Statement of Michael Mariotte, Executive Director, March 24, 2011

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I will start by briefly mentioning Calvert Cliffs-3, the fourth reactor said to be on DOE’s shortlist for a taxpayer nuclear loan. As you know, UniStar Nuclear, the developer of Calvert Cliffs-3 was actually offered a loan last October. Constellation Energy, half-owner of UniStar, not only turned down the loan offer, but dropped out of the project entirely. Constellation has since sold its share of the project to Electricite de France, which is now the sole owner of UniStar.

U.S. law prohibits foreign ownership of U.S. reactors, and NIRS already had raised the issue with the original setup of the company—and that has been accepted for hearing. So EDF needs to find a U.S. partner to be able to legally obtain a license and build this reactor. Those were tall odds before, they are impossible odds now. Yet EDF—an entity of the French government—is still seeking U.S. taxpayer money to build a reactor manufactured by Areva—another entity of the French government. There is no reason US taxpayers should subsidize the French government to build a nuclear reactor in Maryland.

But I want to move on to the larger issues that affect new reactors in the U.S., especially the nuclear loan program generally.

The Fukushima accident has demolished the entire public policy premise of the nuclear loan program. That premise was that, because private investors—Wall Street--have been leery of investing billions of dollars in expensive and financially risky new reactors, taxpayer support could jumpstart a new nuclear construction program. Congress and the Bush and Obama administrations believed that if utilities could show that they can build a few new reactors on-budget and on-time (neither of which occurred during the first generation of reactors), private money would follow.

The reality in the post-Fukushima world is that private money will not follow. Not only are investors concerned about construction cost overruns, delays, and ability of utilities in deregulated states to find customers for high-priced nuclear electricity, now Wall Street has received another reminder that multi-billion dollar investments can turn into multi-billion dollar liabilities within hours. Even if a reactor is built on-time and on-budget, an accident that destroys it also destroys the ability of a utility to generate profit to repay loans.
Let me give you just two (among many) examples of what financial analysts are saying:

“Some industry analysts, however, have already begun predicting the (South Texas Project) expansion's demise — and are describing it as a favorable financial prospect for NRG. Others say the Japanese disaster is practically irrelevant. ‘This almost doesn't change the fact that new nuclear looks to be a bad investment,’ said Paul Fremont, a managing director at Jeffries and Company, an industry analyst. ‘Constellation (Energy) walked away and said keep your loan guarantee, it's not economic to build.’

“Bank Of America Merrill Lynch's Steve Fleishman cuts ratings on Entergy Corp. (ETR) and Scana Corp. (SCG) to underperform from neutral: ‘While the Japan nuclear event has implications for all U.S. nuclear plants [including] the risk of delay or higher cost as part of approvals for new nuclear plants (SCG, Southern Co. (SO)) as well as relicensing of existing plants (ETR); public concern on nuclear plants located in earthquake-prone areas (PG&E Corp. (PCG), Edison International (EIX)); and overall higher costs for nonregulated nuclear plants (Exelon Corp. (EXC)), which the owners have to absorb. NRG Energy Inc. (NRG), however, could benefit from increased potential that new nuclear goes away.’”

These and other quotes from financial analysts are available on NIRS website (www.nirs.org), on the Nuclear Crisis in Japan page.

The only new reactors that will be built in the U.S.—if indeed any are at all—will be those financed by taxpayers or through Construction Work in Progress laws that apply only to a handful of states.

Adding more money to the nuclear loan program--even keeping the existing program-- no longer makes any sense from a public policy perspective—whether one is anti-nuke or pro-nuke. It cannot accomplish its goals. Private money will not follow. Building a half-dozen or so new reactors with taxpayer money—even if all the projects were successful, which history says won’t be the case—won’t make any difference in dealing with the climate crisis and won’t jumpstart a dead industry.

Taxpayer subsidies for nuclear power already were unpopular with the public even before Fukushima. New polls show that ¾ of the American public oppose taxpayer loans for new reactors. Continuing this program not only has no policy rationale, it would be political suicide—especially given the proposed budget cuts to popular programs.

The nuclear industry, and politicians, have tried to make the case that Chernobyl was the last nuclear accident, that once again, the public should believe that nuclear disasters can happen only once in thousands of years. Reality has intervened. Nuclear calamities are happening about once every ten years, not thousands of years apart. Natural disasters happen. Operator error happens. As long as nuclear power exists, nuclear catastrophes will happen. The public knows that. Wall Street knows that. It’s time the politicians learned that.