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Loan Program May Stir Nuclear Industry

By [MATTHEW L. WALD](#)

WASHINGTON — When experts on power grid reliability asked themselves recently how a cleaner energy future would look, seven of eight regional councils imagined how their systems would work with 10 percent wind power.

Only one, representing the southeastern United States, chose a radically different option: doubling nuclear power capacity.

Thirty years after the American nuclear industry abandoned scores of half-built plants because of soaring costs and operating problems like the [Three Mile Island accident](#), skepticism persists over whether the technology is worth investing in.

Yet the pendulum may be swinging back. The [104 plants](#) now running have sharply raised their output, emboldening utilities across the country to make a case for building new ones.

And the industry is about to get a big boost. In the next few days, the Energy Department plans to announce the first of \$18.5 billion in loan guarantees for building new reactors.

The guarantees were authorized in [a bill](#) passed by Congress in 2005.

It has taken four years for the department to set up a system to evaluate applications and determine how much the borrowers will be charged for the guarantees to compensate the government for taking the risk.

Industry experts think the first guarantee will go to the Southern Company to build two units at its Vogtle nuclear plant near Augusta, Ga.

The money will flow amid a national credit squeeze and intense jockeying among the nation's wind, solar, [geothermal](#) and nuclear sectors. Each is trying to cast itself as an ideal "clean" energy option as the nation moves toward reining in the carbon dioxide emissions linked to [global warming](#).

All of these sources could potentially benefit under a [cap-and-trade](#) system that is being considered in Congress as part of climate change legislation. Such a system would set a ceiling on carbon dioxide emissions and allow trading of pollution permits, handicapping the carbon-intensive coal and natural gas sectors.

Historically Republicans have been more enthusiastic than Democrats about nuclear power. So as the climate bill winds its way through the Senate, some Democratic members are seeking to add to the \$18.5 billion in loan guarantees for the nuclear industry to attract Republicans and some industrial-state Democrats. (The

[House version](#) passed in June, 219 to 212.)

Some of the foremost Congressional climate change campaigners are unenthusiastic.

[Representative Edward Markey](#), a Massachusetts Democrat who has hounded the nuclear industry for decades over safety questions and who is a sponsor of the House bill, does not favor direct aid to the nuclear industry. He argues that a cap-and-trade system would give the nuclear sector the only boost it deserves.

If that system goes into effect, he said, nuclear power “will be able to compete more effectively in a new marketplace. How effectively they can compete is going to be the question.”

Others see combining a cap-and-trade system with a nuclear aid package as a sensible tactic to get Congress to address environmental problems.

“One can argue it certainly is bringing about an unusual marriage of interests here,” said Philip R. Sharp, an Indiana Democrat who served in the House of Representatives from 1975 to 1995 and led a House committee with jurisdiction over the electric system.

“It is one of the potential paths for actually getting real action and real legislation,” said Mr. Sharp, who now heads the nonpartisan group Resources for the Future.

Economic issues have helped scramble alliances on the state and local level, too. Because new reactors create so many jobs and big tax revenue, the Democratic governors of Maryland and Ohio are working hard to get them built in their states.

State legislatures from Louisiana to South Dakota and local governments from Port Gibson, Miss., to Oswego, N.Y., are also on record favoring new reactors.

Peter A. Bradford, a former member of the [Nuclear Regulatory Commission](#) who is now vice chairman of the [Union of Concerned Scientists](#), questions the wisdom of direct aid to the industry.

Unlike cap and trade, in which industries buy and sell the right to release carbon dioxide in a market-oriented system, he said, the loan guarantees finance projects that the private sector deems too risky.

The government would be “picking some winners and bestowing a lot of taxpayer support on them,” he said.

By Mr. Bradford’s count, of 28 reactors that the Nuclear Regulatory Commission [now lists as planned](#), half have had major delays, large increases in estimated cost or have been canceled.

If new plants built with government guarantees prove to be a commercial success, the program costs taxpayers nothing; if they prove too expensive to finish or are completed but cannot earn enough to repay the loans, the taxpayer is on the hook.

Complicating the challenge, the forthcoming loan guarantees amount to only \$18.5 billion, and the nuclear industry says it needs tens of billions more.

[President Obama](#)’s energy secretary, [Steven Chu](#), acknowledged that the sum was small. He said it could

finance at most perhaps one plant for each new reactor design, making it hard to determine which design was most practical.

“If I were a power company, maybe one of each would not be helpful,” he said. He suggested that the nuclear industry would need to build two or three of each.

But Dr. Chu insists that nuclear power will be an important piece of any climate solution.

“We have a dormant nuclear industry,” he said. “We have to start it up in a way that gives the people who are going to make investments the confidence that this is economically viable.”

Mindful of the challenges posed by global warming, some environmentalists are cautiously evaluating their positions on nuclear power.

“There is an increasing number of people who have spent their lives as environmental advocates who believe that carbon is such an urgent problem that they have to rethink their skepticism about nuclear power,” said Jonathan Lash, the president of the [World Resources Institute](#), who puts himself in that category.

“But there are many people who are passionate environmentalists who are also passionate opponents of nuclear power, and remain so,” he said.

Among the foes is Karen Hadden, executive director of the [Sustainable Energy and Economic Development Coalition](#) in Austin, Tex., which is fighting a nuclear project there that is in line for a loan guarantee. While she strongly favors carbon limits, she said, she opposes construction of reactors.

She warned that money for solar, wind and geothermal projects could get siphoned off “in these multibillion-dollar projects that may or may not ever get built.”

Daniel L. Roderick, senior vice president for nuclear plant projects at GE-[Hitachi](#) Nuclear Energy, a partnership between [General Electric](#) and Hitachi of Japan, said that a year and a half ago, there were expectations that more than 20 units would be under construction by now in the United States. “That number is currently zero,” he said.

Nonetheless, G.E. and other companies have invested tens of millions of dollars in plans for reactors they hope to build around the world, including dozens in the United States.

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