

FINANCING NUCLEAR

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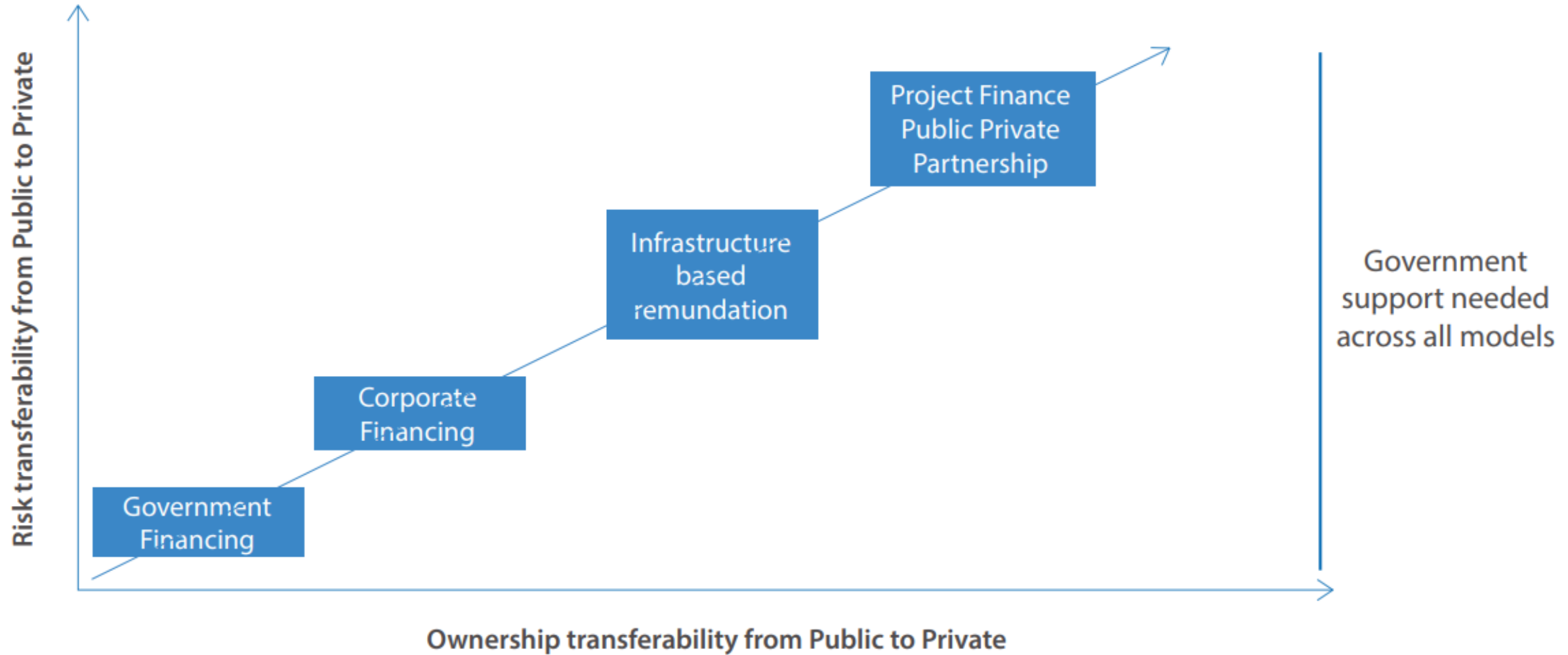
Cost of financing & new nuclear builds

- Construction cost = high capital cost = large financing cost
- No single approach to nuclear financing – OECD NEA (2020) notes 3 models:
 - Government financing model (Sovereign model). Either State Aid (direct) or Public Borrowing (indirect). Countries with low sovereign risks (BBB-rating and above) can provide advantageous financing conditions
 - (Private) Corporate model. Utilities with strong balance sheet can finance large projects by raising equity and borrowing money (debt). Creditors can claim loan against company assets as a whole
 - (Private) Project finance model. Creation of a project company = legal separation between project and sponsors other assets. Lenders have limited recourse beyond revenues/assets of the project

