

Mission Impossible?

Legal and Economic Policy Impediments to Nuclear Project in Middle and Lower Income Economies

1. Proposed Panel for INLA 2014

This proposal is a moderated panel on the economic impediments to nuclear power development in emerging economies. The principal thesis is that multilateral economic policies are out of phase with development goals and may as a by-product change the structure of the international nuclear supply chain.

2. Composition & Presentation

Multi-disciplinary panel of 4 members plus a moderator. Each to prepare coordinated written and presentation materials.

3. Abstract

Electrification is a fundamental prerequisite to achieving seven out of the eight Millennium Development Goals adopted by the world's nations in 2000 with a target date of 2015. The availability of electricity is directly correlated to economic development, standard of living, child mortality life expectancy, health indicators and education. A substantial segment of the world's economies must urgently increase capacity to meet future demand, and significant segment of the world's population presently lacks access to an adequate or any supply of electricity. Nuclear power generation has been often hailed as a viable technology for establishing reliable, sustainable and environmentally sound long term base load capacity. It is therefore not surprising that new build projections for rapidly growing economies outpace those for mature economies by a 3:1 margin.

With no viable economic means for most economies, it is apparent that nuclear power generation remains largely inaccessible only to all but the strongest economies. In simple terms: the economic deck is stacked against the planned and proposed nuclear reactor construction in most of the world's economies:

1. The complexities and magnitude of nuclear project risk excludes the possibilities of purely private project development and ownership and traditional non-recourse project finance;
2. The OECD Consensus has materially impeded the historical role of ECA finance in enhancing access by the governments of growing economies to nuclear project finance;
3. Conditions imposed by the IMF and other multi-lateral economic institutions substantially constrain the availability of the necessary sovereign borrowing capacity and credit;
4. The World Bank's institutions (and other regional development banks) have steadfastly resisted providing sovereign credit enhancement and other relevant facilities for nuclear power generation purposes; and
5. State aid prohibitions, competition laws, and electricity market liberalization policies further impede willing states from fulfilling their necessary roles in nuclear power generation program and project development.

Projected construction through 2030 would require something in the order of \$1.5 Trillion in project finance. In the absence of coherence between international and national development goals and multilateral economic policies, nuclear power development in emerging economies will either depend on non-OECD ECA finance or remain indefinitely stalled.

4. Future Initiative

It is proposed that a standing legal and economic policy reform initiative be launched by interested INLA members in an emerging economies forum.