Westinghouse (Toshiba-Shaw) wins massive China nuclear deal

Excellent news for the nuclear world

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U.S.-based, but Toshiba-Shaw owned, Westinghouse Electric has won a two-year battle for a multibillion-dollar nuclear power deal with China, edging out French and Russian rivals to secure a contract that may help Beijing smooth ties with Washington.

The deal, estimated in the past at some $8 billion, should warm relations between the world's top two energy consumers, who have clashed lately over a range of issues from the yuan currency to the Chinese bid for U.S. independent oil firm Unocal.

It will also reaffirm China -- now a laggard in the nuclear sector -- at the forefront of a global trend towards increased use of atomic power, touted by many nations as the cleanest, cheapest solution to the world's strained energy industry.

"(The agreement) represents a major step forward in our relations and will advance our bilateral trade relationship and the energy security of both our nations," U.S. Energy Secretary Samuel Bodman said in a statement after signing the memorandum with Ma Kai, the chairman of the National Development and Reform Commission (NDRC), China's powerful energy policymaking body.

He said it would help the U.S. balance of payments and create more than 5,500 U.S. jobs. The United States had a record $202 billion trade deficit with China last year.

Westinghouse, based in Pittsburgh but now owned by Japan's Toshiba Corp. and Shaw Group International, had been pressing to win tenders to build China's third generation of nuclear power plants since 2004, and offered a significant technology transfer to secure it. Other suitors included France's Areva with French President Jacques Chirac lobbying Beijing on an October visit, and Russia's Atomstroiexport.

The French Finance Ministry said it noted the decision and discussions would take place soon with a Chinese government representative on possible areas of nuclear co-operation.

China said it chose Westinghouse partly because of technology transfer and issues of self-reliance and localisation of technology, it said in a statement.

Given Toshiba's presence, the deal may have also been eased by a thaw in ties with Japan after Shinzo Abe took over as Prime Minister earlier this year promising to patch up a relationship that had sunk to its worst in decades.

Analysts say China hopes to use the deal, which came after a two-day visit to Beijing by the U.S.'s top economic policy-makers and amid fears of a surge in protectionist sentiment, to soothe more than just energy ties.

"This is all relationship driven," said David Hurd, energy analyst at Deutsche Bank in Beijing.

"The U.S. is putting pressure on China at the moment so China's response is 'let's throw them a bone'," he added.

WORKING BY 2013

Stephen Tritch, Westinghouse Electric Co. President and CEO, said the four plant deal was a multi-billion dollar one, but gave no specifics. Past estimates put the deal at $8 billion.

The two sides aim to move from the memorandum of understanding signed on Saturday to a framework agreement and then draw up a contract within several months.

The 1.1 gigawatt plants will use Westinghouse's advanced AP1000 design, which was only fully certified by the U.S. Nuclear Regulatory Commission last year.

In an undated brief on its Web site, Westinghouse estimates capital costs for the reactor at less than $1,200 per kilowatt, which would take the total expenditure to about $5.3 billion.

Tritch said the company, which says its technology is the basis of nearly half the world's operating nuclear plans, wants the units up and running by 2013. The company's Web site says the AP1000 plants take about three years to build.

China, the world's second-largest energy consumer, is working fast to make up for its weakness in the nuclear sector, which generates only about 2.3 percent of its electricity compared with three-quarters in France or more than a quarter in Japan.

Beijing plans to spend some 400 billion yuan ($50 billion) on building around 30 new nuclear reactors by 2020, lifting the share to 4 percent and raising its installed nuclear capacity to 40 gigawatts -- nearly enough to power Spain. It currently has only nine working reactors.

ATOMIC RENAISSANCE

The deal may give a fillip to the global nuclear industry, now emerging from decades of malaise due to safety concerns.

"It is my hope that this very serious commitment by the Chinese government will help persuade the nuclear power industry in the U.S. that now is the time to commit to building new nuclear power plants in our country to expand our own sources of clean, emissions-free electric power and further diversify our energy portfolio," Bodman said.

In a report last month responding to G8 calls for an energy blueprint, the International Energy Agency said nuclear power offered the best hope for slowing climate change and increasing energy security, its strongest ever backing of atomic energy.

With an estimated $20 trillion of investment in new energy supplies required to meet demand by 2030, nuclear power is an increasingly attractive option for governments confronted with an increasing dependence on costlier, imported oil or natural gas, and those trying to halt global warming by cutting back on coal.

Nuclear plants generated just 15 percent of the world's electricity last year, the rest produced mainly from gas or coal.