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NUCLEAR'S HIDDEN SUBSIDIES

The government's vision for the future of nuclear energy is the same as its past: It expects the public to foot the bill

by David Lowry
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While unveiling to MPs in the Commons the consultation paper on The Future of Nuclear Power, trade and industry secretary Alistair Darling, told them that: "It will be for the private sector to initiate, fund, construct and operate new nuclear plants, and to cover the cost of decommissioning and their full share of the costs of long-term waste management costs."

In his valedictory speech to the Labour conference on September 26 last year, Tony Blair commented: "Ten years ago, energy wasn't on the agenda. The environment an also-ran... ten years ago I parked the issue of nuclear power. Today, I believe without it, we are going to face an energy crisis and we can't let that happen." He said much the same in prime minister's question time today. What he neglected to mention on either occasion was who was going to pay.

It is the predilection for omitting such inconvenient truths that recently got the government into such hot water in the High Court over Greenpeace's challenge to the 2006 Energy Review. According to Blair's ministers, no subsidies are being sought by private companies keen to build new nuclear plants.

All they want, goes the ministerial mantra, is some reform of the planning system, in order to refine (ie shorten) planning inquiries. This reform is already now underway with the planning white paper released on Monday this week. As the then energy minister Malcolm Wicks told MP Helen Goodman - a contributing author, with eight other Labour MPs, of a SERA energy pamphlet, what's in the Mix? - on July 24 last year, in a written reply: "The government concluded that new nuclear power stations could make a significant contribution to meeting our energy policy goals. It will be for the power sector to initiate, fund, construct and operate new power generation and to meet all associated costs." Believe that, and you'll also believe in Santa and the tooth fairy.

Gifts to the nuclear industry come in many guises, via government subsidies to help cover the cost of insurance, regulation and research and development, without which the private sector wouldn't invest in nuclear power.

The situation regarding insurance clearly illustrates the point. At present, nuclear plant operators have limited liability in the case of an accident - under international agreements, any claim over £700m falls on the taxpayer. No investor could realistically take on board the full insurance liabilities, which in the case of Chernobyl have run to several tens of billions of pounds.

This sets the tone for the industry's relationship with government, relying on it as a quasi-pro bono consultancy. While regulation might sound like a public service, ensuring safety requirements, regulators are inherently there to advise the industry on everything from the efficacy of design to health and safety of personnel. Any new wave of building would require major government investment in regulatory authorities (such as the Health and Safety Executive and Environment Agency), to attract the necessary numbers and expertise.

In a similar vein, the putative private sector keeps abreast of international developments through government membership of three nuclear clubs - the EU nuclear agency, Euratom, the United Nations' International Atomic Energy Agency (IAEA) and Generation IV International Forum (GIF) on advanced reactor designs. Between 1997 and 2006, the government authorised £102m to be donated annually to the IAEA alone, according to a written answer by the energy minister on July 4 last year.

The minister declined to provide a similar figure for UK donations to Euratom,

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Clearly, then, the taxpayer is paying for nuclear power even before a plan has been drawn or a brick has been laid; and the grateful nuclear industry laps it up. But all this support pales into insignificance when the issue of nuclear waste is addressed - or, as has systematically been the case, not addressed.

When Alistair Darling unveiled last year's Energy Review to MPs in Parliament on July 11 2006 he used the same formulation as today telling MPs, "It will be before the private sector to initiate, fund, construct and operate new nuclear plants and cover the cost of decommissioning", adding the elliptical phrase "and their full share of long-term waste management costs".

Darling's assertion was challenged by several MPs. Liberal Democrat environment spokesman Ed Davey asked: "Is he prepared to guarantee, for the entire life of the nuclear plants, that there will be no hidden subsidy, no super-long unfair price contract, no cap liabilities, no government support for nuclear waste decommissioning, no assistance with waste disposal and no stealth nuclear tax for consumers? If business does not build nuclear plants as he proposes, what happens to his policy?"

Labour backbencher David Chaytor, a member of the Environmental Audit Committee, pointedly asked: "will he clarify, however, the point in his statement that nuclear generators will be required to pay their full share of long-term waste management costs? Does that mean 100% of waste management costs, and how can we guarantee that, as we do not yet know what the waste management costs will be?" Darling replied: "The statement does mean that they are expected to meet the full share of those costs, which I would have thought was self-evident."

It wasn't self evident to Scottish Nationalist MP Mike Weir, who pressed again: "Will the Secretary of State give a clear, unequivocal answer to this question? Does a full share of the long-term waste cost mean 100% - yes or no?" Darling meekly replied: "I have nothing to add to what I have already said."

Prospective nuclear investors from the private sector have yet to elaborate how they will pay for the full cost of management (or eventual "disposal") of the new radioactive waste produced - including the eventual decommissioning of defunct reactors and associated infrastructures - in any atomic renaissance. The one public sector operator presently involved is British Energy, whose legacy of radioactive waste has been bailed out by hundreds of millions of pounds of taxpayers' money, buttressed by a European Commission decision to waive opposition to such state aid from other power-sector operators, who point to the unfair advantage given to the nuclear sector, tipping the level playing field in nuclear's direction. Lib Dem Treasury spokesman Dr Vince Cable put this to Darling today, but received short shrift.

The projected budget - funded mainly by the taxpayer - for the clean-up of the radioactive detritus that is the long-lived legacy of nuclear operations since the 1950s is some £75bn and rising, as provided for by the 2004 Energy Act, which created the Nuclear Decommissioning Authority. An outstanding question remains: will the new agency be given responsibility for delivering the proposals put forward by the Committee on Radioactive Waste Management last July, for the long-term management of radioactive waste? Will it be able to recover costs from any company that puts forward proposals to build and operate a new nuclear power plant?

As Friends of the Earth's director, Tony Juniper, said at the time of the unveiling of last year's Energy Review: "The disastrous economics of the nuclear industry means that UK taxpayers are already committed to paying tens of billions of pounds to clean up the mess created by half a century of nuclear power. Without massive public subsidies it is very doubtful that private sector companies will take the huge financial risks of building new nuclear reactors. To this extent it looks like the government is opening the door for new state

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handouts for nuclear."

A hint of what is most likely to come can be seen most clearly in the United States, the supposed champion of the free market economy. The authoritative US business weekly Forbes reported on May 25 2006 that nuclear energy is not profitable without a raft of government subsidies.

The article explains how the US government extended insurance coverage to the public in case of a reactor accident at any new plant for 20 years, provided generous federal loan guarantees for up to 80% of the project's cost and would take on the cost of any delay in plant construction related to litigation or government red tape - a huge prize for plant sponsors and investors. Forbes perceptively pointed out almost exactly a year ago: "These new subsidies were lavished on top of old ones, including the biggest one of all: the government shouldering the problem of nuclear waste. It is little wonder that nuclear is getting a second look."

Whether you look across the Atlantic or closer to home, the reality remains: if Britain is to get new nuclear power, it's the taxpayer who's going to pay for it.

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