

Mike Parker, Group CEO, BNFL, UK Achieving the Right Structure for the Future

Good morning ladies and gentlemen. I am delighted to be able to address this Symposium, at the start of its second day. Let me begin by thanking John Ritch and his team for the opportunity to address this august group and for the excellent programme that they have put together.

The theme of this Symposium has been well chosen. It refers to the future, to our vision for nuclear, but it also challenges the industry to place its feet on the ground, to ensure that our vision will become reality. In the next 10 minutes or so I'd like to give you some reflections on how I believe this is being addressed, here in the UK, as well as looking in general at some of the issues that are common to the industry as a whole.

Unlike many of you, I am a relative newcomer to the nuclear industry, having been appointed to my role in August 2003. During the short space of time between then and now, in my opinion, there have been some very significant developments. We have indeed seen a clear upturn in future prospects for nuclear energy around the world, including the UK. If we look back to 2003 it is fair to say that, at that time, the nuclear industry was hopeful, the public was more or less detached and politicians were distinctly nervous. Added to that – and this has been a key driver in the UK – was the need to prise the industry away from its established customs of cost-plus contracts and its consequent lack of attention towards cost-effectiveness. To put it bluntly, there was a need to shape an industry structure that would be fit-for-purpose in the reality of a fully commercial environment.

If we move forward to 2007, the present looks very different to the past. As I think we would agree, urgency has not been a key feature of an industry characterised by long lead times and drawn-out decision-making. However, the pace has quickened considerably over the past four years. Yesterday's presentations have provided good evidence of what has been taking place across the global nuclear fuel cycle. Let me mention some of the key markers on this path of change:

- Firstly, the meteoric rise of climate change as a major global concern, married with the increasing worries about energy security, have caused governments to seriously reconsider their policies on nuclear power;
- Secondly, elevated global oil and gas prices, now driven by supply and demand balances rather than by artificial supply constraints, and the prospects for the implementation of carbon taxes are raising the confidence of utilities around the world that nuclear energy can be competitive and is worthy of investment;
- and finally, a steeply rising curve in the price of uranium and its impact on investment in uranium production.

Each one significant enough on its own but, together, these factors have generated a momentum that gives some justification to the term “nuclear renaissance”.

As I look at my own area, the UK, it is certainly true that the building blocks for such a renaissance are taking shape. The UK Government's White Paper on energy, published in May, takes us further forward on the path towards secure, affordable energy supplies in a low carbon economy. Alongside that is a public consultation on nuclear energy that is intended to help the Government make a decision by the end of this year. We also have a White Paper setting out proposals for fundamental reform of the planning system, covering nationally significant infrastructure projects such as major new power plants. All of these are solid building blocks and I welcome them. They have been a long time in the making. However, they are not the only elements in the renaissance of nuclear energy, in securing its longer-term future.

Let me explain.

Much external profile has been given to commercial prospects for new nuclear build in the UK. There has been much to discuss on the subject of investment opportunities, construction and supply chain issues, the future availability of people with nuclear skills and high level expertise, regulatory resources and policy deliberations across political parties. These things are high profile, and understandably so, as it is several decades since we last found ourselves in this position.

However, this is not the full picture.

Just as important are the underpinning activities, those which may be lower profile, in the background, but which are nonetheless vital in ensuring that nuclear generation can be sustained. By that I mean the wider infrastructure framework that provides front-end and back-end products and services for the nuclear fuel cycle. Process plants, treatment plants, fabrication facilities, maintenance suites. These are needed, not only to meet existing commitments but also to ensure readiness for future requirements as new nuclear reactors are ordered. These operations must be commercially-driven, safely run and aligned to customer requirements. Whether it is for lifetime extensions or new plant – they must be available and ready to go.

Waste management, clean-up and decommissioning activities are a key feature of this underpinning infrastructure and will continue to be so as the industry moves forward. From a UK perspective, this is where significant changes have been underway. Let's take a closer look at the drivers for those

changes. As a provider of nuclear reactor and fuel services worldwide, BNFL had been firmly focused on those operations. However, the company had no customer for clean-up and decommissioning of its nuclear legacy; as a result there was no commercial incentive to devote significant resource to such activities, although BNFL always endeavoured to meet its regulatory requirements. The Government realised that this was not going to provide a solution to the effective discharge of the UK's nuclear liabilities – the past legacies that I've just referred to. Consequently the decision was taken by Government to establish the Nuclear Decommissioning Authority, through which clean-up and decommissioning would be funded and managed on a commercial basis. The Nuclear Decommissioning Authority, as defined by the 2004 Energy Act, became operational in April 2005, with BNFL's nuclear assets and liabilities transferring into its ownership at that time.

