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## Editorial: Nuclear power play

President Obama is right to push nuclear power as a necessary ingredient to wean this nation from polluting fossil fuels that also keep it dependent on unpredictable foreign sources.

However, it's going to take more than the loan guarantees Obama wants to give builders of new nuclear power plants to make his plan work. The question of where to dispose nuclear waste hasn't been answered. And just getting a loan doesn't ensure the cost-effectiveness of building an expensive nuclear power plant.

While the generation of nuclear energy is relatively cheap, the construction of nuclear plants is not. Combining the costs requires a very high price to get a justifiable return on investment. That return is even more difficult to achieve when natural gas is a less expensive competitor.

With better extraction technology and new sources such as the Marcellus Shale region in the Northeast promising to greatly increase the natural-gas supply, the cost of that fuel will likely go down further than it already has. That means it may take a gas tax to make nuclear power the less expensive alternative.

Pennsylvania has been afraid to levy even a modest tax on natural-gas extraction because it might harm a new industry that promises to create many jobs.

The Congressional Budget Office said in 2008 that it would take a gas tax of \$45 per ton to make it more profitable to invest in new nuclear power plants. But two Cato Institute fellows have calculated that an \$80-per-ton tax would be needed now, given the lower price of gas. Or \$150 per ton, if the 200 percent cost overruns to build nuclear plants 30 years ago again become typical.

The point is that increasing the nation's reliance on nuclear power, or wind, or solar, requires disincentives to using fossil fuels. It also requires convincing states like Pennsylvania that new jobs in wind, solar, and nuclear will be created quickly to supplant those lost in extracting and delivering the old, polluting fossil fuels.

That same salesmanship should be applied to U.S. automakers to get them to stop manufacturing thirstier vehicles and invest in retrofitting their plants to make only the more fuel-efficient cars and trucks that more stringent government rules would allow on the road. That's dramatic change.

In the meantime, Obama's offer of \$8.3 billion in loan guarantees to the Southern Company to build two new nuclear reactors in Georgia is a small step forward. If the utility gets the Nuclear Regulatory Commission's approval, and is financially able to proceed, the new reactors will be the first built in this country since the 1970s.


Obama also wants to increase to \$54 billion the amount available for future loan guarantees. That idea is endorsed by Republicans, but they say that doesn't mean they will support the president's entire energy policy, including its cap-and-trade system that they consider a carbon tax.

In other words, they are clinging to the past. They need to understand that Three Mile Island and Chernobyl weren't the only reasons America stopped building nuclear plants. Nor was the lack of a repository for nuclear waste. There was also the prohibitive cost of construction.

Loan guarantees or not, banks want to be sure that building new nuclear plants will be a wise investment. That's a hard sell if it's cheaper to drill for natural gas.

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