

### Nuclear margin: to each his own truth?

**Brussels, May 3, 2011.** Febeliec observes with skepticism how the current discussion regarding the nuclear margin slowly threatens to become an endless quarrel between the CREG, the National Bank and the federal government. She calls upon a constructive dialogue that must lead to a consensus on the real amount of the nuclear margin and a balanced repartition of it amongst the various stakeholders concerned.

Febeliec closely followed the discussions on the nuclear margin, more specifically the analyses of the CREG and the National Bank of Belgium. Although she does not dispose of the same detailed information, she wishes, however, to bring the following elements into the discussion:

- The NBB, Electrabel and the CREG mostly agree on the level of the production cost of nuclear energy in Belgium (17 to 21 €/MWh), but fundamentally diverge on the sales price of this nuclear energy (40 to 67 €/MWh). The economic value of a baseload contract<sup>1</sup> and therefore of the nuclear production in 2007, however, oscillated throughout 2006 in any case between 52,3 and 63,5 €/MWh. This value amounted on average throughout the whole year up to some 60 €/MWh<sup>2</sup>. Companies and other customers that signed a baseload contract in 2006 for supply in 2007, thus effectively paid that price on average (or a price derived from it by means of a specific formula). Some baseload consumers who signed their contract for 2007 before 2006, may have benefitted from a lower forward price, but this does not change anything to the economic value of a baseload contract for supply in 2007...
- In any case, Febeliec suggests to widen the discussion to the upcoming years. For 2008, and especially 2009, the forward contract prices for baseload have strongly increased, and decreased again in 2010 due to the economical crisis. As earlier contracts with a lower forward price came to an end and because production costs in that same period increased significantly less, we can assume that the nuclear margin in those years must have been quite higher.
- For Febeliec, skimming of the nuclear margin is necessary to generate a level playing field between existing actors with a production park that was written off in the regulated period and new entrants who per definition have to bear an important depreciation cost in the first years of their activity. Countries such as France and Germany moreover, have also taken or announced similar measures.
- Febeliec insists that the nuclear tax should be at least used partially to lower the electricity bill of all electricity consumers. The last few years, surcharges and taxes have constituted the cost factor which increases the most in the global electricity price. The revenues issued from the nuclear margin can in this way be used to somewhat lower the energy cost.

Finally, Febeliec hopes that the tensions between the federal government and the CREG will be cleared out as soon as possible. The transposition of the third energy package offers an excellent opportunity to give the federal regulator the required competencies and resources in order to elaborate, in a completely independent way and with the right powers, the essential measures to finally, after more than ten years of liberalization, open up the West European markets for electricity and natural gas for competition. For industry, competitive energy prices are indeed essential for maintaining its competitiveness at the global level.

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<sup>1</sup> Baseload means a quite stable consumption during the day and throughout the year. Nuclear plants are particularly appropriate for the supply of baseload consumption.

<sup>2</sup> Figures based on ENDEX quotes in 2006, for baseload contracts "CAL+1", t.i. for supply in 2007.