NUCLEAR ENERGY SERIES

Nuclear Energy Requires Sovereign Guarantee

Does the Philippines have appetite after power-sector guarantees resulted in multi-decade stranded contract costs and stranded debts?

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NO REACTOR WITHOUT THE STATE

No commercial nuclear power plant anywhere has been built without state financial support. Conventional limited-recourse project finance “has not been used in any significant way for nuclear power plants” (World Nuclear Association, Financing Nuclear Energy). Behind every operating reactor stands the credit of a state, whether as borrower, guarantor, or purchaser of the output. The question for the Philippine government is whether it stands ready, capable, and willing to provide sovereign support for its nuclear program.

THE BATAAN PRECEDENT

Bataan Nuclear Power Plant was financed by foreign loans, principally from the United States Export-Import Bank, at a final cost of US$2.3 billion against an original estimate of US$500 million. The Republic serviced that debt until April 2007, paying ₱64.7 billion in principal and interest for a plant that never generated a single watt, and it continues to spend ₱40 to ₱50 million a year on preservation (Vera Files, BNPP Fact Sheet).

WHY PRIVATE CAPITAL FALLS SHORT

Nuclear construction is extraordinarily capital-intensive, runs seven to ten years or longer, and has a documented history of overruns, while the revenue arrives over a sixty-year operating life. In the Philippines, power generation is a deregulated, privately supplied market (R.A. No. 9136 [2001]), spot revenues through the wholesale electricity market are volatile, and bilateral power supply agreements pass through competitive selection and rate review with terms far shorter than the asset's life. Commercial bank tenors stop decades short of the repayment period. The only lenders that operate at the required scale and tenor are export credit agencies and state lenders, and they lend either to sovereigns or against sovereign guarantees and intergovernmental agreements.

HOW OTHER STATES DID IT

United Arab Emirates. The Barakah plant drew loans from the Export-Import Bank of Korea and the United States Export-Import Bank, against Abu Dhabi government support (World Nuclear Association, Financing Nuclear Energy).

Bangladesh. The Rooppur plant is financed by a state-to-state Russian loan covering most of the project cost, borrowed by the government itself (World Nuclear Association, Nuclear Power in Bangladesh).

Turkey. The Akkuyu plant, nominally a build-own-operate project on Rosatom's balance sheet, has a long-term power purchase commitment for the bulk of its output, a revenue guarantee in place of a credit guarantee (id.).

United Kingdom. Hinkley Point C was delivered on a contract for difference, and Sizewell C moved to a regulated asset base model, reaching financial close in November 2025.

United States. The Vogtle units were completed on federal loan guarantees (id.).

THE LEGAL FRAMEWORK

The Philippine President may contract or guarantee foreign loans on behalf of the Republic with the prior concurrence of the Monetary Board and subject to such limitations as may be provided by law (Const., art. VII, sec. 20). Guaranteed obligations are covered by automatic appropriation for debt service (P.D. No. 1177 [1977], sec. 31). The PPP Code, by contrast, treats a guarantee of loan repayment as a disfavored form of government undertaking, prohibits it outright for unsolicited proposals, and routes contingent liabilities through a PPP Risk Management Fund (R.A. No. 11966 [2023], secs. 3, 10[c], 27).

THE STRANDED COST HANGOVER

The performance undertakings issued for the independent power producer contracts of the 1990s matured into stranded contract costs that the public has been paying ever since. The National Government absorbed up to ₱200 billion of NAPOCOR's obligations at restructuring (R.A. No. 9136, sec. 32), a universal charge was imposed on all electricity end-users for the remainder (sec. 34), and in 2019 Congress still had to divert ₱208 billion of the government's Malampaya gas revenues to retire stranded contract costs and stranded debts (R.A. No. 11371 [2019]). The Department of Finance's resulting aversion to power-sector guarantees is understandable.

AN UNAVOIDABLE QUESTION

Vendor states will in any event require an intergovernmental agreement, so the guarantee question reaches the negotiating table with or without a domestic policy decision.

THE BOTTOM LINE

Executive Order No. 164 (2022) committed the country to a nuclear energy program, and Republic Act No. 12305 built the regulatory framework. What remains missing is the domestic financing policy in which the Republic states plainly whether, to what extent, and at what price its credit stands behind the first nuclear power plant.

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