

# Nuclear industry prices itself out of power market, demands taxpayers keep it afloat

Nuclear power is so expensive even some conservatives are turning on it

JOE ROMM MAY 25, 2017, 4:59 PM



COOLING TOWERS AT THE THREE MILE ISLAND NUCLEAR POWER PLANT IN MIDDLETOWN, PA, MAY 22, 2017.

CREDIT: AP/MATT ROURKE

The nuclear industry is so uncompetitive that half of U.S. nuclear power plants are no longer profitable. And if existing nukes are uneconomic, it's no surprise that new nuclear plants are wildly unaffordable.

New York and Illinois have already agreed to more than \$700 million a year in subsidies, and if all northeast and mid-Atlantic nukes got similar subsidies, it would cost U.S. consumers \$3.9 billion a year. Things are so bad for the nuclear industry that, recently, even conservatives have started to publicly oppose the subsidies the industry needs to survive.

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“Ever since the completion of the first wave of nuclear reactors in 1970, and continuing with the ongoing construction of new reactors in Europe, nuclear power seems to be doomed with the curse of cost escalation,” explained one 2015 journal article, “Revisiting the Cost Escalation Curse of Nuclear Power.”

At the same time, nuclear’s main competition—natural gas, energy efficiency, and renewables—have gotten much cheaper.



## **Nuclear Power Is Losing Money At An Astonishing Rate**

The nuclear industry has essentially priced itself out of the market for new power plants, at least in market-based economies. Even the nuclear-friendly French—who get more than three fourths their power from nukes—can’t build an affordable, on-schedule next generation nuclear plant in their own country.

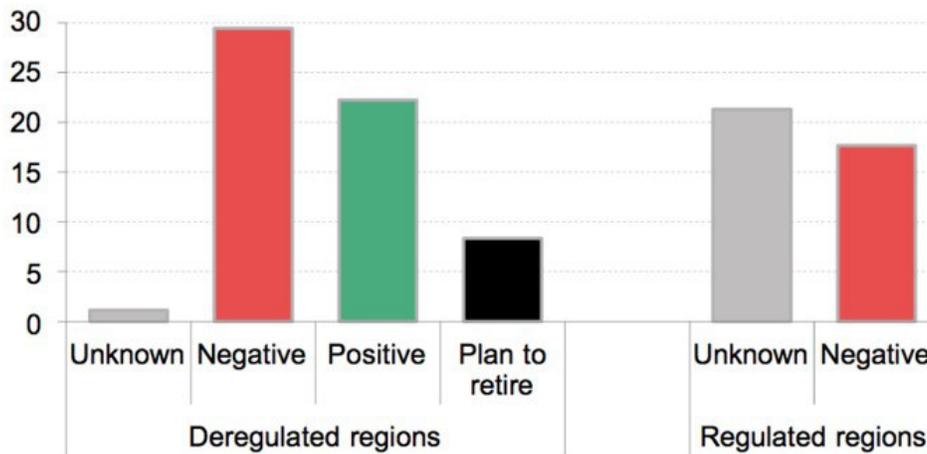
Last week, the Atlanta Journal-Constitution reported on the umpteenth cost overruns in Georgia Power’s effort to built two new reactors, with the headline, “Plant Vogtle: Georgia’s nuclear ‘renaissance’ now a financial quagmire.” The Westinghouse plants, originally priced at a whopping \$14 billion are “currently

\$3.6 billion over budget and almost four years behind the original schedule.”

Westinghouse filed for bankruptcy in March.

The Georgia debacle should not shock anyone. Bloomberg explained two years ago that “even as sympathetic an observer as John Rowe [former chair of the U.S.’s largest nuclear utility] warns that the new units at Vogtle will be uneconomical when—or if—they’re completed.”

**Figure 1: Profitability of US nuclear fleet, according to BNEF projections, 2016-19 (GW)**



*Source: Bloomberg New Energy Finance. Notes: Profitability’ is defined throughout as pre-tax earnings, based on our estimates of historical and forward power and capacity prices, and long-run costs of operating each plant.*

As a result, the industry has started demanding new subsidies to keep their plants open—beyond the staggering \$100 billion and more in subsidies the nuclear industry has received over the decades.

Yet, Bloomberg reported on Wednesday that “Even the promise of state subsidies wasn’t enough to help a struggling nuclear power plant in the biggest

electricity market emerge a victor in a closely watched auction” in Illinois. Exelon, however, claimed it hadn’t taken the subsidies—which have not been officially awarded—into account.

And here’s the last straw: You know the industry is in trouble when even conservatives start penning pieces dissing it. This week saw two such pieces:

- [“Nuclear Subsidies: A Case of Pure Waste”](#)
- [“Why nuclear power subsidies must end”](#)

The first is by Bill O’Keefe, former CEO of the conservative (and climate-science-denying) [George C. Marshall Institute](#). He argues, “Favoring nuclear power with heavy subsidies distorts the energy market, increases costs to electricity users, and discourages the development of new energy technologies.”

The second is by William F. Shughart II, research director at the libertarian (and climate-science-denying) [Independent Institute](#). Shughart argues, the subsidies “reward poor management and bad judgment and would cost homeowners and businesses billions.”

So nuclear power is on its last legs. But does that mean any subsidies at all are wrong?



Some existing nuclear plants are shutting down prematurely because they can’t

compete with cheap fracked natural gas. That's fine with both O'Keefe and Shughart. But it means we are going to end up with more fracked gas and more greenhouse gas pollution (both carbon dioxide and methane) in the short term.

So, existing nukes can make a reasonable case for a modest subsidy on the basis of climate change. The Brattle Group concluded in 2014 that "the threatened nuclear fleet could be supported" with a subsidy that averaged about \$20 cost per ton of CO2 avoided.

New York is offering a much bigger subsidy, as I've discussed. The same appears to be true for Illinois.

These subsidies also last until the end of next decade, which seems long—especially given that Congress is sunsetting the national tax credits for solar and wind over the next few years.



## Stunning drops in solar and wind costs turn global power market upside down

The world built more renewables for far less money last year, report UN and Bloomberg New Energy Finance.

The fact is that the rapid advances in renewables, batteries and other storage, demand response, efficiency, and electric vehicles mean that integrating low-cost renewables into the grid will almost certainly be far easier and cheaper and faster than people realize.

The bottom line is that existing nuclear plants can make a plausible case for a modest short-term subsidy. But whether or not you agree with those subsidies, the future belongs to renewables and efficiency.

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