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Britain Goes Nuclear: How to Cash In

By John Stepek

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At last, the government has finally got round to giving the green light for building new nuclear reactors in the UK. John Hutton, the business secretary, announced that nuclear power is "clean, secure and affordable."

It looks like we'll have our first new nuclear power station by as early as 2017, if Luc Oursel, the chief executive of French group Areva, has anything to do with it. The new stations are likely to be built on or close to existing sites, to make planning easier to push through (people are less likely to object to living next to a nuclear power station if they already live next to one).

Of course, the row over nuclear will continue to rage - campaigners such as Greenpeace aren't happy about the decisions and there's also the big question to consider of where all that waste is going to go. I have to say, the waste issue is something that concerns me. But Mark Henderson, the science editor of The Times, makes a very good point on this problem. Apparently, the country "already has enough [nuclear waste] to fill five Albert Halls" so "we will just have to dig a slightly bigger hole that will have to be dug anyway".

Why we need nuclear power

More to the point, there's the big problem of what we'll do if we don't turn to nuclear.

Nuclear accounts for roughly a fifth of our power generation just now, but the trouble is, most of the current generators are due to shut by 2023. And we don't have any alternatives to plug the gap - at least, not if we want to cut carbon emissions and enjoy at least some level of energy security.

Already, the price of oil is at $100 a barrel, at a time when our domestic supplies in the North Sea are rapidly running low. At the same time the UK has moved from being a net exporter of gas to a net importer.

Meanwhile, many coal-fired power stations are also nearing the end of their lives - we've got plenty of coal left here in the UK, but if we want to cut down on our carbon emissions then we can forget about increasing the amount we burn for energy.

And then of course, there are renewables like wind and solar power - all very nice in principle, but still not functioning well enough in reality (though that's not to say they never will).

Nuclear bonanza

In any case, plenty of companies are looking for the opportunity to pile in. As well as Areva, we've got French peer EDF, British Energy and Centrica from Britain and Germany's E.On and RWE all looking for a shot at building or funding new plants.

But what does all this mean for the overall nuclear investment picture - which is something I've covered here in the past? Well, not much really. While the government has been twiddling its thumbs, plenty of other countries have cheerfully been looking to nuclear power as the solution to their energy problems.

The Chinese are a good example. They're keen on nuclear power and, like us, it's partly down to environmental reasons. Not carbon dioxide emissions of course - they have a much more pressing problem. Their reliance on coal as a power source means massive and dangerous air pollution in the country, so anything that provides a viable alternative looks good to Shanghai.

In fact, one concern is that our government may have taken too long to make its decision.

As Tony Ward of management consultants Ernst & Young told The Telegraph, projects in other countries have already sucked in much of the available funding appetite for nuclear power stations: "There is great competition for resources, components and capital - the UK will need to work hard to remain an attractive option."

And because there's been no investment in the industry for so long, there's likely to be a shortage of home-grown talent to run these power stations. After all, who in the 80s and 90s said they wanted to be a nuclear engineer when they grew up?

Against that backdrop, the government's decision is just a drop in the ocean as far as the nuclear industry is concerned.

Is there anyone left to invest in?

One stock that might still be worth a look for those who have yet to invest in uranium or one of the nuclear engineering groups such as Areva, is US-listed Thorium Power.

What's that, you may well ask? Well thorium is a potential alternative to uranium as nuclear fuel.

The mineral has several big advantages over uranium - for one thing, it's more abundant and in easily accessible locations, with the largest deposits in Australia and India. More importantly, it's less radioactive than uranium and the waste has a much lower half-life (in the hundreds of years, rather than the tens of thousands).

Better yet, thorium could be a solution for disposing of old plutonium stockpiles - these are a real security hazard, in that ex-weapons plutonium is the sort of thing terrorists would love to get their hands on. If you burn the plutonium in a reactor with thorium, then the leftover waste is no longer weapons-grade.

Thorium Power is developing fuel designs for use in nuclear reactors. It's still at a pre-commercial stage, but the company's designs would be usable in currently existing types of reactor, so it wouldn't necessarily be a huge transition to swapping from uranium to thorium.

I would point out that this is a very speculative company. But given that the biggest worry with nuclear power is the waste issue, and this little stock is one of the few ways to play a potential solution, I think it's certainly worth the more adventurous investor investigating it further.