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Energy

Failure to revive U.S. nuclear power means crisis for industrial growth

by William Engdahl, Energy Editor

Despite the most promising signs, the first year under the Reagan administration has closed with energy policy in dramatically worse shape than when it began. The administration's expressed commitment to "produce our way out of the energy crisis" has been sabotaged.

While domestic construction of power plant capacity continues a sharp downslide, the export of power plants, especially vitally needed nuclear plants, to areas of the developing sector, is in far worse shape than ever.

In terms of domestic power plant construction, since the early part of 1981 the United States has lost substantial ground in its nuclear plant construction program.

According to the official account of the Nuclear Regulatory Commission (NRC), 12 plants in various stages of construction have been permanently cancelled. These plants would have provided the U.S. economy with almost 13,000 megawatts of electrical power. To put this magnitude into perspective, this is the annual energy equivalent of almost 128 million barrels of oil, and would generate enough electricity to fully service the needs of six urban areas each the size of Houston, Texas.

In addition to these outright cancellations, postponements of new nuclear construction for months to years have mounted. My survey of relevant national monitoring agencies revealed the situation to be so bad that nobody in the utility industry has an up-to-date idea of how many such deferrals have been made this year.

Major deferrals this past year at the important five-plant Washington State Public Power Supply System (WPPSS) for units 4 and 5 sent tremors through the bond markets. The embattled Diablo Canyon nuclear complex in California remains idle, the victim of the major national anti-growth effort of cultish Gov. Jerry Brown, the Friends of the Earth, and NRC officials. In December the New Jersey utility PSE&G asked governmental permission to abandon its Hope Creek nuclear project.

Overall, some 184 electric power plant units have been delayed or canceled in the 1974-78 period, according to a detailed study made by the General Accounting Office to Congress. In 1980, 60 coal or nuclear plants were delayed.

A dangerous analytical fraud is being fostered to the effect that such a collapse in forward construction is no cause for alarm because it is merely a rational response to declining "demand" for future power. In fact, the best historical metric to reveal an economy in a depression is the rate of electric and total energy consumption. The collapse of new construction cannot be attributed to some magic abstract "demand" decline, but to a deliberately induced economic depression by sustained unprecedented Federal Reserve interest rates and related forced disinvestment policies.

Total U.S. energy consumption made a spectacular decline during the period following the 1973-75 OPEC "oil shock," only to rebound fairly rapidly until 1979. That recovery was in large measure due to a shift from oil-based to nuclear-based energy generation, as a growing number of nuclear plants came on line. A convergence of three forces in this latest series of cancellations makes the present situation qualitatively more devastating and more difficult to reverse.

Since 1979, the imposition of a second astronomical price hike for world crude oil has intersected Federal Reserve double-digit interest rates as a deliberate brake on industrial growth. After almost one year of hysterical insistence by Fed Chairman Paul Volcker, in 1981 this interest-rate policy was extended for the first time since the 1954 Atomic Energy Act, to eliminate the traditional preferential lower rate for any utility constructing nuclear plants.

The third force adding to this dangerous trend has been, ironically, the Reagan administration itself. A ledger of steps taken by the administration to revive the beleaguered nuclear industry in the post-Carter period would note that on Oct. 9, 1981, the President put his signature to the first presidential pro-nuclear statement

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in almost a decade, since Nixon committed the nation to build 1,000 nuclear plants by the year 2000. Reagan's statement pledged to break the licensing bottleneck which, especially since Three Mile Island, had brought nuclear construction to a virtual standstill stretching construction time out to a 12- to 14-year time span. It also promised expeditious licensing of the 33 nuclear plants estimated ready for startup over the next 6 to 18 months and full support for development of the embattled Clinch River Breeder Reactor project, and encouraged development of necessary reprocessing technology.

Almost as soon as the ink was dry, however, it became clear that commitment to this policy was tragically thin.

