

**Effect of Economic Downturn** – excerpted from:

## **Business Risks and Costs of New Nuclear Power**

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### **Effect of Economic Downturn**

One might say that with a severe U.S. recession and worldwide downturn apparently underway, that price escalations may cease. However, if there is a severe U.S. recession, then the proposal to build a new power plant *would need to be re-examined as a whole* because the projected growth in customer demand for electricity, which the plant is built to serve, may also evaporate during this downturn.

Both the increased demand for electricity, and the increased cost of those factors feeding power plant construction cost escalations are tied to a growing U.S. and world economy. In particular, the growth of the Chinese and Indian economies have been noted as major underlying factors in the rapid cost escalations worldwide for a wide range of commodities, and increased competition for skilled labor and technical resources. No one expects these overall trends to abate, although they may certainly be slowed temporarily.<sup>27</sup> Given nuclear's long lead time and the fact most nuclear costs occur after year 5, construction of a nuclear power plant will outlast any normal length recession. If other countries suffer less than the U.S., cost escalations may actually return even before the U.S. economy recovers.

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<sup>27</sup> CERA's Power Capital Costs Index for 2008 3rd Qtr has now slowed to a point of 224, a 3% decline since 2008 1st Qtr's 231. However, during this same period most worldwide commodity, stock market etc. indices fell much more drastically, by double digits, indicating underlying forces pushing power plant construction costs upward are still strong.