

The New York Times

Green

A Blog About Energy and the Environment

JUNE 1, 2010, 7:41 AM

A Carbon Price as a Nuclear Incentive

By [JAMES KANTER](#)

Many members of the new coalition government in Britain want more nuclear power – so long as it can be done without granting new subsidies.

But nuclear reactors are hugely expensive to build by comparison with conventional coal and gas plants. [Cost overruns](#) can stretch into the billions of dollars.

So how will new nuclear capacity ever be built?

A major part of the government's answer to the riddle relies on making an existing European Union mechanism called the [Emission Trading System](#) work better.

Like the cap-and-trade systems proposed for the United States, the European system aims to make burning fossil fuels like coal and gas more expensive by putting a price on the carbon dioxide they emit. A carbon price benefits nuclear power because the process of splitting atoms to release energy emits no greenhouse gases. It also benefits other low-carbon energy technologies like wind and solar.

The European Union's trading system is already five years old. But there is a big problem for Britain: The price of the permits that utilities must hold to continue emitting have never been high enough for long enough to force utilities to start using large quantities of power that is low on carbon dioxide emissions, and there is little prospect that the prices of permits will rise any time soon.

The economic slowdown and the subsequent drop in industrial production have left many industries with [a surplus of permits](#) because they are emitting far less than expected.

The price to emit a ton of carbon dioxide is hovering around 15 euros (\$18.41), and many experts say that price must double or triple to promote far greater use of cleaner energy.

Even so, the British government is determined to find ways to motivate businesses to pay for technologies like nuclear power.

Last week, Chris Huhne, Britain's secretary of state for energy and climate change, argued in favor of [upping the goal to cut emissions](#) in the European Union to 30 percent by 2020 from a current level of 20 percent. That move is strongly opposed by many segments of European industry, but it would significantly boost the carbon price.

Then, on Monday, Charles Hendry, Britain's minister of state for energy and climate change, outlined to reporters in Brussels another policy the government could use to raise the price of polluting: imposing a supplemental levy on coal and gas plants until the costs of emitting reached a minimum level, or floor price.

Mr. Hendry said Britain could impose the levy even if other countries in the European Union did not go along with the idea.

He acknowledged that it could create competitive disadvantages for British industry. But he said the plan would not go into effect until new nuclear plants came on line, by around 2018.

In the meantime, he said, the details would be worked out in conjunction with powerful bodies like the [Confederation of British Industry](#).

Nuclear utilities "are not looking for subsidy, they're looking for certain things such as a guaranteed carbon price," Mr. Hendry said. "We will do this unilaterally if necessary."