# EXPLANATORY MEMORANDUM TO

# THE CONTRACTS FOR DIFFERENCE (DEFINITION OF ELIGIBLE GENERATOR) (AMENDMENT) REGULATIONS 2026

## 2026 No. 844

## 1. Introduction

1.1 This Explanatory Memorandum has been prepared by the Department for Energy Security and Net Zero and is laid before Parliament by Command of His Majesty.

## 2. Declaration

2.1 Lord Vallance, Minister of State for Science, Research, Innovation and Nuclear at the Department for Energy Security and Net Zero confirms that this Explanatory Memorandum meets the required standard.

2.2 James Widdicks, Deputy Director for the Nuclear Projects Delivery Directorate, at the Department for Energy Security and Net Zero confirms that this Explanatory Memorandum meets the required standard.

## 3. Contact

3.1 James Widdicks at the Department for Energy Security and Net Zero can be contacted by email at the following address with any queries regarding the instrument: lifetimeextensions@energysecurity.gov.uk.

## Part One: Explanation, and context, of the Instrument

## 4. Overview of the Instrument

***What does the legislation do?***

4.1 This instrument amends the Contracts for Difference (CfD) legislative framework to enable a CfD to be offered to an existing nuclear generating station to support the continuation of generation.

***Where does the legislation extend to, and apply?***

4.2 The extent of this instrument (that is, the jurisdictions which the instrument forms part of the law of) is England and Wales, Scotland and Northern Ireland.

4.3 The territorial application of this instrument (that is, where the instrument produces a practical effect) is England and Wales, Scotland and Northern Ireland.

## 5. Policy Context

***What is being done and why?***

5.1 This amendment enables the use of CfDs as a potential mechanism to support the continued operation of existing nuclear generating stations. The amendment expands the scope of nuclear plants eligible for CfD support so that, where appropriate, existing nuclear generating stations may access a long-term revenue stabilisation mechanism to extend their operational life. The instrument is enabling in nature and does not mandate the award of CfDs to any individual nuclear generating station. Any future decision to award a CfD under the amended framework would be subject to a

separate, project-specific assessment, including value-for-money, subsidy control, safety, environmental and regulatory considerations.

5.2 The UK's existing nuclear fleet provides a significant proportion of firm, low-carbon electricity generation, contributing to energy security and system resilience. The current fleet consists of 8 Advanced Gas Cooled Reactors (AGRs), the last of which is due to be retired by the early 2030s, and the Pressurised Water Reactor at Sizewell B, currently expected to operate until 2035 with the potential for a further extension. Extending the operation of these assets, where it can be done safely and cost-effectively, can help maintain security of supply, support delivery of the UK's statutory carbon budgets, and reduce reliance on higher-carbon or more costly replacement capacity.

***What was the previous policy, how is this different?***

5.3 Prior to this amendment, existing nuclear generating stations were eligible for CfD support only where they were intending to increase the capacity of the station by 5 megawatts or more.

5.4 The CfD framework was designed primarily to support new low-carbon generation technologies, including renewables and new nuclear, and has also been used to support repowering projects such as wind farm repowering. Section 18 of the Energy Prices Act 2022 amended the Energy Act 2013 to make clear that CfDs could be used to support the continuation of low-carbon electricity generation by existing generating stations.

5.5 This amendment is enabling and concerns eligibility only: it allows existing nuclear generating stations to be considered for CfD eligibility for the purpose of supporting the continuation of generation. It does not mandate the award of a CfD to any station, and it does not alter the objectives, structure or safeguards of the CfD regime.

## 6. Legislative and Legal Context

***How has the law changed?***

6.1 Section 10 of the Energy Act 2013 allows the Secretary of State to direct a CfD Counterparty to offer a CfD to a generator on terms specified in the notice direction. The Low Carbon Contracts Company, ("LCCC") has been designated as the CfD Counterparty. A CfD can only be offered to an "eligible generator". This is defined in regulation 3 of the Contracts for Difference (Definition of Eligible Generator) Regulations 2014, which defines an eligible generator as a person who intends to carry out a generating activity in relation to an eligible generating station. This instrument expands the scope of the definition of an eligible generator by amending the definition of "carry out a generating activity" so that it includes an existing nuclear power station continuing to generate electricity.

6.2 The instrument does not alter nuclear safety, environmental protection or regulatory oversight arrangements. Existing statutory and regulatory requirements continue to apply, including oversight by the Office for Nuclear Regulation, and relevant environmental regulators.

***Why was this approach taken to change the law?***

6.3 This is the only possible approach to make the necessary changes.

## 7. Consultation

***Summary of consultation outcome and methodology***

7.1 A consultation was launched on 10 December 2025 by the Secretary of State for Energy Security and Net Zero, seeking views on amending the CfD legislative framework to enable existing nuclear generating stations to be eligible for CfDs when extending their operational lifetimes. The consultation closed on 21 January 2026. Thirteen responses were received from energy sector stakeholders, including electricity generators, investors, supply-chain organisations and statutory consultees. The Office of Gas and Electricity Markets, the National Energy System Operator, and the devolved governments of Scotland, Wales and Northern Ireland were invited to contribute. The consultation also sought evidence to support considerations relating to obligations under the Public Sector Equality Duty and the Environmental Principles Policy Statement.

7.2 A majority of respondents expressed support in principle for the proposed amendment, citing benefits for energy security, system resilience, affordability and decarbonisation. A minority raised concerns regarding potential market distortions, consumer cost exposure, and the need for robust value-for-money assessment. The Scottish Government raised concerns about the potential consumer cost implications of non-competitive CfDs for nuclear life-extension projects, and emphasised the importance of robust value-for-money assessment and safeguards.

7.3 In light of consultation responses the Government has confirmed its intention to proceed with this legislative change, and in the response particularly noted that this amendment will be limited to eligibility only. Detailed scheme design, impact assessment and value-for-money considerations would be undertaken before any individual CfD award.

7.4 A more detailed analysis of the consultation responses and outcomes can be found in the Government Response to the consultation.[1]

## 8. Applicable Guidance

8.1 No specific new guidance is required as a result of this instrument.

# Part Two: Impact and the Better Regulation Framework

## 9. Impact Assessment

9.1 A full Impact Assessment has not been prepared for this instrument because the CfD scheme relates to a levy and is therefore not a regulatory provision within scope of the Better Regulation Framework. However, a proportionate analysis has been prepared to adhere to best practice and will be published alongside the SI.

***Impact on businesses, charities and voluntary bodies***

9.2 There is no, or no significant, impact on business, charities or voluntary bodies as this instrument only widens eligibility for CfD support and does award a CfD.

9.3 The legislation does not impact small or micro businesses.

9.4 There is no, or no significant, impact on the public sector.

[1] Government response to the consultation on financial support for nuclear lifetime extensions, March 2026. Financial support for nuclear lifetime extensions - GOV.UK

## 10. Monitoring and review

***What is the approach to monitoring and reviewing this legislation?***

10.1 This legislation makes minor amendments to the wider existing CfD legislation. We will therefore monitor the impact of this SI as part of wider reviews of the CfD framework.

10.2 The instrument does not include a statutory review clause. This is because it is an enabling amendment that does not introduce regulatory obligations or requirements.

## Part Three: Statements and Matters of Particular Interest to Parliament

## 11. Matters of special interest to Parliament

11.1 None.

## 12. European Convention on Human Rights

12.1 The Minister of State for Science, Research, Innovation and Nuclear has made the following statement regarding Human Rights:

"In my view the provisions of the Contracts for Difference (Definition of Eligible Generator) (Amendment) Regulations 2026 are compatible with the Convention rights."

## 13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").