



CESSA Working Group

Financing new nuclear build

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14 December 2007

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Necessities of Nuclear Financing

Introduction

1.

What are differentiating characteristics of nuclear?

2.

What conditions need to be in place to ensure efficient financing?

3.

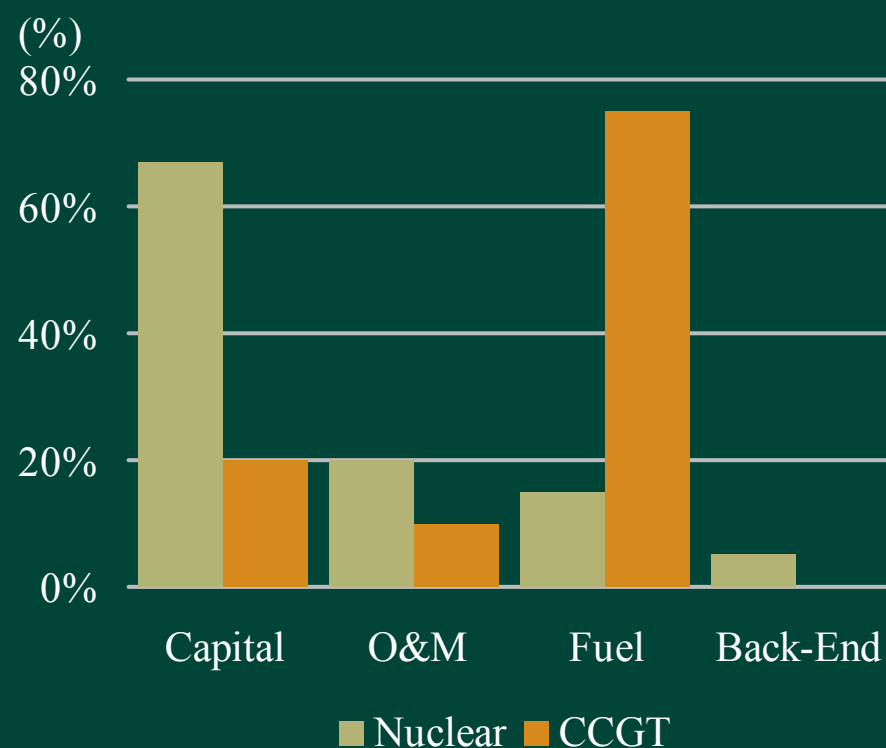
Are these requirements being met in the UK?

Financing is an output not an input

How is Nuclear Different?

