



# Jaitapur: A risky and expensive project

Posted at: 08/01/2019

## **Jaitapur: A risky and expensive project-Unless the government is transparent about details, it will be engulfed in yet another controversy**

- In December, the French company Électricité de France (EDF) submitted a “techno-commercial proposal” to the Indian government for the Jaitapur nuclear power project in Maharashtra.
- The idea of importing six nuclear European Pressurised Reactors (EPRs) was initiated by the United Progressive Alliance government more than a decade ago, but the project had made little progress due to concerns about the economics and safety of the EPRs, local opposition, and the collapse of the initial French corporate partner, Areva.
- Despite these problems, in the past few months, the Modi government has taken several high-level steps towards actuating the project.
- In March 2018, EDF and the Nuclear Power Corporation of India (NPCIL) signed an “industrial way forward” agreement in the presence of Prime Minister Narendra Modi and French President Emmanuel Macron.
- The urgency is inexplicable as it comes before the techno-commercial offer has been examined and as earlier questions about costs and safety remain unanswered.
- Moreover, with the Indian power sector facing surplus capacity and a crisis of non-performing assets (NPAs), a large investment in the Jaitapur project is particularly risky.

### **Delays and cost increases**

- It is clear that electricity from the Jaitapur project will be more expensive than many other sources of electricity, including solar and wind power.
- Across the world, EPRs have experienced delays and cost increases.
- While nuclear costs have been rising, other low-carbon sources of electricity, especially solar energy, have become cheaper.

- The high capital costs of the EPRs are of particular concern because power-generating capacity in India has grown faster than demand causing projects to run into financial difficulties.
- In this context, the government seems to be throwing caution to the winds by investing lakhs of crores in the Jaitapur project.
- Because the NPCIL's debts would ultimately be underwritten by the Indian government, if the project encounters financial difficulties, the costs would fall on Indian taxpayers.

## **Safety problems**

- In addition to the high costs, safety problems with the reactor design and construction have emerged in several EPRs.
- The most serious of these pertained to the pressure vessel, which is the key barrier that prevents the spread of radioactive materials from the reactor.
- These safety concerns are exacerbated by India's flawed nuclear liability law.
- If and when completed, Jaitapur "will be the largest nuclear power plant in the world".
- In the event of an accident, the nuclear liability law would require the public sector NPCIL to compensate victims and pay for clean-up, while largely absolving EDF of responsibility.
- But the joint statement issued in March 2018 promises that the "enforcement of India's rules" would be in accordance with the international Convention on Supplementary Compensation for nuclear damage, which severely limits the operator's right of recourse.
- This raises the disturbing possibility that the NPCIL may have promised not to exercise its right to claim compensation from EDF as allowed by Indian law.
- In any event, there is a "moral hazard" here: since EDF can escape with limited or no consequences even after a severe accident, it has little material incentive to maintain the highest safety standards, particularly if the requirements of safety come into conflict with the imperative to lower costs.
- Such pressures might be accentuated by EDF's poor financial state.
- Unless it is transparent about the project cost, accountability and arrangement details, the Modi government may well find itself engulfed in yet another controversy involving overpriced French equipment.