

Nuclear Power's Search For the Taxpayer's Wallet

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As the new Congress convenes in Washington next year, nuclear power's apparently limitless quest for federal subsidies will test the resolve of representatives elected to end Washington's culture of entitlement and the costs it imposes on American taxpayers.

For ten years now, lobbyists favoring a "renaissance" in building new U.S. reactors have been lining up financial help from taxpayers. They need this help because these new reactors are far more expensive than other ways of generating or saving electricity. Consequently, private investors won't take the risk of losing a lot of money.

As of late 2008, the lobbyists' quest seemed to be succeeding. Congress provided subsidies worth tens of billions. Twenty-seven new reactors were awaiting construction licenses, with seven more applications expected in 2010. But then the entire enterprise went off the rails due to the high cost of the nuclear plants coupled with lower electric demand and falling costs of alternatives, especially natural gas.

Today only four plants are making any forward progress. Nothing but a massive new infusion of subsidies from taxpayers and customers can get the renaissance back on track.

This quest for "dumb money" (public money put up with no expectation of any profit) now exceeds \$100 billion, or \$1,000 in risk exposure per American family. To obtain these funds, the nuclear industry has been trying to convince Washington to pick new reactors as a winning technology in the fight against manmade climate change. So the recent election of newcomers skeptical of climate science and committed to avoiding tax increases and bailouts seems a catastrophe for this special interest.

But not necessarily. Rebranding could save them. Taxpayer backing must be disguised as self-supporting loan guarantees. Governmental favoritism must be called jobs. Climate change must morph into national security.

The nuclear industry has spent more than \$700 million lobbying and contributing to politicians in the last ten years, so the groundwork for rebranding has been established. Here's how the strategy will play out:

Federal loan guarantees will be described as free money. New reactors will be said to have a miniscule chance of economic failure. The industry will offer to pay a fee to cover that tiny risk. Senate Energy and Natural Resources Committee Chair Jeff Bingaman is emphasizing a Clean Energy Deployment Administration that could give the nuclear industry unlimited ability to shift risk onto the taxpayer. Senate Republicans led by Lamar Alexander want socialistic government commitments to underwrite 100 reactors by 2030.

Those loan guarantees will assure a taxpayer bailout even before a collapse. Talk of low risk and self-support is nonsense: Half the reactors ever given licenses in the U.S. were cancelled, some after more than \$1 billion had been spent on them. The risk of cancellations and cost overruns remains real, especially because many states now require direct competition among all electricity providers, thereby creating markets in which new reactors can't compete.

When the government recently suggested a realistic fee for a loan guarantee for two proposed plants in Maryland, Constellation Energy said that such a fee would make the project uneconomic. Constellation sold its share to its partner EDF, most of which is owned by the French government. EDF continues to seek a loan guarantee.

Subsidizing new reactors will also come disguised as job creation. It takes a lot of people to build a nuclear plant. However, it also takes a lot of people to build other types of power plants or to install energy efficiency measures. And these other technologies really are shovel-ready. They don't require licenses that take years to acquire. And – because they are cheaper than new reactors – they don't impose job-killing rate increases on industries with big electric bills.

Morphing from climate change to energy security as the menace from which only nuclear power can save us doesn't hold water either. Our energy security problem is that much of the gasoline we put in our vehicles comes from unstable and sometimes hostile places, especially Iran. Nuclear power doesn't go in gas tanks, and we don't burn Middle Eastern oil to generate U.S. electricity. So new reactors will only distract us from the gasoline saving measures that really can make us more secure.

When the nuclear renaissance hoopla began ten years ago, the idea was to support four or five new reactor designs to see if the industry could overcome its history of massive cost overruns to produce cheap electricity safely and cleanly. If the newly elected Congressmen and Senators are true to their principles, they will firmly limit any taxpayer support to those few first mover reactors. If those are successful, private finance in competitive markets should follow. That course, rather than current efforts to have taxpayers underwrite an open-ended renaissance, would certainly shake up Washington's culture of entitlement.

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