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12 March 2018

During Committee Stage of the Nuclear Safeguards Bill on 1 March, I committed to write to you in respect of your questions about the cost of establishing a domestic nuclear safeguards regime and the funding being made available to the Office for Nuclear Regulation (ONR) to this end.

The UK is committed to taking all steps necessary to enable it to comply with future international obligations. For the avoidance of doubt, I want to emphasise once again that the Department of Business, Energy & Industrial Strategy will provide the ONR with the funding necessary to establish a new domestic civil nuclear safeguards regime, also referred to as a *UK State System of Accountancy for, and Control of, nuclear materials (UK SSAC)*, which meets international standards for nuclear safeguards by 29<sup>th</sup> March 2019. The cost of setting up the regime is currently estimated at potentially up to £10 million, as set out in paragraph 57 of the Explanatory Notes for the Nuclear Safeguards Bill as published on 24 January 2018 when the Bill was brought to the House of Lords. This estimate is also in accordance with ONR's UK SSAC project estimates and appears in line with the estimates from Prospect you referred to in the debate.

In light of this explanation I hope it is clear that the £2.275 million secured by the Department through a contingencies fund advance, as announced on 2 February, is a part of the total funding necessary. The advance was secured to provide ONR with the spending authority to undertake particular preparatory activities. As stated in my letter to All Peers dated 20 February, to cover matters including: establishing and running a project team; procuring a new safeguards I.T. system; recruiting and training of safeguards inspectors; drafting the regulatory framework; and providing technical support to BEIS in its international negotiations relating to nuclear safeguards. The remaining funding required by ONR for the purposes of establishing the regime will also be provided by the Department.

Consideration is being given to the question of how to deal with the existing Euratom equipment in the UK. . As this is a subject of on-going negotiations, it would be inappropriate to share the details of this consideration; but the UK has been clear that the agreement will need to be rooted in a common understanding of the fair value of the equipment concerned and any associated liabilities.

In respect of the ongoing running costs of operating the new domestic safeguards regime, I would like to reiterate the point made in my letter to All Peers dated 20 February that a

decision on this will be subject to public consultation, close engagement with industry and other key stakeholders and an impact assessment, planned for later this year. Currently, ONR funding for nuclear safety and security regulation is provided predominantly by charges to the nuclear industry, and the costs of Euratom operating a nuclear safeguards regime in the UK is covered through the UK's wider EU budgetary contributions.

A related matter that has come up several times in the House is the role of the grant funding to ONR provided by the Department for Work and Pensions (DWP) for specific activities that are not covered by cost recovery. This includes ONR's current safeguards function, whereby ONR monitors safeguards performance in the UK, supporting and intervening as necessary with UK duty holders, and Euratom and the International Atomic Energy Agency (IAEA) to ensure that safeguards obligations in the UK are met in a proportionate manner. This grant, made available to ONR to cover existing statutory activities for which ONR cannot charge industry, is reviewed annually to ensure adequate funding for ONR is in place. The ONR continues to receive the funding needed to deliver its regulatory core purposes.

I trust the information provided in this letter brings clarification to the matters you raised on 1 March, and reiterates the Government's commitment to ensuring that all measures are in place for ONR to deliver a new domestic safeguards regime.

I will place a copy of this letter in the Libraries of the House.

A handwritten signature in black ink, appearing to read "your ever" on the top line and "Henley" on the bottom line.

**Rt Hon Lord Henley**