Cost profile and costing uncertainties

Cost Profile of Nuclear vs Gas



Key Costing Uncertainties

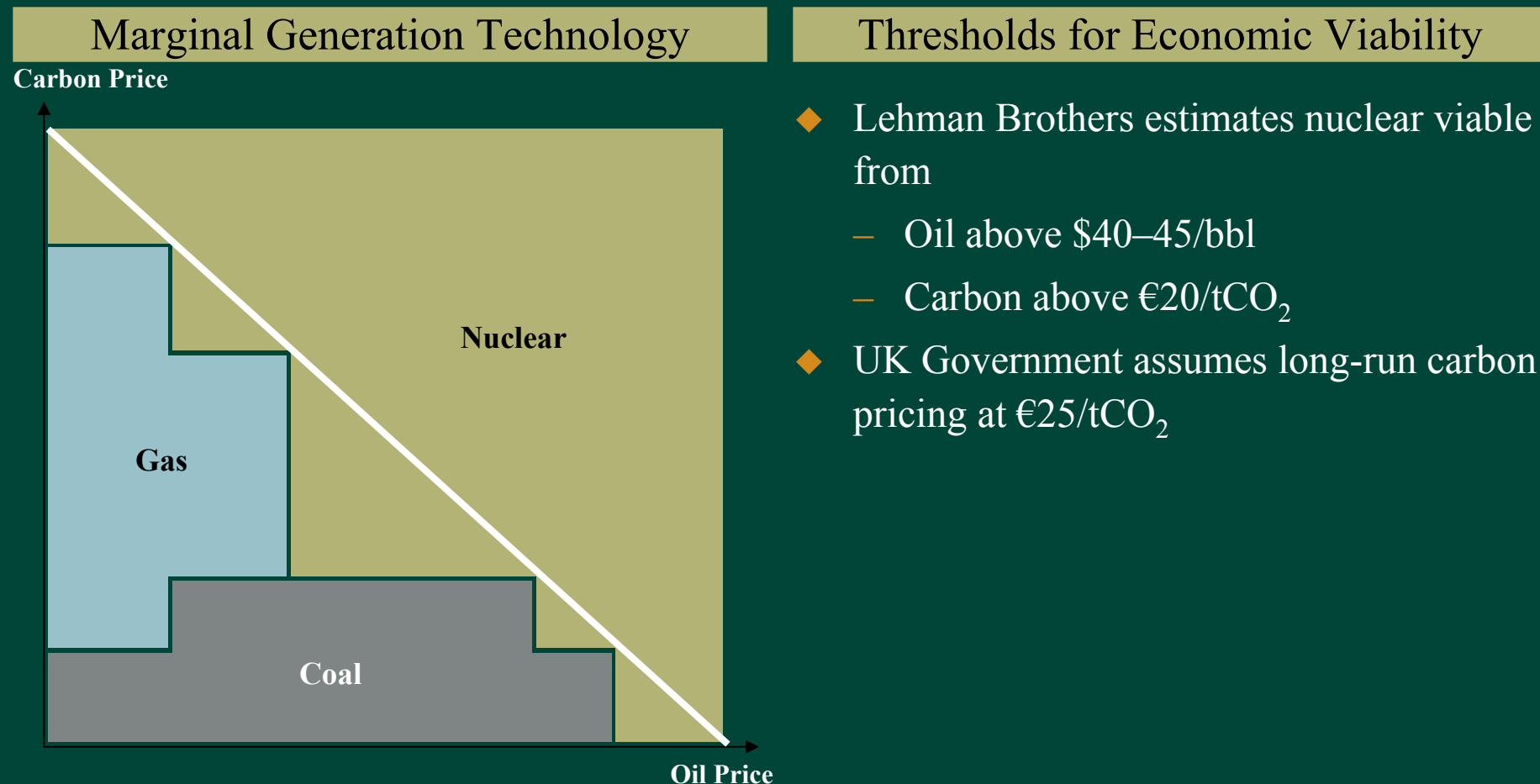
- ◆ Pre-development and construction period and costs
- ◆ Catastrophe insurance exposure
- ◆ Back-end waste management and disposal

UK Government estimates central case in range £38–£40/MWh

Source: DTI – The Future of Nuclear Power (May 2007).

Economic Viability of Nuclear

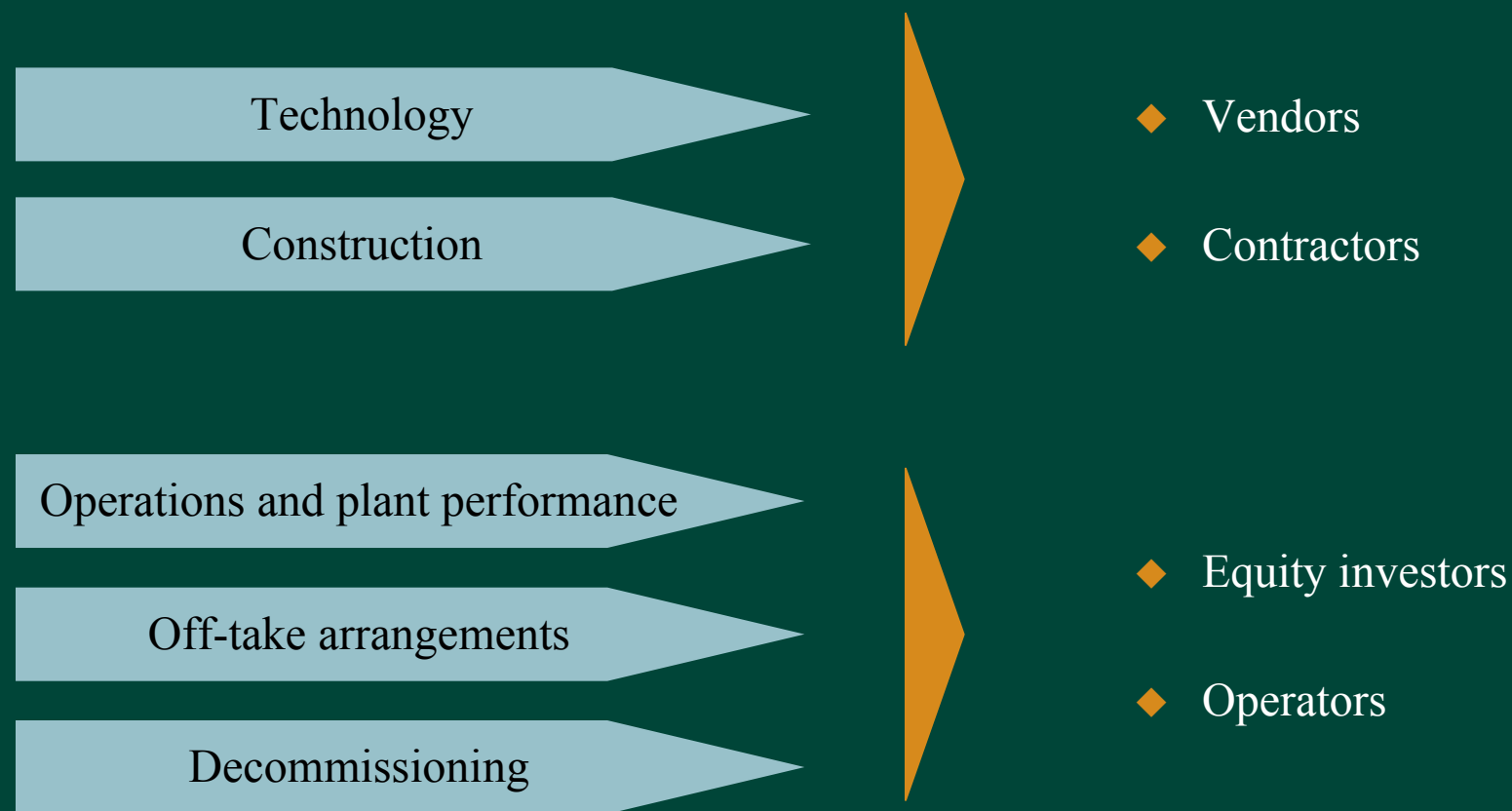
Nuclear power is competitive with coal and gas