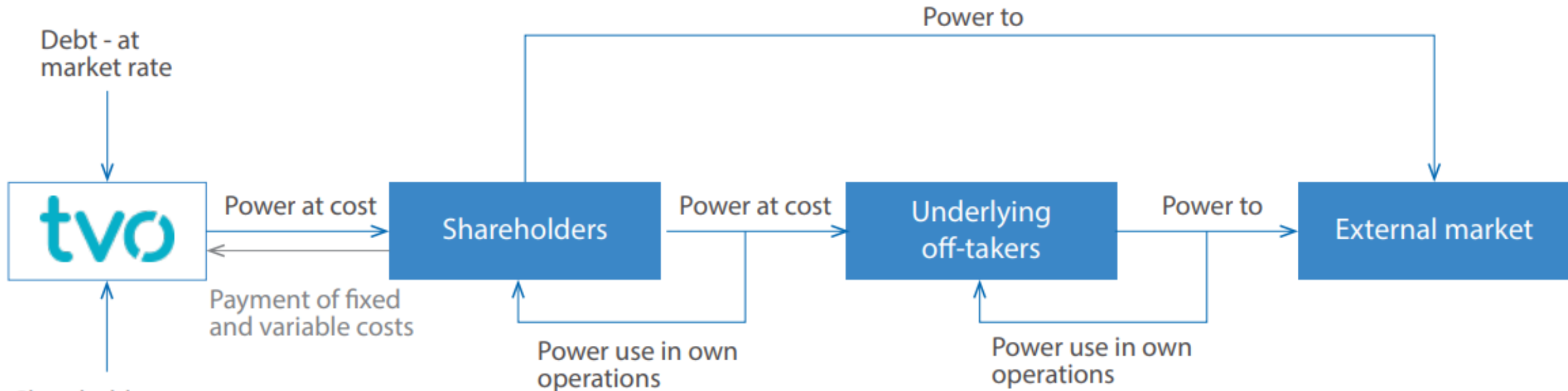
Ownership & Financing Models

- No single approach to financing of nuclear project + ownership is no longer the single determinant of a financing model
- Ownership-wise two main model have been used in the past:
 - A government financing model (or sovereign model)
 - A corporate financing model.
 - In both of those models, governments play different roles either as 'investors' or as technology 'providers' to a state-owned company. Under corporate financing models, governments co-invest with corporates

Ownership model and risk transfer dynamic



Financing Model - Example of Mankala in Finland



Shareholders:
 - Equity provider
 - Subordinated shareholder loans
 - No dividend

Ownership structure:

- Industrial companies 44%
- Energy companies 31%*
- Fortum 26%

*50 companies owned by 132 municipalities

Recommendations

- Both the investment rating and the ability to attract debt for new projects have a central role to play in the financing of new nuclear projects.
- Multiple financing mechanisms are required to access a variety of sources of capital.
- A stable and long-term investment policy framework for nuclear optimizes the distribution and allocation of risks for the sake of the community of stakeholders with a view to ensure consumer value for money. Targeted actions may also need to be developed by policymakers so as to enable a comprehensive investment framework.
- An industrial management framework for nuclear new build projects at the level of project development and ownership level is a key success factor in managing risk.
- An investment policy planning for low-carbon technologies such as nuclear power is critical in driving investments and achieving the climate neutrality goals.

Next EU mandate

POLICY PRIORITIES	OUR ASKS
<p>Investment strategies</p> <ul style="list-style-type: none"> • Dedicated clean energy investment strategy for Europe • Clean Technology Investment plan 	<ul style="list-style-type: none"> • Equal treatment for nuclear • Support for investment in nuclear power plants (large and small), supply chain and fuel cycle facilities in Europe • Recognition of nuclear as clean technology alongside renewables
<p>EU Funds</p> <ul style="list-style-type: none"> • Existing funds • European competitiveness Fund • European Investment Fund • Next Multiannual Financial Framework • European Investment Bank 	<ul style="list-style-type: none"> • Removal of nuclear exclusions (eg Invest EU and Just Transition Fund) • Inclusion of nuclear in all relevant new funds & next MFF • EIB financial support for nuclear projects, in line with eg Energy Lending Criteria
<p>Sustainable Finance</p> <ul style="list-style-type: none"> • Taxonomy • ESGs/EFRAG 	<ul style="list-style-type: none"> • Removal of 'transitional' label for nuclear under taxonomy • Inclusion of fuel cycle as enabling technology • Equal footing for nuclear and RES in ESG and EFRAG standards
<p>State Aid</p>	<ul style="list-style-type: none"> • No negative impact on nuclear during revision • Tools for faster approval process



Thank you!

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