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Backing Hitachi nuke project in Britain risks taxpayer money

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Using taxpayer money to help finance a company's project to build a new nuclear power plant overseas would **force the public to shoulder the huge risks of a questionable policy undertaking to rescue the embattled nuclear power industry.**

It is highly doubtful that massive public financing for such a project will receive broad support from the public.

The government is considering providing enormous loans to aid Hitachi Ltd.'s project to build and operate a new nuclear plant on the island of Anglesey off northwest Wales.

But the risks involved in the nuclear power business have surged globally since the 2011 Fukushima nuclear disaster, due mainly to sharp rises in construction costs caused by stricter safety standards.

Toshiba Corp.'s nuclear debacle in the United States, which has thrown the company into a financial crisis, is still fresh in our memories.

As Tokyo Electric Power Co.'s predicament has dramatically demonstrated, should a severe nuclear accident occur, the operator of the plant would face financial liabilities of a tremendous magnitude related to damages caused by the disaster.

If Hitachi's nuclear project fails, the government-affiliated financial institutions that provide financing for the project will incur heavy losses, which may eventually have to be covered with taxpayer money.

The government should rethink its headlong rush to help finance the project and make careful reassessments of the risks involved as well as the necessity of the measure from a policy perspective.

According to the plan, a British company that has been acquired by Hitachi will build two reactors with an eye to the beginning of operations in the mid-2020s.

The cost of the project, which is currently estimated at 3 trillion yen (\$27.08 billion), will be covered with loans from Japanese and British lenders and investments from newly recruited business partners.

Hitachi will make the final decision on whether to build the reactors, possibly next year, after assessing the commercial viability of the project.

While major Japanese banks remain cautious about providing loans for the project, the public sector is notably keen to back it.

The government-affiliated Japan Bank for International Cooperation (JBIC) is ready to extend hundreds of billions of yen in loans for the project. In addition, the government is considering applying the trade insurance system to all the loans extended by Japanese commercial banks, which are expected to total in the hundreds of billions of yen.

This would mean the government will effectively guarantee all the private-sector loans. The government-affiliated Development Bank of Japan (DBJ) is also willing to chip in with funding.

The administration of Prime Minister Shinzo Abe is eager to support the project because it wants to salvage the floundering nuclear power industry.

The catastrophic accident at the Fukushima No. 1 nuclear power plant has seriously endangered the future of Japan's atomic energy industry by making it effectively impossible to build new reactors at home.

The Ministry of Economy, Trade and Industry, which regulates the power industry, makers of nuclear power generation equipment and major electric utilities are all pinning their hopes on overseas markets as they are facing the challenge of maintaining related technological and human resources under the current situation.

But it should not be forgotten that exporting nuclear power technology is a private-sector business. The risks involved should be borne by the private-sector companies that are engaged in the business.

If the government undertakes the risks, it needs to show the business is beneficial for society as a whole.

Can the government make any argument that convinces many Japanese of the importance of supporting the Hitachi project ?

The Abe administration and the business community have been working in tandem to promote exports of technology for nuclear power plants and other infrastructure.

As Hitachi Chairman Hiroaki Nakanishi is set to soon become the new chairman of Keidanren (Japan Business Federation), the nation's leading business lobby, the government's plan to support the company's nuclear project will be seen as a sign of mutual back-scratching between the public and private sectors if it lacks economic and policy rationality.

There are fundamental questions about Japan's efforts to sell its nuclear technologies overseas

despite the devastating nuclear accident, in the first place.

The government and other organizations involved should rigorously re-examine the plan from a broad perspective and offer convincing and detailed explanations about its decision to the public.



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