Sustainable long-term regulatory commitment on carbon pricing is key

Private Sector to Take a View on Financial Viability

Many of the risks capable of being absorbed by private sector



Private Sector to Take a View on Financial Viability

But uncertainties need to be addressed

Key Uncertainties	UK Government Position
Long term price risk	◆ EU ETS to remain key carbon pricing mechanism
Permitting and approvals	◆ Improving energy planning system ◆ Justification ◆ Strategic Sitting Assessment ◆ Generic Design Assessment
Disaster management	◆ Application of Paris and Brussels Conventions
Waste management and disposal	◆ Detailed policy and cost estimates to be developed

Investors have to be confident that regulatory requirements are clear and decision-making is timely

Implications for Nuclear Financing

Spectrum of financing options

Potential Capital Providers

- ◆ Equity
 - Strategic players
 - Financial sponsors
 - Contractors
 - Equity markets
- ◆ Mezzanine / Hybrid
 - Hedge funds
- ◆ Debt
 - Bond investors
 - Banks

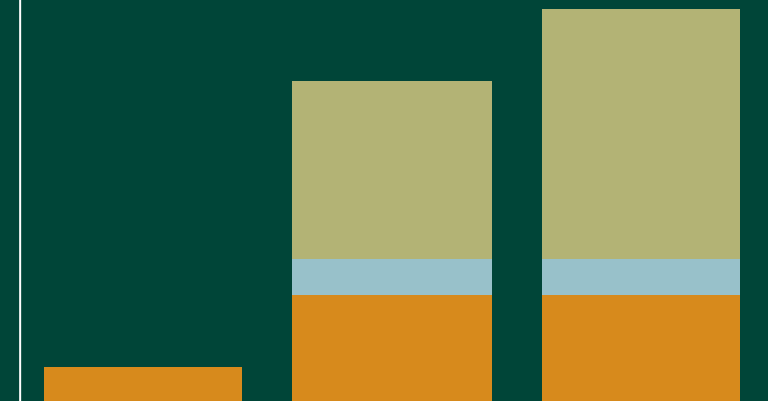
Potential Capital Structure

- ◆ On balance sheet
- ◆ Limited recourse SPVs
- ◆ Non-recourse project finance

Illustrative Funding Mix

Evolution as project matures

Capital Employed
£bn



Development / Construction / Operations
Licensing Commissioning

■ Equity ■ Mezzanine/Hybrid ■ Debt

Strong appetite for investment

Summary

1.

Nuclear new build economically viable

2.

Unique characteristics result in different risk profile

3.

Private capital will finance development if risks bounded

4.

Government policy framework has key role to play