

Nuclear power industry too reliant on government subsidies, critics say

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by Alan Zibel

Advocates of nuclear power say it's the best way to meet the nation's growing demand for electricity without spewing pollutants or global warming gasses into the atmosphere.

But critics say that once financial incentives passed by Congress last year run out, the industry will flop.

And industry experts say it still remains unclear whether investors will lay out the huge capital costs — anywhere from \$3.4 billion to \$6 billion — needed to make a new nuclear reactor a reality.

"We're going to build new nuclear plants, but no one's really sure how much it's going to cost," said Peter Fox-Penner, principal of the Brattle Group, a firm that consults for the power industry.

The federal energy bill passed last year contained a lucrative tax credit for the first few new nuclear plants, as well as protections against delays from licensing problems and litigation.

Still, David Lochbaum, a nuclear safety expert with the Union of Concerned Scientists in Washington, D.C., said there are better uses for taxpayer dollars than subsidies for nuclear power plants. Without those subsidies, he said, companies will not be able to make the plants feasible economically.

"The track record for the existing fleet of reactors was one of very optimistic projections and very costly reality," Lochbaum said "That problem hasn't gone away."

But proponents say the federal dollars will simply give the industry the kick-start it needs to get going again. After that, the industry will be able to stand on its own without subsidies.

"Nuclear power does not need a subsidy long term," said Michael J. Wallace, president of Constellation's power generation group.

After the passage of last year's energy bill, power companies around the country have rushed to develop their own plans for nuclear expansion.

In an October speech, Dale Klein, chairman of the Rockville-based Nuclear Regulatory Commission, said he expects the list of potential sites for new reactors around the country to grow to 30 or more.

And the advent of electricity deregulation in the mid-Atlantic states poses another challenge for the construction of nuclear plants. In deregulated markets like Maryland, Constellation and its partners will have to pay for the cost of building the plant without any up-front money from consumers.

"The risk is going to be to us and our financiers," Wallace said. "That's why we're going to make darn sure that we have very very high confidence we're not going to run into problems."

By contrast, Duke Energy, which serves North Carolina, said this month that it would ask state lawmakers for the ability to charge customers for the construction of power plants before they are built.