

## **NUCLEAR RENAISSANCE IN DISARRAY: FRENCH MOVE TO SET ASIDE FUNDS FOR ANTICIPATED LOSSES AT TROUBLED CALVERT CLIFFS REACTOR, EVEN AS PRESSURE GROWS FOR \$8-\$10 BILLION U.S. BAILOUT**

***Case for Proposed EPR Reactor Grows Worse by the Week With Unresolved Safety Issues, Rising Costs and Doubts Raised by Former EdF CEO; Are U.S. Taxpayers About to be Stuck With "the Last Tickets for the Titanic"?***

**WASHINGTON, D.C. – August 5, 2010** – A big red warning light started flashing for U.S. taxpayers in recent days amidst growing indications that the proposed Calvert Cliffs-3 reactor project -- the reported next-in-line recipient of a taxpayer-backed federal loan guarantee bailout -- is in complete shambles.

Here are some of the indications of just how much danger U.S. taxpayers face if the Obama Administration's Department of Energy puts the U.S. Treasury on the hook in the event of a default of the expected \$8-\$10 billion in loans for Calvert Cliffs:

**Item No. 1:** Last week, Electricite de France (EdF) – the French government controlled co-owner with Constellation Energy of the proposed Calvert Cliffs-3 reactor took a \$1.4 billion provision against potential future losses on its \$6.5 billion investment in Constellation's nuclear program, including the \$625 million it has invested in Calvert Cliffs. This sets up an astonishing scenario under which the French government is cutting its exposure to future losses while continuing to look to U.S. taxpayers to shoulder the risk of the increasingly troubled Calvert Cliffs project. (For more on the EdF write-off of its losses on Calvert Cliffs, see <http://www.bloomberg.com/news/print/2010-07-30/edf-reports-47-drop-in-first-half-profit-amid-french-u-s-nuclear-delays.html>.)

Peter Bradford, former commissioner, U.S. Nuclear Regulatory Commission (NRC), said: **"So how will the Administration justify a loan guarantee to a project whose principal backer and beneficiary has just admitted to a multibillion dollar error in judgment about the value of nuclear output in U.S. markets? It would be like having U.S. taxpayers awarded the last handful of tickets on the Titanic after the iceberg forecasts were widely known."**

**Item No. 2:** The French-owned Areva's EPR reactor design has not been approved by U.S. safety reviewers, who have indicated there are still significant unresolved problems with the reactor's critical digital control systems. On July 22, the NRC told Areva that this key safety system "may not meet NRC regulations" and warned of further delays in certification of the EPR design. Yesterday, Areva announced it will take until next March before it can answer the NRC's concerns. French nuclear regulators, in a letter released August 2, also are requiring new safety-related design changes on an EPR currently being built in France. (The NRC letter is at [http://adamswebsearch2.nrc.gov/idmws/doccontent.dll?library=PU\\_ADAMS^PBNTAD01&ID=102040342](http://adamswebsearch2.nrc.gov/idmws/doccontent.dll?library=PU_ADAMS^PBNTAD01&ID=102040342)) For more background on some of the safety concerns about the EPR, see <http://www.nytimes.com/2010/07/27/business/global/27iht-renepr.html>.)

University of Greenwich Professor of Energy Studies Steven Thomas said: **"The future of the EPR is clearly in doubt. Construction work on the two orders in Europe has gone appallingly wrong, the process of getting generic safety approval is long-delayed and continues to throw up serious unresolved issues, and estimated costs are continuing to escalate at an alarming rate. Until and unless these issues can be resolved committing public money to this design would be unjustifiable."**

**Item No. 3:** In another startling development, a former CEO of EdF has publicly admitted that the EPR design is flawed and may not be the way for EdF to proceed. In a recently issued report, former EdF chief Francois Roussely urged an overhaul of EdF and Areva to deal with a variety of problems. The report states: "The credibility of both the EPR model and the ability of the French nuclear industry for success in new construction have been seriously undermined by the

difficulties encountered on the Olkiluoto site in Finland and at Flamanville [in France]." The complexity of the EPR model "including the level of power, the core catcher and the redundancy of safety systems is certainly a handicap for its implementation and therefore its cost. These factors explain in part the difficulties encountered in Finland and at Flamanville." Roussely went even further in the report by indicating that reactors will need to be smaller than the EPR for EdF to succeed in the long run. (For more on the Roussely report, see [http://www.world-nuclear-news.org/C\\_France\\_considers\\_its\\_position\\_2807101.html](http://www.world-nuclear-news.org/C_France_considers_its_position_2807101.html).)

Meanwhile, EDF last week announced that construction in France of its Flamanville EPR, begun in 2007, is now two years behind schedule and its cost estimate has been increased by more than a billion dollars. (See <http://theenergycollective.com/dan-yurman/40879/areva-under-pressure>.)

**Item No. 4:** Last Wednesday, Constellation Energy announced that it would chop its spending for the proposed Calvert Cliffs reactors by a full third, from its current level of \$1 million a day. Constellation also indicated that it might bring a complete halt to development work at the project. (See <http://www.bloomberg.com/news/2010-07-29/u-s-nuclear-projects-await-delayed-decisions-on-federal-loan-guarantees.html>.)

Michael Mariotte, executive director, Nuclear Information and Resource Service, said: **"The French and their U.S. junior partners in Calvert Cliffs thought they could put the squeeze on Congress to get what they want, but really they are on the verge of collapsing under their own weight. What this means for the much-hyped 'nuclear renaissance' is clear: There will be no large-scale nuclear revival in the United States. Too many in Congress think that simply betting US tax dollars on UniStar/Constellation to build Calvert Cliffs-3 will solve these problems. But the problems are so deep-set that, even if the government puts up \$10 billion or more, it will likely only temporarily salvage the project, which even Constellation Energy is no longer committed to carrying out. The fundamental economic woes for the proposed Calvert Cliffs are also generally true of the NRG South Texas Project."**

As a Baltimore Sun business columnist noted: "The fact that Constellation stock goes down every time it looks like the plant will be approved suggests that even the people who own the company don't want it to happen." (See <http://www.baltimoresun.com/business/bs-bz-hancock-calvert-nuclear-20100801,0,7296439.column>.)

For a DailyKos column on this topic by Michael Mariotte, please go to <http://www.dailykos.com/story/2010/8/5/889695/-The-nuclear-renaissance-stalls-with-pending-collapse-of-Calvert-Cliffs>.

**MEDIA CONTACT:** Ailis Aaron Wolf, (703) 276-3265 or [aawolf@hastingsgroup.com](mailto:aawolf@hastingsgroup.com).