Relook at India-US Nuclear Deal

What is the issue?

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- It's been nearly a decade since the memoranda of understanding on India-US civil nuclear deal was inked.
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- It calls for a reassessment of the deal in the context of the newly emerged global realities over the years.
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What is the deal on?

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- The U.S.–India Civil Nuclear Agreement or Indo-US nuclear deal or the 123 Agreement was signed between US and India in 2005.
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- Under the agreement, India agreed to separate its civilian and military nuclear activities.
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- It also agreed to open up the civilian part to inspection by the International Atomic Energy Agency (IAEA).
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- In return, the US offered to resume full nuclear trade i.e selling of reactors, Transfer of Technology, Uranium sale with India.
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- The deal went through several complex stages including:\n
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    i. amendment of U.S. domestic law (Atomic Energy Act of 1954)
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    ii. civil-military nuclear Separation Plan in India
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    iii. India-IAEA safeguards agreement
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- Around 3 years ago, during the then U.S. President Obama's visit, India-U.S. civil nuclear deal was announced.
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- This finalised the agreement between India and the U.S. on supplier liability and tracking requirements.
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- It enabled American companies to build nuclear power reactors in India.
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- In 2016, during Indian PM's visit to US, 6 nuclear reactors were decided to be built in India by the American firm Westinghouse.
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- Despite bilateral agreements, there is no sign yet of any contract between an American company and the Indian authorities.
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What are the challenges?

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- The U.S. sending the Westinghouse officials to India will reopen negotiations on the deal.
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- Before deciding on a go ahead with the commercial contract, the Indian government should consider the following:
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- **Liability** - Westinghouse went into major cost overruns leading to a financial crisis.
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- It had to halt two of its reactors projects in the U.S, by when the construction was already 5 years over schedule.
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- Amidst this, the Westinghouse’s new buyers have already diluted the arrangement in India.
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- They will not construct the nuclear power project in India, and will only supply reactors and components.
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- Even if the India-U.S. techno-commercial contract gets finalised in 2019, it would take nearly another 10 years to construct a reactor.
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- Given this, in case of a Fukushima-type nuclear accident in India, the liability that U.S. companies would carry is highly uncertain.
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- **Trump effect** - Trump’s US presidency has taken a sharp turn away from renewable energy.
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- There are increased calls for mining, exporting and encouraging oil, gas, coal and shale trade into its foreign outreach.
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- Notably, India recently, made orders for both oil and gas shipped from America.
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- India may stand to loose Obama era support in financing renewable energy projects and facilitating India-U.S. nuclear deals.
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- Also, the US has pulled out of the Paris climate change accord, coming as a shock for India.
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- Notably, Obama administration had promised to help India reduce its dependence on fossil fuels on India's entry into Paris accord.
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- **India's requirements** - India’s own requirements from the India-U.S. civil nuclear deal have changed considerably.
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- The Cabinet recently approved the 7,000 MW construction plan for 10 Indian-made pressurised heavy water reactors (PHWRs).
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- With existing constructions and the current capacity of 6,780 MW, India hopes to have 14,600 MW of nuclear power by 2024.
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- Besides the nuclear power plants, the Department of Atomic Energy is advocating PHWRs in more inland sites.
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- This includes sites in Rajasthan, Haryana, Karnataka and Madhya Pradesh.
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- It comes in the backdrop of concerns on too many nuclear projects in the southern coastline lying along tsunami and earthquake faultlines.
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- India has also found much more comfort in its existing agreement with Russia’s Atomstroyexport.
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- This began with the Intergovernmental Agreement for Kudankulam 1 and 2 in 1988.
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- It has kept a slow but steady pace in delivering reactors and operationalising power projects.
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- **Cost** - Another issue relates to the cost that India is prepared to pay for nuclear energy through foreign collaborations.
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- Indo-French negotiations for six 1,650 MW European Pressurised Reactors (EPRs) in Maharashtra's Jaitapur is delaying.
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- This is notably over the differences between Department of Atomic Energy and the French company Areva (now handed over to EDF Energy company, UK).
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- It pertains to arriving at the cost per unit.
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- **Besides** - India must consider the shifts in the world nuclear industry before getting into negotiations with new companies.
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- Many nuclear companies globally are facing with major losses over their nuclear businesses.
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- As the pressure to lower nuclear power tariffs increases, nuclear safety requirements have become more stringent.
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- More countries now see nuclear power as a "base-load" option.
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- It is only preferred as a back-up option for unstable, but infinitely less costly and eco-friendly, solar and hydroelectric power options.
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- All these signal that nuclear power is losing its primacy in the energy mix, which India must be aware of.
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Source: The Hindu

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