Now, at last, after what has been a major restructuring, we are seeing a healthy commercial framework begin to develop for waste management and clean-up. It's a framework that should create confidence in the ability of the industry to manage its past as well as its future, to control its costs as well as its nuclear materials and, above all, to be safe and to stay safe.

Up to now I've spoken about the industry's infrastructure in the sense of the activities that are part of the nuclear fuel cycle as well as those that directly support them. I would like to broaden that, because there are other companies, organisations and associations that also play an essential role in the nuclear industry. I'm talking about the ones with particular expertise and skills, the ones who can help to bring innovation, best practice and specialist knowledge into industrial application.

Let me give some examples.

- WANO, the World Association of Nuclear Operators, has played a pivotal role in helping improve safety performance standards across the worldwide fleet of nuclear reactors. Peer reviews, technical support programmes, exchanges of information have all helped to raise the bar. One of my own companies, Sellafield Ltd, has been the first nuclear fuel reprocessing facility in the world to be admitted as a full member of WANO. Membership means a commitment on the part of Sellafield to drive the disciplines throughout its organisation, helping to improve nuclear safety performance standards further. It's something we at BNFL are personally proud of and which we would like to see emulated by others.

- We are looking forward to the creation of a National Nuclear Laboratory here in the UK, based on the British Technology Centre at Sellafield and on BNFL's subsidiary company, Nexia Solutions. This initiative, which has been given the green light by the UK Government, will preserve and secure prime nuclear skills for the future as well as

successfully servicing the needs of existing customers in an efficient and effective way.

Whichever part of the nuclear industry we are engaged in, there are a number of "givens", where delivery is a must, not a choice.

- absolute vigilance on safety;
 - acting responsibly in respect of the environment in which we operate;
 - the ability to learn from our experiences;
 - and respecting people as much as systems and processes.
- Stakeholder expectations are high in all these areas, and rightly so. Complacency on any of these is not a luxury that we can afford.

I should also emphasise that, whichever part of the industry we are engaged in, we must take our corporate responsibility seriously. Corporate responsibility is not something to be counted as words on a page; it is the reality of how we must operate. That responsibility extends to our own communities, where our employees and their families live, where much of our supply chain is based, where we interface with many local businesses, partnerships and educational establishments. In the UK, many of our nuclear plants are sited in remote locations with little other employment on offer. Socio-economic support, implemented in partnership, is vital to ensure these communities can thrive now and in the future. That is irrespective of whether the sites will include new nuclear plant or will be focused on decommissioning.

As I have said earlier, the structure of our industry in the UK is very different to what it was, even a short time ago. This is the result of the Government's drive to create markets, introduce competition and engage the private sector. Involving the world's most experienced companies in clean-up and decommissioning in the UK marketplace should help to deliver the results we need. Similarly, if a decision is made to proceed on new nuclear build, then the private sector would also be engaged in its delivery.

This type of model is very different to what the UK nuclear industry has known to date. However, it follows the model that has been used successfully in the US, for nuclear power production as well as for nuclear clean-up. Our challenge in this country lies in managing the model through to effective implementation.

Now, if I may, I would like to close with some reflections on BNFL. We are well on the way to completing our strategic journey as we agreed with the UK Government back in December 2003. That journey is being undertaken in full recognition of the Government's desire to have a competitive commercial market in place for nuclear clean-up and decommissioning. In that context we have

committed to generate maximum value for the UK taxpayer whilst delivering our businesses and people to good homes for the future. Although BNFL, as a company, will be leaving the stage over the next 12 to 15 months its businesses and its people will continue, albeit under new owners. I sincerely hope that the knowledge, experience, commitment and values that BNFL has built up over the years will be continued. Let me reflect on our values for just a minute:

- Act with integrity and respect for others
- Be safe and environmentally responsible
- Commit to achieve success for our customers
- Deliver value and profit
- Excel in our operations.

These are values that BNFL has endeavoured to live up to. We hope and believe that the industry views it similarly.

Ladies and gentlemen, thank you for listening.