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A political life extension for nuclear power

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In 2014, Hungary signed an agreement with Russia to build two new reactors, more than doubling its current size. This agreement places an old trading relationship back in play. Nuclear power and the gas and electricity network in Eastern Europe was an explicit outcome of cooperation between the Soviet Union and COMECON countries in the former Eastern bloc.

The Iron Gates Dam, the largest on the Danube, sits between Romania and Serbia. Each side has its own generator hall with an identical black and white tiled mural hanging above the whirling turbines. The white tiles are slightly raised on one side, representing the waves of the Danube, complimented by an interplay of semi-circles representing the interdependency of Romania and (former) Yugoslavia. Completed in 1972, the dam's output is equivalent to Hungary's Paks Nuclear Power Plant. Both facilities are products of the Soviet and Socialist industrial policy of cooperation and coordination on energy infrastructure.

The mural is important as a point of reference. This piece of art sits within a concrete structure that holds back the force of nature. It expresses social and political cooperation between two countries and the joint engineering expertise of both. Energy infrastructure is not simply highly engineered machinery, but reflects political forces working together for economic and social ends. In light of this dual purpose, costs associated with power production may be secondary to political and social goals.

Nuclear power in Europe appears to be gaining a new lease on life due to this necessity of politics over economics. The trend in the European Union, since the 1990s, was to establish a competitive market in electricity and gas, where types of generation would compete to promote lower prices for consumers. Interestingly, as the anti-EU rhetoric builds, so does the rejection of the idea of a single market in electricity and gas.

The governments of Hungary and the United Kingdom have now taken strong decisions to build more nuclear power, aligning more with political justifications rather than economic ones. The cost of new nuclear in both the U.K. and Hungary is between 75% and 100% more than current or projected power prices. Meanwhile, trends in energy technologies leads to a dropping of prices. As both countries push to be politically and socially separated from the European project that brought Europe together after the Second World War, they seek external partnerships to reinforce their economic base.

In the U.K., the expansion of the Hinkley Point Nuclear Power Plant, was placed on hold with the entrance of Prime Minister Theresa May into Downing Street. However, this pause lasted less than two months, as the realities of sidelining Chinese financing of the French designed plant became apparent. With the U.K. soon to be negotiating an exit from the EU, both trading partners will be important as U.K. industry is pushed towards a new trade reality.

The Hungarian government's choice to extend Paks, even before the current reactors end their lifecycles, is also based on politics rather than economics. In 2014, Hungary signed an agreement with Russia to build two new reactors, more than doubling its current size. This agreement places an old trading relationship back in play. Nuclear power and the gas and electricity network in Eastern Europe was an explicit outcome of cooperation between the Soviet Union and COMECON countries in the former Eastern bloc.

This relationship dates back to 1958, when the Soviets made it an explicit strategy to shift countries away from self-sufficiency in energy production to an integrated approach. Just as the Hungarian government disparages the economic and social policies of the EU, it too must ensure good relations with countries outside of the member bloc. Functionally, nuclear power tethers generations of engineers and citizen taxpayers to Russia's energy industry. Consequently, geopolitics trumps lower priced energy technologies.

The black and white mural sitting below the waterline between Romania and Serbia represents not just their interdependence, but the deliberate choice that once the facility is built, it cements decades of cooperation between the two countries. Nuclear power provides inter-generational cooperation and mutual dependency between states and societies; this needs to be recognized as the part of the cost of the technology. The choice of nuclear power in the 21st century is not based on lower cost.

This column is part of a continuing series of opinion pieces from experts at the CEU Business School in Budapest. The opinions stated here do not necessarily reflect those of the Budapest Business Journal.