Heady times for U.S. business

By Dipankar Mukherjee

Nicholas Burns, US undersecretary of state for political affairs, in a recent article titled "'Heady times' for India and the United States" in the Washington Post, listed out the strategic benefits for the two countries in the "heady times" ahead.

Naturally he starts with the nuclear agreement by saying that the agreement will "help alleviate the chronic power shortage that hinders India's economic growth, particularly Dr Manmohan Singh's drive to raise the

quality of life for an estimated 700 million Indians still living in dire poverty."

Let us see how nuclear power helps 700 million poor Indians.

Government of India, through its ultra mega power projects (UMPP) is trying to usher in a low tariff power regime in the country. The lowest power tariffs offered for Sasan UMPP is in the range of

Rs 1.19 to Rs 1.30 per unit. Even now the cost of the power generated by NTPC at its Vindhyachal and Talcher power plants is

Rs 1.31 to Rs 1.33 per unit respectively.

So how cheap will be nuclear power? Let us go by the figures estimated by MIT, US, in 2003 and University of Chicago, US, in 2004. As per an MIT report, the levelized cost of nuclear power is 6.7 cents per unit, which means roughly Rs 2.75 per unit at present. As per University of Chicago, it is 6.2 cents per unit, which means

Rs 2.54 per unit. (Source: Science for Democratic Action, published by Institute for Energy & Environmental Research, US)

"Costly power is better than no power" may be a fashionable slogan for the elite, but how many of the 700 million Indians living in dire poverty can afford power whose generation cost is Rs 2.74 per unit, instead of Rs. 1.19?

Nuclear power can to an extent supplement, but cannot substitute, feedstock for coal or hydro in India which is richly endowed with these two energy resources.

As for the US, it has been more than 25 years that it has ordered a nuclear reactor for its civilian nuclear industry. Obviously, nuclear power is not preferred vis-à-vis coal or gas in the United States. But then Burns is quite candid when he says in his article, "We expect American companies will be among the first to invest in and profit from this gigantic energy market. We hope India will move quickly to help us complete a final bilateral agreement to make this a reality."

The reality is that the deal means investment and profit for reactor and uranium suppliers in the US, so it is heady times for American business. As a matter of fact, nuclear power, based on imported reactor and uranium, would escalate the cost of power progressively much beyond the estimated Rs 2.50 and Rs 2.75 per unit benchmark, with increasing dependence on American

business.

What is the quantum of nuclear power that we are planning to generate? About 20,000 MW or so by the next 10 to 12 years. As per the 17th Electric Power Survey (EPS), our power requirement is estimated to be more than 2.5 lakh MW within this period. So nuclear power's share of less than 10 per cent cannot obviously "alleviate the chronic power shortage."

Many other measures need to be addressed by the policymakers to tide over India's power shortage. Nuclear power takes time and capital to materialise. The illusory campaign that nuclear deal would bring nuclear power immediately to a power-starved India, as propagated by Burns & Co., unfortunately, is being given official credence by the Prime Minister.

For energy security, nuclear power may be a supplementary source, that too based on indigenous reactor and indigenous source of uranium and thorium. But there cannot be a quick-fix solution to India's quest for sufficient power at an affordable cost. It is for the country's energy experts (not defence experts) to decide the share of energy sources — coal, hydro, gas, nuclear, non-conventional etc., — depending obviously on the indigenous availability of these resources.

When Burns hopes that India will move quickly on the agreement, does he mean that US is in a hurry to meet India's energy needs? Or is it that the US nuclear industry wants an immediate entry into India?

When the Energy Policy Act 2005 (EPA 2005) to boost US' nuclear power industry was passed by the second Bush administration, billions in federal assistance flowed including:

$3 billion in research subsidies;

more than $3 billion in construction subsidies for new nuclear power plants;

nearly $6 billion in operating tax credits;

more than $1 billion in subsidies to decommission old plants;

a 20-year extension of liability caps for accidents at nuclear plants;

federal loan guarantees for the construction of new power plants.

Critics say that the energy bill amply rewarded the industry for years of investment in campaign contributions and lobbying. Mike Stucky, senior news editor, MSNBC, in his column on January 23, dwelt on how millions given for lobbying campaign helped US nuclear industry's big plan: "One of the biggest names on the Bush energy transition team was Thomas Kuhn, president of the Edison Electric Institute, which represents the electric power industry and its nuclear reactor owners. Not only was Kuhn the President's Yale classmate and long-time friend, he was one of Bush's biggest fund-raisers. A study by Common Cause found that in the six years that bracketed the 2000 election, Kuhn's organisation and its members gave $41 million to political campaigns, three-fourths of it to Republicans.

"Cheney also had close ties to players with stakes in the nuclear sector. When the vice-president was CEO of Halliburton, the company's portfolio included Nuclear Utility Services. And Cheney's wife, Lynne, had served on the board of directors of Lockheed Martin, which earned millions from the federal government managing the Sandia Nuclear Laboratory in New Mexico."

Obviously Bush and Cheney had their own reasons to resurrect nuclear power in America.

With the legislative mechanism in place, the challenge before US' nuclear industry is to prove its economic viability. For that it has to go beyond the small number of reactor orders within the US that receive subsidies under Energy Policy Act 2005. This is where India comes in.

India can sustain the subsidised US nuclear power industry. India's muddled power policy of the last 15 years and its abundant supply of unscrupulous politicians of Dabhol variety can be combined and leveraged for attractive deals for nuclear reactor supplies. Once that is done, the US nuclear power industry will be in a position to rest the economic case for nuclear power globally, if not in the US itself. It is a clear case of enlightened self-interest.

Dr Helen Caldicott, in her book Nuclear Power Is Not The Answer, gives the background of Cheney's energy task force which produced the energy policy document in 2001 and which served as the basis of Energy Policy Act 2005: "On April 17, 2001, Cheney met with Kenneth Lay, the CEO of the now disgraced Enron Corporation, to discuss 'energy policy matters' and the 'energy crisis in California.' Following that meeting, Lay gave Cheney a three-page wish list of corporate recommendations. A subsequent comparison of that memo against the final report of the National Energy Policy Development Group showed that the task force had adopted all or significant portions of the Lay memo in seven of eight policy areas… Cheney and his aides met at least six times with Lay and other Enron officials while preparing the task force report, which is now the basis of the administration's energy proposals. Cheney's staff also met with an Enron sponsored lobbying organisation, the 'Clean Power Group'."

Enron brings us the memory of Dabhol power plant. The illusion of quick and cheap power with imported HSD/gas, which was created 12 years ago, is now a deep festering wound on the Indian power sector. Does India deserve similar illusions of cheap and quick power from the Bush-Cheney backed US nuclear industry? Can this be the sole reason for the hullabaloo created around the nuclear deal? These questions are bound to cause concern among right thinking Indians.

It is naïve to dismiss these concerns as "isolated voices," "voices of disaffected scientists and professionals" etc., Burns' anxiety to expedite the process is understandable. But a nation with 700 million people in dire poverty has to see things from the angle of energy affordability and security of energy sourcing. This cannot be ignored for the sake of what Burns promises to be "heady times." Nor can power-shortage in India be the reason to rush into a nuclear deal with the US on the latter's terms.

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