Removal of US agency financing ban to help advanced reactors, analysts say
By Joniel Cha, Washington
Published on - Wed, 17 Jun 2020 15:03:46 EST

The International Development Finance Corporation, a US federal agency, is proposing ending its prohibition on financing nuclear projects, a policy change which “will enable US advanced nuclear developers to compete in a wide variety of markets, including in fast growing emerging and frontier markets,” Todd Moss, executive director of the Energy for Growth Hub, said June 12.

Energy for Growth Hub is a nonprofit research network covering development finance, energy policy and energy economics issues; it is funded by US foundations including the Rockefeller Foundation and has partnerships with Chevron, Engie and General Electric, Moss said.

DFC proposed June 10 to revise its policy so that it “would enable the consideration of support of nuclear power projects,” beginning a 30-day public notice and comment period.

Financing nuclear projects “supports the agency’s development mandate, bolsters U.S. foreign policy, and recognizes advances in technology which could make nuclear energy particularly impactful in emerging markets,” including small modular reactors and microreactors, which have “significantly lower costs than traditional nuclear power plants and may be well suited for developing countries,” DFC added.

The agency was created in 2019 through the consolidation of Overseas Private Investment Corp. and the US Agency for International Development’s Development Credit Authority. DFC has a total investment limit of $60 billion.

OPIC and USAID both had bans in place prohibiting them from supporting nuclear reactor projects. The US Export-Import Bank, which finances a much larger number of projects, already
can finance nuclear energy related work and has done so in the past. That federal agency is the official export credit agency of the US.

A White House working group, formed in July to identify ways to revive and expand the US nuclear energy sector, recommended the removal of a financing ban on US nuclear energy technologies in its April 23 report. DFC said the proposed change would implement the working group’s recommendations.

Amy Roma, a lawyer at Hogan Lovells specializing in international nuclear trade, said in an email June 15, “While advanced reactors are a nascent industry, they could have suffered a similar fate as their large-scale cousins in foreign bids if the DFC’s ban on investments in nuclear projects had not been lifted.” She added, “For advanced reactors, lifting the ban could be an important step to ensuring the U.S. does not fall behind in the first place.”

DFC’s proposed change could “influence other foreign development finance institutions and the World Bank to follow suit, which would open the door even wider for these promising new technologies,” Roma said. But she added, “It does not commit the DFC to financing such projects.”

Moss said, “In places where energy demand is expanding rapidly, the potential for advanced nuclear [reactors] is significant. Countries as diverse as Brazil, India, Ghana, Egypt, Thailand, Vietnam, Indonesia, Jordan, and Kenya are all ready, or soon will be ready, for advanced nuclear technology.”

“Lifting the DFC ban could be a game changer for SMRs or advanced and micro reactor projects, since many of the countries where the US is interested in exporting advanced technologies, and smaller nuclear reactors for smaller grids, are countries that would likely be eligible for DFC funding,” Jennifer Gordon, senior fellow of the Global Energy Center at Atlantic Council with oversight over nuclear power issues, said in an email June 16.

Luke Bolar, a spokesman for think tank ClearPath, said in an email June 15 that US companies could currently export nuclear technologies to Ukraine, Romania, Egypt and Morocco since those countries have nuclear cooperation agreements with the US, allowing them to receive such exports. ClearPath is a “conservative, clean energy” group, according to its website.
“This change could also offer an alternative to the financing of authoritarian regimes while advancing U.S. nonproliferation safeguards and supporting U.S. nuclear competitiveness,” DFC said.

The Nuclear Fuel Working Group report noted the US has not sold reactors overseas recently and “is missing out on a nuclear reactor market” the US Department of Commerce estimates is valued at $500 billion-$740 billion over the next 10 years.

**Financing nuclear projects**

Carol Berrigan, senior director of federal programs at NEI, said in a June 16 email. “Financing plays a decisive role in global nuclear energy procurement decisions. Russia and China bring a full financing package to support their companies, with generous terms — large loans, affordable rates and extended loan tenors.”

“As for timing, nuclear projects are long-term endeavors,” and “it is unclear when the first project to utilize DFC products would come to fruition,” Berrigan added.

DFC spokeswoman Laura Allen said June 11, “We’ll need to receive a proposal from the private sector and DFC would review it using our rigorous evaluation process.”

“Utilities, manufacturers, and countries around the world are beginning to look for the zero-carbon assets they will deploy for the next 20 years and beyond. Advanced nuclear is one of the only technologies that can help developing countries meet the energy demand of a growing economy, and still remain committed to their climate goals,” Jackie Kempfer, a nuclear energy policy advisor at Third Way, said in a statement June 10. “DFC can have a giant impact on American leadership in this growing global market,” she added.

NuScale Power spokeswoman Diane Hughes said June 15 NuScale has memoranda of understanding “with companies in many countries” and “we continue to field significant interest from countries worldwide.” NuScale has MOUs with Ukraine, Jordan and Romania, and X-energy has an MOU with Jordan.

“The ability for the U.S. government to offer financing for international projects based on U.S. commercial nuclear technologies is very significant, since many foreign nuclear plant suppliers, like those from China and Russia, are backed by their respective country’s
government and these foreign suppliers can provide the full financing needed for the deployment of their power plants,” Hughes said.

‘Not a game changer’

However, Allison Macfarlane, director of the Institute for International Science and Technology Policy at George Washington University and former NRC chairman, said in an interview June 15, “This is not a game changer,” as SMR technologies are not yet available. “Licensing for one kind of small modular reactor is ongoing,” but nobody has constructed an SMR, she added. This is putting “the cart ahead of the horse” since SMR designs must be certified before nuclear technologies can be built and exported, let alone financed, Macfarlane said.