Nuclear power, LLC

By KENNETH ZAPP
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Republicans, from John McCain to congressional candidates, claim that nuclear power is safe and should be expanded in order to solve the energy crisis. But nuclear power would be impossible without the Price-Anderson Act, which shields nuclear power plant owners from free-market forces.

Specifically, the law caps the amount of insurance a nuclear plant owner must carry and limits the liability the owner would face in case of catastrophic accident or terrorist attack. Since Congress passed the act in 1957, nuclear power executives have acknowledged that their industry is financially dependent on this public protection from the financial consequences of such events.

The law has been renewed every decade. The 2005 Energy Policy Act extended Price-Anderson protection with modest increases in the maximum level of insurance coverage required and in the liability a nuclear plant owner faces.

In a market economy, we depend on market forces to measure the risk of an investment. Investors adjust their required returns based on their perception of this risk. Operating firms then manage their risks, through insurance and in other ways.

Without the protections of the Price-Anderson Act, owners of nuclear power plants could not afford to purchase enough insurance to cover the full range of risks associated with their operations. If nuclear power were safe, private companies would not need the government to protect them from the risks.

For policymakers, two points are clear. Currently, nuclear power is highly subsidized by this government protection from market forces. Any discussion of expanding nuclear power should cover the possibility of equivalent subsidies to other sources of energy, especially those that pose fewer risks.

Any claim that nuclear power is safe should be subject to two simple tests. Will insurance companies write policies to cover the full range of possible disasters? Will any local government accept the waste from nuclear power plants?

Kenneth Zapp is a professor and department chair in the College of Management at Metropolitan State University.

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