

DECARBONIZING OUR ECONOMY:

Nuclear Energy Tax Policy Priorities

Tax policies can help shape two big pieces of a strategy to reduce carbon emissions while creating the jobs that sustain communities.



As part of the plan to solve climate change and rebuild the economy, President Biden pledged to “leverage the carbon-pollution free energy provided by existing sources like nuclear” and make “far-reaching investments” in “critical clean energy technologies” including “advanced nuclear.” This focus on nuclear power makes sense. More than half of all carbon-free electricity in the U.S. comes from nuclear power. These reactors produce power around the clock, for up to 24 months between refuelings. This makes nuclear power reactors the ideal carbon-free, 24/7/365 partner to wind turbines, solar panels and energy storage.

The nuclear energy sector directly employs approximately 100,000 workers in well-paying jobs, and is the highest-paying industry in the electric power generation sector. Yet economic pressures from historically low natural gas prices and incentives favoring other electricity technologies have contributed to the premature closure of 11 U.S. nuclear power plants. Absent additional action at the federal and/or state levels, this problem will only get worse in the coming years with another eight reactors currently slated to prematurely close within the next four years, with many more at risk.

Tax policies can help shape two big pieces of a strategy to reduce carbon emissions while creating the jobs that sustain communities. First, [the Biden-Harris administration should ensure the continued operation of existing reactors](#). Federal, state, and market-level actions are urgently required to address structural market issues in order to better value nuclear energy’s carbon-free attribute in electricity markets. The most cost-effective step that can be taken in achieving carbon goals is to preserve these carbon-free energy workhorses.

Second, the Biden-Harris administration should accelerate the demonstration and commercialization of new technologies. New nuclear generation will be needed to achieve meaningful carbon reductions in the electric, transportation and industrial energy sectors. Government support is needed to accelerate and expand the demonstration of advanced reactor technologies in order to meet the diverse set of market and customer needs.

Tax incentives can create the economic signals to ensure that nuclear energy will be in position to contribute to the carbon-free economy of the future.

- **Credits to Preserve Operating Plants**

The Biden-Harris administration should work with Congress to develop incentives for companies that continue to safely operate and maintain nuclear plants—particularly those plants that are at risk of premature closure due to economic stresses—until enactment of a federal clean energy standard or other policy that fully values nuclear energy for its carbon-free attribute. A production tax credit structured to create stable revenues for plants facing depressed market prices will be a cost-effective means of reducing emissions by ensuring that these resources are not closed only to be filled by available fossil fuel plants.

- **Updated Incentives for New Construction**

The Biden-Harris administration should work with Congress to enact market-stimulating policies for the full range of carbon-free energy resources; such policies have proven effective for wind and solar energy and should be used to incentivize the full range of clean energy sources. In the case of nuclear energy, the existing (but limited) Nuclear Production Tax Credit (PTC) should be increased to bring it in line with the wind PTC, and it should be made more flexible by allowing for refundability and creating an option to convert the PTC to an Investment Tax Credit. In addition, the per-reactor cap should be removed and the national program cap should be raised from the current 6,000 MW up to 25,000 MW.

- **Master Limited Partnerships**

Fair taxation of investors in nuclear energy will incentivize and result in an increase in private investment toward the deployment of SMRs. The provisions of the tax code for Master Limited Partnerships to assure the fair taxation of project participants should be expanded beyond the currently qualifying generation technologies to include nuclear energy. Prior legislation expanded this provision to other zero-carbon energy, but unnecessarily excluded nuclear energy.

- **Fossil Fuel Replacements**

The construction and operation of new nuclear reactors will require much of the same skilled workforce and infrastructure as exists at shutdown coal and gas plants. Consistent with the Biden-Harris administration's plans for Empowering Workers Through Revitalizing Energy Communities, the administration should work with Congress to establish a special tax incentive for advanced reactor construction in coal communities and other areas impacted by the transition from fossil fuel.

