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Five Free Market Priorities for a Nuclear Energy Renaissance

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Energy policy, especially targets for lower carbon dioxide emissions, has emerged as a priority for Congress and the Obama Administration. Unfortunately, nuclear energy seems to have been forgotten by leadership in both the legislative and executive branches of government.

First, the President's budget had almost nothing related to advancing nuclear energy. Then Henry Waxman (D-CA) and Edward Markey (D-MA) released their American Clean Energy and Security Act of 2009, which would enact numerous misguided environmental provisions, including a costly carbon dioxide cap-and-trade program, but offers virtually nothing regarding nuclear energy.¹ This is extremely problematic given the fact that emissions-free nuclear energy could help meet both congressional and Administration energy policy objectives for clean, affordable, domestic energy.

This could be a blessing in disguise, given the heavy-handed approach that the President's budget and Waxman-Markey take in promoting politically correct energy sources like wind and solar. When it comes to nuclear energy, policymakers should reject the subsidies-first mentality that permeates most current thinking and instead focus on the following five free market priorities.

1. Return to the Original Intent of Energy Policy Act (EPACT) of 2005. EPACT 2005 provided loan guarantees, standby support, and production tax credits to mitigate the effect of decades of regulatory risk for approximately the first six nuclear reactors built in the U.S.²

Congress and the nuclear industry believed these provisions would provide predictability after years of erratic regulatory hurdles through targeted and limited temporary assistance. More importantly, EPACT 2005 displayed broad, bipartisan support for clean, affordable nuclear energy.

This has devolved, however, into nuclear subsidy creep, with expansion of tax credits, standby support, and unlimited loan guarantees under consideration. While many were willing to accept some limited subsidies for nuclear energy, this call for more taxpayer support is splitting what was largely a consensus that accepted nuclear energy's place in America's energy mix.

Even more concerning, however, is that subsidies will prevent the nuclear industry from ever realizing its full potential. Government interference will result in inefficiencies and politically-driven business decisions that will stifle technological development and drive up costs.

To restore broad support and to ensure a market-competitive nuclear industry, direct and indirect taxpayer support established by EPACT 2005 should not be extended beyond what is currently authorized.

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2. Avoid Creating a Government-Dependent Nuclear Industry. Expanded and unlimited subsidies will not create a sustainable nuclear industry; in fact, it will do just the opposite. Relying on continual handouts from Washington will create a dependent, vulnerable industry that is not likely to be viable in the long term.

Not only should loan guarantees be limited, but congressional attempts to reinvigorate the nuclear industry through taxpayer-subsidized workforce and manufacturing-expansion programs are not needed.

Confidence among private investors in the nuclear industry is being demonstrated today. Private companies are expanding their workforce, enrichment and manufacturing facilities are expanding capacity, universities are increasing the size of their nuclear engineering programs, and the private sector is implementing craft-labor workforce programs. This is all being done without additional taxpayer largesse and before ground has even broken on a new nuclear plant in the U.S. Creating dependence where a sustainable industry is emerging is simply bad policy.

3. Remain Committed to Scientific Conclusion on Yucca Mountain. Under any realistic waste management scenario, there will be a need for long-term geologic storage. President Obama has publicly supported nuclear power with the caveat that waste storage and management be based on sound science.

The Nuclear Regulatory Commission (NRC) is currently reviewing the Department of Energy's application for a permit to construct the repository at Yucca Mountain. President Obama should fully support this process.

To ensure that its conclusions are legitimate, the NRC must have the freedom to pursue a transpar-

ent, fact-based process in a non-adversarial environment. While inputs from local stakeholders must be accommodated, the NRC must be allowed to make decisions based on good science and engineering in a timely manner. This requires a process that allows valid concerns to be heard and resolved without being hijacked by outside, agenda-driven interests.³

4. Introduce Market Principles into Nuclear Waste Management Reform. While the private sector efficiently manages front-end (fuel-related) activities and plant operations, the government remains in control of America's dysfunctional regime for waste management. The time has come to reform America's approach to nuclear waste management.

The federal government's inability to fulfill its legal obligations under the 1982 Nuclear Waste Policy Act has often been cited as a significant obstacle to building additional nuclear power plants. Given nuclear power's potential to help solve many of the nation's energy problems, now is the time to break the impasse over managing the nation's used nuclear fuel.

The current system is driven by government programs and politics. There is little connection between used-fuel management programs, economics, and the needs of the nuclear industry. Any successful plan must grow out of the private sector, be driven by sound economics, and provide access to the funds that have been set aside for nuclear waste management activities.⁴

5. Focus the Government on Key Responsibilities. The federal government has several extremely important roles to play when it comes to nuclear energy. Rather than micromanaging the industry, government should limit itself to:

1. William W. Beach, David Kreutzer, Ph.D., Karen Campbell, Ph.D., and Ben Lieberman, "Son of Waxman-Markey: More Politics Makes for a More Costly Bill," Heritage Foundation *WebMemo* No. 2450, May 18, 2009, at <http://www.heritage.org/Research/EnergyandEnvironment/wm2450.cfm>; Ben Lieberman, "Waxman-Markey Global Warming Proposal's Other Problematic Provisions," Heritage Foundation *WebMemo* No. 2436, May 12, 2009, at <http://www.heritage.org/Research/EnergyandEnvironment/wm2436.cfm>.
2. Jack Spencer, "Competitive Nuclear Energy Investment: Avoiding Past Policy Mistakes," Heritage Foundation *Backgrounder* No. 2086, November 15, 2007, at <http://www.heritage.org/Research/EnergyandEnvironment/bg2086.cfm>.
3. Jack Spencer, "Secretary Chu's Blue Ribbon Commission on Nuclear Waste," Heritage Foundation *WebMemo* No. 2382, April 6, 2009, at <http://www.heritage.org/Research/EnergyandEnvironment/wm2382.cfm>.
4. Jack Spencer, "A Free-Market Approach to Managing Used Nuclear Fuel," Heritage Foundation *Backgrounder* No. 2149, June 23, 2008, at <http://www.heritage.org/Research/EnergyandEnvironment/bg2149.cfm>.

- Allowing the industry to operate under free market principles,
- Establishing predictable and effective regulation that will ensure safety and security,
- Supporting critical basic research and development, and
- Opening Yucca Mountain.

A Different Approach on Energy. Despite early promise, the nuclear industry proved unsustainable largely due to government intervention. Now the U.S. has the opportunity to restart its nuclear industry.

However, the industry's future should be in the hands of the private sector—not government

bureaucrats. This not only ensures that decisions are made based more on a project's value than its politics, but it also frees government resources to focus on the critical role of providing efficient regulations that allow business to flourish while protecting public health and safety. Government might be able to give the United States a handful of reactors, but only the private sector can provide a true nuclear renaissance.

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