EXPLANATORY MEMORANDUM TO

THE NUCLEAR INSTALLATIONS (COMPENSATION FOR NUCLEAR DAMAGE) (AMENDMENT) REGULATIONS 2025

2025 No. [XXXX]

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 Rt Hon Edward Miliband MP, Secretary of State for Energy Security and Net Zero at the Department for Energy Security and Net Zero, confirms that this Explanatory Memorandum meets the required standard.

2.2 Sam White, Deputy Director for Nuclear Power and Industry at the Department for Energy Security and Net Zero confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Benjamin Allen at the Department for Energy Security and Net Zero email: parisbrussels@energysecurity.gov.uk can be contacted with any queries regarding the instrument.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 These regulations amend the Nuclear Installations Act 1965 (the NIA 1965), as amended by Schedule 22 to the Energy Act 2023 (Schedule 22). Schedule 22 contains the amendments necessary to implement the Convention on Supplementary Compensation for Nuclear Damage (CSC) in the United Kingdom (UK). These regulations amend the operator liability limit set out in the NIA 1965 (as amended by Schedule 22) in respect of claims brought under the CSC to align it with the operator liability limit in respect of claims brought under the Paris Convention on Third Party Liability in the Field of Nuclear Energy (Paris Convention). This means that a claim brought under the CSC (or under the CSC and Paris Convention) would have a cap on operator liability of €700m plus the value of the CSC international pooled funds, simplifying the categories of claims that can be made under the NIA 1965.

Where does the legislation extend to, and apply?

4.2 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is the UK.

4.3 The territorial application of this instrument (that is, where the instrument produces a practical effect) is the UK.

5. Policy Context

What is being done and why?

5.1 Nuclear Third Party Liability (NTPL) treaties are international agreements that ensure that in the unlikely event of a nuclear incident there is a minimum amount of compensation available to victims and that claims are channelled to the operator of the nuclear installation (and not the supply chain). Operators are required to have sufficient financial coverage to meet their liability limit in order to ensure that compensation would be available to victims in the event of an incident. These agreements ensure that claims are heard in the country in which the incident occurs, which gives clarity to victims regarding the appropriate jurisdiction for bringing claims. Further, the agreements provide for strict liability, so that claimants need only prove harm and not fault. This brings benefits to potential victims, while encouraging investment by limiting the potential liability of operators who can cover their liability through private insurance and protecting the supply chain from claims.

5.2 The UK is currently party to the Paris Convention and the Brussels Convention Supplementary to the Paris Convention on Third Party Liability in the Field of Nuclear Energy (Brussels Supplementary Convention). These are implemented domestically in the NIA 1965. The Paris Convention sets a minimum liability limit of €700m that can be used to compensate a wide array of victims as detailed in Article 2 of the treaty. Above this sits the Brussels Supplementary Convention limits of an additional €500m of compensation made up from state funds or operator liability, as well as a shared international fund of €300m. Compensation under the Brussels Supplementary Convention can only be used to compensate victims in other Brussels Supplementary Convention signatory states.

5.3 In order to enhance the UK's NTPL regime, the UK is pursuing accession to the CSC. Accession to the CSC will establish NTPL treaty links with the 11 members of the CSC. The establishment of treaty links will result in the mutual respect of the principles outlined in paragraph 5.1 above and is, therefore, intended to reduce potential barriers to investment into the nuclear sector, support delivery of nuclear projects, and support UK exports. Additionally, accession to the CSC will increase the amount of compensation available to victims in the unlikely event of a nuclear incident through the CSC shared international fund which, assuming UK membership of the treaty, would stand at approximately £120m at present. Schedule 22 to the Energy Act 2023 sets out the amendments to the NIA 1965 that are necessary to implement the CSC in the UK.

5.4 These regulations amend the operator liability limit set out in the NIA 1965 for claims made under the CSC to €700m. This means operators are required to meet claims made under the Paris Convention and the CSC out of their existing financial security limit of €700m.

What was the previous policy, how is this different?

5.5 The central policy ambition remains the UK's accession to the CSC. However, these regulations represent a technical change to the way the CSC will be implemented in the UK. The liability limit for CSC claims was previously set at 300m Special Drawing Rights (SDR) – thus providing for the minimum compensation amount under the treaty. These regulations make a technical change to increase the limit for CSC claims to €700m, aligning it with the limit in the NIA 1965 for claims under the Paris Convention. This is because, on accession to the CSC, the UK intends to exercise an

option under the CSC that allows states to stipulate a higher compensation amount than the amount that is set out in the treaty.

6. Legislative and Legal Context

How has the law changed?

6.1 The amendments to the NIA 1965 contained in Schedule 22 set the operator liability limit for claims made under the CSC at 300m SDR, mirroring the minimum compensation amount set out in the CSC. The amendments made by these regulations mean that claims made under the CSC will have an operator liability limit of €700m, which operators will be required to meet out of their existing financial security limits.

Why was this approach taken to change the law?

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

7. Consultation

Summary of consultation outcome and methodology

7.1 We have not run a formal consultation. This is because it is a technical change with a narrow group of stakeholders. As an alternative, officials have engaged with nuclear insurers and operators who will potentially be impacted by these changes. We recognise that accession to the CSC will represent a significant change in our liability regime, and we will continue to work with stakeholders in the lead up towards the entry into force of the CSC in respect of the UK.

8. Applicable Guidance

8.1 No guidance is necessary regarding this instrument.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full impact assessment has not been produced for this instrument as no, or no significant, impact on the private, voluntary or public sector is foreseen. A full Impact Assessment was prepared for the enabling legislation as part of the Energy Act 2023. This represents a technical change to the way the CSC is being implemented in the UK and the impacts of this change are difficult to quantify. Accession to the CSC is expected to improve the investment climate for new nuclear by removing potential barriers to investment, supporting the wider supply chain and supporting potential UK exports. Although accession to the CSC would not impose additional liability on nuclear operators, there is a risk that the insurance industry may choose to increase operators' annual insurance premiums as a result of accession. It is unknown how much premiums might increase by, if at all, and, as the overall operator liability would not increase, we would not expect insurance premiums to increase significantly. We recognise that there may be impacts or changes required by operators and insurers as a result of CSC accession, and we will work with them in advance of accession to the treaty.

Impact on businesses, charities and voluntary bodies

9.2 There is no, or no significant, impact on business, charities or voluntary bodies because this relates to a technical change in the way the CSC will operate in the UK.

9.3 The legislation does not impact small or micro businesses.

9.4 There is no, or no significant, impact on the public sector because this represents a technical change to the way the CSC is being implemented in the UK.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The instrument does not include a statutory review clause and, in line with the requirements of the Small Business, Enterprise and Employment Act 2015, The Rt Hon Edward Miliband MP has made the following statement: a statutory review clause is not appropriate in this instrument because no significant impact on business is expected and the regulatory provisions that are being amended are contained in primary legislation and so are outside the scope of the policy objectives as set out in the statutory guidance, which relate to the inclusion of review provisions in secondary legislation.

10.2 The UK will review the operation of the CSC in line with the timing set by the Contracting Parties to the CSC to consider any revisions to the CSC. The process for the revision and amendment of the CSC is set out in Article XXIV of the treaty.

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 Secretary of State for Energy Security and Net Zero has made the following statement regarding Human Rights:

"In my view the provisions of the Nuclear Installations (Compensation for Nuclear Damage) (Amendment) Regulations 2025 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").