

Saudi signs nuclear deal in bid to cut fossil fuel use



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Top oil exporter Saudi Arabia wants to cut fossil fuel consumption within the next several decades, it said at an industry event where nuclear reactor maker Areva is set to sign a major agreement with a local Saudi partner.

Although it sits on the world's largest oil and gas reserves, Saudi Arabia is struggling to keep up with rapidly rising power demand as petrodollars have fueled a Gulf wide economic boom as well as a population boom.

Anne Lauvergeon, chief executive of the French nuclear reactor company, told reporters that Areva will sign a partnership agreement with Saudi Arabia's Binladin Group for nuclear and solar energy. She gave no specific figure.

"We think that on solar thermal in Saudi Arabia there's an important market and we are partnering with Saudi Binladin Group to develop this," Lauvergeon said.

The agreement with Areva is 90 percent controlled by the French government through direct and indirect holdings.

Total power demand in the Saudi kingdom is expected to triple to 120 gigawatts (GW) by 2050 from around 40 gigawatts in 2010, said Hashim Yamani, president of the King Abdullah Atomic and Renewable Energy City.

“Nuclear and renewable energy will reduce dependence on fossil fuels by 2050,” Yamani said, adding that nuclear and renewable energy would free up more oil for exports, said Yamani. “Saudi will need to invest upfront in nuclear energy, but the oil saved will contribute significantly to the costs.”

Given the high costs of developing nuclear energy, one rule of thumb in the industry has been that nuclear becomes a viable proposition when oil is \$90 per barrel, where current prices hover around for US crude.

In 2010, Saudi consumed 3.4 million barrels per day of oil equivalent, Yamani said, but declined to comment on when the first nuclear power plant would be built.

There has been high interest in nuclear power on the Arabian peninsula.

A consortium of EDF, Areva, GDF Suez and Total lost a \$40bn nuclear deal in Abu Dhabi to a South Korean consortium in December 2009.

Lauvergeon said Areva was very interested in the region.

“We are following development of the different nuclear programmes of the different countries in the region,” Lauvergeon said.

There was an energy evolution in the region, she added and that Areva would like to be long-term partners.

“In the past it was oil and gas and that’s it, and now its oil, gas, renewables and nuclear and we are very excited by this evolution,” she said.

So far, King Abdullah Atomic and Renewable Energy City awarded 14 international and local companies, among which six are from Saudi Arabia and eight from Asia and North America, contracts to build the city spread over a 62 square km in the Saudi capital Riyadh.