

POLICY: Can a shift on nuclear power create a critical mass for climate bill? (10/21/2009)

Peter Behr, E&E reporter

Nuclear power advocates are hailing separate statements by President Obama and Energy Secretary Steven Chu last week as signaling a strong commitment to nuclear power by the administration that could generate critical support for climate legislation in the Senate.

At a town hall meeting in New Orleans last Friday, Obama gave his most definitive public endorsement of the nuclear option to date.

Supporting energy efficiency and renewable sources of clean energy is "the most important thing we can do," he told the audience. Then he added, "There's no reason why technologically we can't employ nuclear energy in a safe and effective way," Obama said. "Japan does it and France does it, and it doesn't have greenhouse gas emissions, so it would be stupid for us not to do that in a much more effective way."

Two days before, Chu told a Paris audience that his department was close to a decision on awarding \$18.5 billion in federal loan guarantees for new reactor designs -- a kick-start for the industry that Congress authorized in 2005. The administration is "working aggressively to restart the nuclear industry," Chu added. "Nuclear power is an important part of what the U.S. has to do to reduce emissions."

Some industry officials see these statements as a signal that the administration has made up its mind to stand behind a major expansion of federal loan guarantees for new nuclear reactors as an essential step toward passing climate legislation and achieving long-term climate goals.

Alex Flint, the Nuclear Energy Institute's senior vice president for governmental affairs, said Obama's comments on Friday reinforce the initiative by Sens. John Kerry (D-Mass.) and Lindsey Graham (R-S.C.) to bring Senate nuclear power supporters behind a climate bill.

"The president's statements about increased production and the role of nuclear have validated the efforts by moderates to find a path forward on climate legislation in the Senate," Flint said.

"I read the president's statements as blatantly political," responded Bill Snape, senior counsel of the Center for Biological Diversity, a nuclear energy opponent. "They are a clear statement to the Senate that he wants the deal with [Sen.] Lisa Murkowski [R-Alaska], with [Sen.] John McCain [R-Ariz.]; he wants to deal. It's the White House telling the Senate they're willing to give up a lot to get any climate bill. That has been a tension in this whole debate: At what point does no bill become better than a bad bill?"

The right lure for a half-dozen Republicans?

Reid Detchon, executive director of the Energy Future Coalition, said that climate and energy legislation cannot pass the Senate without Republican support, and that support can come from senators with nuclear power, agriculture and natural gas interests. "I think there are perhaps half a dozen Republicans who are strong nuclear supporters who might come into play if they were able to get constructive language to their liking," he said.

Some of Obama's previous statements on nuclear power had been more qualified and equivocal. He called himself an "agnostic" on the issue during the 2007 presidential primary campaign. "I'm not somebody who says nuclear is off the table

no matter what, because there's no perfect energy source," Obama told editors of New Hampshire's *Keene Sentinel* newspaper.

He added: "Given the importance of reducing carbon emission, nuclear should be in the mix, if we can make it safe, if we know how to store it, if we can make sure it's not vulnerable to terrorist attack, it's not enhancing proliferation. There are a whole set of questions. And they may not be solvable and if they aren't, I don't want to invest in it. But if they are solvable, why not?"

Several sources in contact with the administration, who did not speak for attribution, said that whatever debate may have occurred among Obama's top advisers over the nuclear option, Chu and presidential science adviser John Holdren have prevailed with the argument that climate goals cannot be met without expanded nuclear power production.

"I think what is dawning on the administration are two realizations: One, the kinds of climate goals they want us to meet are so difficult that you need to use everything in terms of low-carbon energy, and second, they are going to have a hard time getting the industry consistently behind them unless they admit nuclear energy into the game," one former official said.

That is clearly the industry's hope. "I think the administration realizes that nuclear has to be a part of the future energy resources of the country," said attorney Ken Metcalfe, president of the Kenrich Group, who represents nuclear power companies in litigation over spent fuel issues.

The solutions must come 'from the very top'

Murkowski, the Senate Energy and Natural Resources Committee's top-ranking Republican, sought to pin Obama down on the prospect of a major revival of nuclear plant construction, in her comments on a C-SPAN news program Sunday. "The president has said nuclear needs to be part of the solution," she said. "It has to start from the very top, and I'm hopeful, I'm very hopeful that the president will recognize [that]."

The first loan guarantees from the Energy Department, mentioned by Chu, would launch three or four new reactor projects, provided they are licensed by the Nuclear Regulatory Commission. The initial projects would provide the industry, Wall Street, Congress and the administration with the first evidence of how expeditiously reactor licensing will move and how expensive new nuclear projects will be.

A test of the administration's commitment to nuclear power will come as the Senate considers a major expansion of the loan guarantee program under a new federal "green bank," called the Clean Energy Development Administration (CEDA). The Coalition for the Green Bank, a group of energy and finance firms, has called for a \$100 billion revolving loan guarantee program that would fund a range of new technologies, including nuclear.

The Electric Power Research Institute projects that the House climate goals can be achieved if certain policy goals are met, including the construction of 45 new nuclear plants by 2030. "To achieve 45 plants will require a number of steps including an expanded loan guarantee," Flint said.

Nuclear power opponents continue their pressure on Congress to limit new reactor loan guarantees by CEDA, to keep nuclear projects from crowding out renewable energy initiatives. "People are excited by CEDA funding, but they don't want it to go into risky nuclear projects that could fail and cause the entire CEDA project to collapse," said Michele Boyd, safe energy program director for Physicians for Social Responsibility.

The House-passed climate bill would bar nuclear projects or any other single technology from receiving more than 30 percent of CEDA guarantees. The CEDA proposal approved by the Senate Energy and Natural Resources Committee does not impose that limitation. The administration has not shown its hand on this issue.

The White House also faces a potentially pivotal issue concerning the "risk premiums" assessed by the government on nuclear reactor developers under a loan guarantee program. These costs are based on estimates of potential taxpayer losses if a nuclear project could not be completed and a guaranteed loan defaulted.

The Office of Management and Budget has been wary of the government's potential exposure from such loans, particularly with new reactor designs, officials said. "The decisions about these kinds of public supports should be about a reasonable allocation of risk between the private sector and the government. You don't want to remove all the risk," said one former federal official. Industry officials say that if risk premiums are set too high, the new reactor projects cannot be financed.