



## Chaos in the UK's Nuclear Clean-up Industry

July 2008

This week, and to very little fanfare, the Government has sneaked out its "Response to the Business and Enterprise Committee Funding the Nuclear Decommissioning Authority."<sup>1</sup> This internal audit agrees with most of the Committee's findings - exposing massive cost overruns, amateurish bureaucratic cock-ups and complete chaos within the organisation charged with cleaning up the UK's lethal radioactive legacy.

The Government also published a follow-up report, "NDA Budgetting Shortfall 2007-08: Lesson Learned."<sup>2</sup> This is equally damning and:

- Agreed that there are "inherent risks" with the way the NDA operates.
- Says that the Government is now looking at whether the NDA needs help to improve its financial management after admitting that "commercial income is volatile and over time will decline as sites progressively close and move into the decommissioning phase".
- Admitted that NDA staff neglected to do basic things like take notes at key meetings - "at a meeting in February 2006 between the NDA and HMT, the NDA understood verbal agreement to have been given to the extension of the revenue derogation beyond 2005-06. No minutes of this meeting can be found...there is no formal record of that meeting, nor was there subsequently any correspondence that confirmed what those present believed to have been agreed."
- Admitted that NDA staff were confused about accountancy terms and frequently misused them - "there was incorrect and inconsistent use of the term 'near cash' budgeting treatment when used in relation to the NDA. There was a misconception that the term meant that income associated with long-term contracts would be recognised on a cash receipts or receivable basis. This led to confusion"
- Found that staff lacked basic financial skills and so "the NDA has acted to acquire training for its finance staff from the National School of Government."
- Confirms that oversight of the NDA has moved from BERR's energy group to its shareholder executive in order to improve accounting.

The *Response to the Business and Enterprise Committee Funding the Nuclear Decommissioning Authority* says:

- Regarding the extra £430m to cover budget shortfalls the Government admitted that *“the NDA recognised that there was still a significant degree of uncertainty remaining in relying on income from the waste substitution contracts...it became clear that there were doubts about whether the proceeds could be applied in total and immediately to expenditure.”*
- The NDA relies on half its income from commercial operations (e.g. at Sellafield). Given the unreliability of facilities like THORP, it has been repeatedly pointed out that this could place severe strain on the NDA's finances. The Government has *“agreed that it will consider whether there are changes that could be made to the NDA funding model to better enable its funding to be managed effectively while maintaining the right incentives and controls.”*

### ***Further Criticism of the NDA***

In April 2008, The House of Commons Business and Enterprise Committee published a report, *Funding the Nuclear Decommissioning Authority*,<sup>3</sup> which was scathing in its analysis of the way the Nuclear Decommissioning Authority was operating. Specifically, it concluded that:

- “Owing to a technical accounting issue” the NDA may not be able to spend the £430m emergency money it received from Government to cover a shortfall in its budget.
- Was poor communication” between Government and the NDA.
- “Accounting uncertainty had the potential to impact drastically upon the NDA’s funding of decommissioning of existing nuclear liabilities.”
- Funding for the NDA “already represents a very sizeable proportion of the Department’s annual budget—42%.”
- “It is likely that this public funding will have to increase still further.”
- “The NDA’s funding model is unsustainable.”
- Despite promises that commercial income will be guaranteed in the future, in “view of the volatile—and declining—nature of the NDA’s commercial income we are sceptical about how watertight such an assurance can be.

Nuclear decommissioning is too important to be left to the mercy of changing priorities in the Treasury and uncertain commercial income.”

- “A new system of funding is needed, and work on this needs to begin urgently.”

Ben Ayliffe, Head of Greenpeace’s Nuclear Campaign, said:

“Just when you thought things couldn’t get any worse for the nuclear industry we find out that the people in charge of dealing with Britain’s highly radioactive waste have adopted chaos theory as a business model. Its staff struggled to grasp basic accountancy skills, had to be sent away for retraining and somehow forgot to take minutes of key meetings. On top of this the NDA’s funding model is described as completely unsustainable and guarantees about its future income are embarrassing.

“Were it not for the fact that the public always ends up forking out billions of pounds to pay for this litany of corporate cock-ups, this sorry situation would be laughable. Just last week the NDA told us that the cost of cleaning up our existing atomic waste had skyrocketed by £20bn in two years. The bill now stands at over £73bn, more than the price of the entire Apollo programme that put mankind on the Moon.

“The NDA’s failure is as much a failure of Government, who set up the Authority knowing it would have to rely for half of its income from failing nuclear plants. The same Government that brought us this shambolic funding system is now telling us it can deliver new nuclear without subsidy. No one can take this claim seriously on the basis of this latest nuclear farce we’re currently witnessing.”

### ***Background***

The Nuclear Decommissioning Authority (NDA) is a non-departmental Government body responsible for the decommissioning and clean-up of the UK’s civil nuclear sites. Set up in 2004, the NDA receives about half its annual budget in the form of a Government grant (£1.53bn in 2008) with the other half generated through its commercial operations (estimated in 2008 to be £1.3bn).<sup>4</sup> The NDA’s commercial revenue is mainly comes from its two nuclear reactors (Wylfa and Oldbury), its THORP reprocessing facility and the Sellafield MOX Plant. However, these aging nuclear facilities, which have cost the taxpayer a fortune, have been beset by a litany of technical problems since they were built.<sup>5, 6, 7</sup> As a result, the NDA has been unable to rely on the guaranteed commercial income stream that is critical if the UK’s nuclear decommissioning and waste disposal programme is to be run successfully.

The NDA's funding mechanism was heavily criticised before its inception. Recent parliamentary reports, and the response from Government itself, now reveal the extent to which the NDA is mired in financial and operation problems and have hammered the way it operates in general.

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<sup>1</sup> <http://www.parliament.the-stationery-office.com/pa/cm200708/cmselect/cmberr/994/99404.htm>

<sup>2</sup> <http://www.parliament.the-stationery-office.com/pa/cm200708/cmselect/cmberr/994/99406.htm>

<sup>3</sup> <http://www.publications.parliament.uk/pa/cm200708/cmselect/cmberr/394/394.pdf>

<sup>4</sup> <http://www.nda.gov.uk/aboutus/>

<sup>5</sup> <http://www.guardian.co.uk/society/2005/may/09/environment.nuclearindustry>

<sup>6</sup> <http://www.guardian.co.uk/world/2008/mar/03/nuclear.energy>

<sup>7</sup> <http://www.guardian.co.uk/world/2008/may/28/sellafield.background>