual
☐ Large business (over 250 staff)
☐ Legal representative
☐ Local Government
☐ Medium business (50 to 250 staff)
☒ Small business (10 to 49 staff)
☐ Micro business (up to 9 staff)
☐ Trade union or staff association
☐ Other (please describe):

Thank you for taking the time to let us have your views. The Government does not intend to acknowledge receipt of individual responses unless you tick the box. ☐

Department of Energy and Climate Change