Reagan's new Nuclear Regulatory Commission chairman, nuclear engineer Nunzio Palladino, for what appears to be a complex set of reasons, has publicly reversed his initial firm commitment to expedite the licensing of the 33 plants. He has now threatened to freeze licensing for all plants until he is satisfied that the utility and nuclear industry has taken adequate steps to assure that design quality standards for safety have been fully met. As one result, Diablo Canyon is on indefinite freeze for alleged seismic design problems.

Will the lights go out?

Historically, since the early 1950s, growth of future electricity-generating capacity has been accurately called the "engine" or locomotive of economic industrial growth. Historically, such "lead" electricity growth must outpace economic growth by approximately 50 percent. Since the 1950s, for the U.S. economy, this has meant an approximate 7 percent per annum growth in electricty supply to secure an overall 4 to 5 percent economic growth. To underscore the danger of the present trend outlined here, a preliminary survey of U.S. public utilities conducted by *Electric Light & Power,* a leading industry publication, reveals a catastrophic decline in growth of peak demand for electric power for 1981 down to a minuscule 1 percent, a severe shock to most industry analysts.

Already, bankruptcy of formerly sacrosanct blue-chip electric utilities is being mooted in Wall Street and boardroom circles. General Public Utilities, the parent holding company of the beleaguered Three Mile Island plants, is the first likely candidate, but by no means the only one.

This domestic infrastructural collapse spiral is devastating enough within the confines of the domestic economy. Capital construction expenditures for necessary steel, concrete, and high-skilled labor of an estimated $500 billion over this decade by electric utilities is directly at stake in the narrowest sense. But, in a global context, this infrastructure is necessary if the world nuclear industry is to survive and meet the energy needs of industrializing the developing sector. As leading scientific spokesmen from the late Dr. Homi Bhabi of India to Dr. Krafft Ehricke have repeatedly stressed, nuclear-energy development is the *only* option for the massive task of industrializing the world. In this context, the administration's attempt to reverse the damage of the anti-nuclear export policies of the Carter years is, to date, disastrous.

Not only has the administration failed to make any effective challenge to repeal the most pernicious aspects of the Percy-Glenn Nuclear Nonproliferation Act of 1978. Reagan's choice to head the Export-Import Bank, William Draper III, who should properly provide low-cost financing for nuclear exports, is a rabid advocate of genocidal "soft" energy alternatives for developing countries. David Stockman's Office of Management and Budget is in the process of removing the section within the Commerce Department which facilitates nuclear-export agreements. The Haig State Department to date has carried out an "eyes-closed" policy of arming Pakistan with nuclear weaponry while unilaterally continuing the Carter policy of violation of a 20-year fuel-supply treaty to provide nuclear fuel for India's Tarapur plant, which provides the bulk of electricity to Bombay. Little wonder that observers find little of substance in the nuclear-export policies of the new administration.

Also to be noted are the declaration of cabinet members such as Energy Secretary Edwards to the effect that "bailing out the electric utility industry" is not on their schedule, and the announcement at year's end by President Reagan that he intends to dismantle the Energy Department.

While the final disposition of the department remains to be fought out with Congress next year, certain ominous signs must be noted. The Atomic Energy Act of 1954 created a single Atomic Energy Commission (AEC) with a sole mandate to carry out the Eisenhower administration Atoms for Peace goals. Under the post-Watergate Ford Administration, Congress passed the Energy Reorganization Act of 1974, which created a separate Nuclear Regulatory Commission and dissolved the old AEC into one of six equal sub-agency departments. James Schlesinger's creation of the Department of Energy in 1977 reduced the role of nuclear-power development to one of approximately 12 assistant secretaries. The further relegation of the U.S. nuclear program into the back halls of the immense Commerce Department would bode ill for aggressive governmental action to reverse this crisis.

This year-end review is deliberately sober and stark. As of this writing, only a tiny minority of informed persons has had the courage to publicly address the seriousness of this crisis. No industrial nation in modern history has stood idly by while its electric power infrastructure has been allowed to collapse, outside of wartime destruction.