UAE to sell nuclear power

Reuters

DUBAI (Reuters) - A $40 billion deal by the United Arab Emirates to acquire nuclear reactors puts it ahead in a drive to meet fast growing power needs among its Gulf neighbors, while also allowing it to export more of its oil.

The prospect of starting electricity exports within the next decade is a key element behind the UAE's award to a South Korean consortium on Sunday of the deal to build and operate four reactors in the third largest oil exporter.

"As part of the UAE's strategy the nuclear power plants will not only supply power domestically, but they are also planning to export electricity to countries close by in the region," said Vincent Nkong-Njock, nuclear power engineer at the International Atomic Energy Agency (IAEA).

The consortium, led by state-owned utility Korea Electric Power Corp (KEPCO), aims to complete the UAE's four 1,400 megawatt reactors by 2020. Power generation will begin after 2017.

The U.S. and the UAE have a nuclear cooperation pact and U.S.-based firm Westinghouse Electric, a unit of Japan's Toshiba Corp, was part of the winning consortium.

It also includes Hyundai Engineering and Construction, Samsung C&T Corp and Doosan Heavy Industries.

Economic growth has strained the infrastructure of the world's largest oil exporters in the Gulf region, and left them struggling to supply enough power.

All six members of the Gulf Cooperation Council, UAE, Kuwait, Saudi Arabia, Bahrain, Qatar and Oman, have shown interest in nuclear power to meet soaring domestic demand for electricity and free more oil and gas for export.

Kuwait held talks with France's Areva this year, while France and Saudi Arabia have said they were close to finalizing a civilian nuclear energy cooperation agreement.

French power giant EDF signed a memorandum with Qatar in early 2008 for cooperation on a civilian nuclear power program although Qatar's enthusiasm subsequently waned.

One problem is that decades of stagnant growth have limited the world's nuclear energy industry's capacity to meet resurgent demand for expertise and equipment.

The UAE expects electricity demand to reach 40,000 MW in 2020 from around 15,000 MW last year due to a petrodollar-fueled economic boom.

MORE PLANTS SEEN BEYOND 2020

South Korea said it hopes to build more plants in the UAE beyond 2020 to meet future demand.

"With the nuclear project on its way now and other reactors expected to come, the UAE will be able to both meet domestic demand and have excess to export both electricity and oil," said Nkong-Njock, an acting consultant on the UAE's nuclear project.

In July, a number of Gulf Arab states signed a power trading agreement to link up their grids, but cross-border trade on the $1.4 billion grid project will initially be limited as only Qatar has spare power to sell.

In terms of oil exports, analysts believe that in 10 years' time the UAE could significantly increase volumes, once the reactors are working and it no longer has to burn oil for power.

"Oil demand is on the rise and will continue to rise even more in the future and if prices remain at $75 (a barrel) or above, I expect that UAE would massively increase exports, only if the nuclear reactors are operational," said Christian Koch, director of international studies at the Gulf Research Center.

This will be the first time for South Korea to build a nuclear power plant in a foreign country, which is seen as a challenge as geological and climate conditions vary in the UAE, said IAEA's Nkong-Njock.

"But I think despite all these differences and challenges on the way, the Koreans have the technology to overcome all of this."

So far 10 possible locations have been chosen for reactors, according to the Emirates Nuclear Energy Corporation (ENEC).

The UAE has pledged to import all the fuel needed for the reactors, rather than attempting to enrich uranium, the fuel for nuclear power plants -- to allay fears about enrichment facilities being used to make weapons-grade material.

Iran has long been at odds with the West over its declared plans to use enriched uranium to generate electricity, a programme the United States and European allies fear is a cover to develop the ability to produce atomic bombs.

(Reporting by Amena Bakr; Editing by Anthony Barker)

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