

# Investments in Nuclear Power

## Cap and Trade Puts King Coal in the Crosshairs

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Don't look now, but King Coal is suddenly back in the crosshairs.

That's because—now that Barack Obama has gone from the Senate to the Oval Office—the coal industry has nowhere to hide. In fact, both Obama and Biden proved to be a bit sour on the campaign trail when it comes to the sooty stuff, even though it supplies over 50% of our electricity.

That has given new life to the recently defeated Climate Security Act, which was undoubtedly one of the coal industry's worst nightmares. Its passage would have clamped down heavily on greenhouse gases.

But whether you call it "cripple and rob" or by its real name "cap and trade," this legislation has a certain inertia of inevitability about it now — not unlike our own President-elect.

In fact, cap and trade is what candidate Obama was referring to when the news broke last week that he was going to "bankrupt" the coal industry. In an earlier interview, he told the *San Francisco Chronicle*:

"What I've said is that we would put a cap and trade system in place that is as aggressive, if not more aggressive, than anybody else's out there...

"So if somebody wants to build a coal-powered plant, they can; it's just that it will bankrupt them because they're going to be charged a huge sum for all that greenhouse gas that's being emitted..."

That makes cap and trade an idea that must now be reckoned with again - perhaps as early as next spring. Change, after all, really is on its way and any way you cut it, cap and trade is not good for coal.

### Cap and Trade=A Rise in Nuclear Power Investments

Naturally, that begs the question...

What exactly is there that can possibly come close to replacing all of the electricity currently produced by coal?

The answer, of course, is simple and there is only one. **It's nuclear power.** That's why *investments in nuclear power* belong in every [energy portfolio](#).

Here's why.

Without a dramatic increase in the number of nuclear power plants, the revival of Climate Security Act is nothing but a fantasy. Solar, wind, and geothermal power are certainly important, no doubt, but without a big boost in nuclear power the goals of the bill can never be reached.

That makes cap and trade something of a test for the same environmentalists that have sworn off nuclear power for good, because either they want to save the planet or they don't.

And while I agree that may sound a bit harsh, the numbers involved actually bear it out.

According to an analysis of the plan by the Energy Information Agency (EIA), the U.S. would have to increase its nuclear capacity by 268 gigawatts by 2030 for the cap and trade plan to achieve its stated targets on greenhouse gases.

That would require the building of approximately 200 new nuclear power plants over the next 25 years assuming the average new reactor will produce about 1.3 gigawatts of electric power.

And while that number may seem a bit high to some, the lowest available estimate would require a minimum of 50 new nuclear plants to replace the coal displaced by cap and trade. So John McCain's campaign wish for 45 new plants might not be that far off.

The result is a Hobbesian choice for environmentalists everywhere, since effectively reducing greenhouse gases without a ramp up in nuclear power is impossible.

In fact, even Barack Obama at least partially agrees, saying on the campaign trail, "I think nuclear power should be part of the mix when it comes to energy."

### **Enriched Uranium: America's "Other" Energy Crisis**

But of course, it's not just cap and trade and the reduction of greenhouse gases that have put nuclear power back on the national energy agenda. The energy crisis also beckons.

However, one of the biggest misconceptions about nuclear power is this: It will end our foreign energy dependence. **The truth is it will not.**

That's the dirty little secret most people don't know about nuclear power in the United States these days.

You see, while everyone knows how dependent we have become on foreign crude, few realize we **also import 92%** of the enriched uranium necessary to run our nuclear plants.

That's no typo.

That's why I call enriched uranium America's "other" energy crisis. Because if nothing else changes we could conceivably exchange one set of shackles for another if we aren't careful.

It is a current danger that we can ill-afford and Washington knows it - especially as the need for nuclear power here and abroad grows.

And make no mistake about it - nuclear power is growing.

To that end, consider this.

According to the World Nuclear Association, aside from the 439 worldwide reactors operating today, there are another 348 either under construction or on the drawing boards. Add it all up and it makes for a 79% increase overall worldwide, even without cap and trade.

So at some point in the future, the enriched uranium needed to run all of these plants could end up just like oil - sold off in a tight market to the highest bidder.

Sound familiar?

However, there is one [American company](#) that is currently working to meet all of this future demand and cash in on this revival. The best part though is its share price, because this company actually trades well below both its book value and its cash per share.

That makes this company a value stock, even in this environment.

In fact, the company is currently waiting on a government loan guarantee that was put in place with the Energy Policy Act of 2005. Specifically, it will allow the company to build the plant that can allow us to avoid a future where we are dependent on foreign enriched uranium. That is the catalyst that could send the shares of this domestic producer much higher in the future.

You see, when this single company begins to open up its new production facility with the help of government loan guarantees, it will hit the market at precisely the right moment.

But make no mistake about it. While this company may be aided by the federal government, it's certainly no start up. To the contrary, it has an established foothold in the business with its roots going back to the beginnings of the U.S. nuclear power industry.

That makes it a strong possibility that those hoped for loan guarantees will be approved, giving the company a giant leg up on its foreign based competition.

Moreover, the U.S. government has basically even gone so far as to set up the company with a protected U.S. market by restricting cheaper foreign imports, largely from Europe. That includes a restriction on imports from Russia into 2020.

That has this particular company working feverishly on the enrichment plant that will allow them to be a much bigger player in the industry both here and abroad. In fact, even without these guarantees, the plant is currently expected to partially open in 2009.

But with a \$2 billion government loan guarantee likely on the way - **sooner rather than later** - the news itself will catapult shares of this vital company much higher as investors begin to pour in on the announcement.

But don't expect this key piece of the nuclear infrastructure to be on the bargain rack for long. Fundamentally and technically, it's forming an investment springboard that will send its share price on a long, long run.

The key is catching it at the right time.

Because let's face it, coal's loss ultimately means gains for nuclear power - no matter who holds the Oval Office.

That gives nuclear power an inertia of inevitability all of its own - one that will only be furthered by the move towards cap and trade legislation in the new administration.

After all, it wasn't just a gaffe when Joe Biden told voters, "We're not supporting clean coal... No coal plants here in America." It was the Freudian slip of a politician with an agenda.

That makes nuclear power an energy investment you can bank on - especially on the infrastructure end.

To learn more about this vital part of the nuclear infrastructure [click here](#). It is as close to budding monopoly as it gets.

Your bargain-hunting analyst,



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