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# German companies are withdrawing from nuclear projects in the UK

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On 29 March the heads of the two largest German energy companies - E.ON and RWE announced that the companies were withdrawing from plans to construct nuclear power plants in the UK. The managements of the two companies have justified their decisions by referring to the difficult situation of the companies. Both E.ON and RWE are among the three largest electricity suppliers in the UK. The two companies see the UK as one of their most important foreign markets (E.ON. UK employs 13,000 people and RWE npower has 12,000employees). In order to construct nuclear power plants in the UK the two companies in 2009 set up the Horizon Nuclear Power joint venture which was set to invest almost twenty billion euros in plants with a capacity of 6,000 MW by 2025. Following the withdrawal of the German companies the joint venture will be sold off.

**Commentary**

- The poor financial situation of E.ON and RWE, caused in part by the economic crisis, is forcing the German companies to fundamentally change their investment strategies. The debts of the companies have been growing for several years (E.ON – 16 billion euros, RWE – 27 billion euros) and in 2011 for the first time since the 1990s the companies recorded losses in their financial balance (E.ON – 2.2 billion euros, RWE – 1.5 billion euros). The main causes of negative financial results are: a decline in profits from the electricity market triggered by low electricity prices, high gas prices in long-term contracts signed with Gazprom and relatively low gas prices from other sources on the market and the losses incurred by the companies as a result of the German government's decision to withdraw from nuclear energy and to decommission part of nuclear power plants in Germany.

- As regards RWE, the withdrawal from the construction of nuclear power plants on the British market means that the company has already abandoned all planned investments of this type abroad. In 2009 RWE withdrew from the construction of the nuclear power plant in Bulgaria and in 2011 also in in Romania. As for E.ON, it still holds 34% of shares in the Fennovoima consortium involved in the construction of a plant in Finland. E.ON also has shares in plants in Sweden.

- The speed of the energy transformation imposed by the German government has accelerated the change in the investment strategies of German companies. On the one hand, E.ON and RWE have decided to accumulate capital coming from the sell-off of assets from other areas (e.g. transport networks). On the other hand, they are abandoning those projects with a long period of return on investment where at the initial stage substantial funds have to be invested, e.g. nuclear power plants. Instead, the companies are opting for investments in wind and hydropower – the managements of the two companies have announced that the funds earmarked for the construction of nuclear power plants in the UK will be invested in wind farms, including off the UK coast (within the next five years E.ON and RWE are both planning to focus approximately 25% of all their energy investments on hydropower and wind power plants).

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