

## **British Energy and BNFL (BNG) and Urenco for sale**

*When nuclear power supplies a large amount of British energy it is foolish to sell off its underpinnings.*

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As the government's energy review is still at the consultation stage, Gordon Brown's comments on energy policy and spending were limited on Wednesday. He concentrated on environmental matters, such as schemes to encourage more energy efficient buildings and an extension to the climate change levy.

But he did make a few remarks of interest to the energy and utilities sectors. The slow pace of energy market liberalisation in Europe is a subject close to the hearts of UK energy companies, as they say this distorts wholesale gas prices and makes it harder for UK groups to expand on the continent. Meanwhile, French and German companies such as EDF, Eon and RWE have become big players in the UK energy market.

In his Budget speech on Wednesday, Mr Brown said: "Incomplete liberalisation of European energy markets is one factor in high gas prices. So at the European Council tomorrow we also propose that all energy and other sectors which fail to liberalise and open up to competition be subject to independent investigation and enforcement".

He also raised the issue of selling off the government's remaining energy assets, including nuclear power group British Energy and Urenco, a uranium enrichment business. British Energy was privatised in 1996 but by 2002 it had been driven to the brink of bankruptcy by low electricity prices. The government then bailed out British Energy and initiated a restructuring process, which was completed when the group relisted on the London Stock Exchange in January last year. As a result of the restructuring, the government controls 65 per cent of British Energy's cashflows, which it puts in a fund to cover nuclear decommissioning liabilities. This cashflow is convertible into equity, and Mr Brown said on Wednesday that "we are prepared to sell part of our stake in British Energy and related energy assets", after the energy review has been completed.

**British Energy generates more than 20 per cent of the country's electricity through its eight nuclear and one coal-fired power stations**, and is back in profit following a rise in electricity prices. The group's shares rose 0.5p to 633p after Mr Brown's comments.

**State-owned British Nuclear Fuels is gradually being broken up**, in line with a government review of the group in 2003, which decided that its assets should be managed in a way which creates most value for the taxpayer. Earlier this year it was agreed that Westinghouse, BNFL's US-based nuclear plant builder, would be sold for \$5.4bn to Toshiba of Japan. Mr Brown said on Wednesday that this sale would be "completed in the next year".

**The next BNFL asset to be sold is expected to be British Nuclear Group**, which maintains and decommissions nuclear power stations, and beyond that, BNFL's 33 per cent stake in nuclear fuel group Urenco. The other shareholders in Urenco are the Dutch and German governments. A spokesman for the Department of Trade and Industry said on Wednesday that an exit from Urenco was being "carefully considered".

Despite heavy lobbying from the oil and gas industry, Mr Brown did not reverse last year's decision to raise the tax on profits from North Sea oil and gas production from 40 per cent to 50 per cent.