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<http://economictimes.indiatimes.com/opinion/comments-analysis/global-tremors-from-japans-woes/articleshow/7732189.cms>

Japan crisis to have ramifications for world economy

The public's visceral reaction to the terrifying images emanating out of Japan overwhelm nuances such as redundant reactor technology, modern safety mechanisms or geological stability of plant locations, nipping a nascent industry renaissance in the bud. Nuclear is once again a dirty word.

Beijing has suspended approval for nuclear power plants across the country, putting brakes on a development programme that accounts for almost 40 % of the world's planned reactors. In the US, billions in loan guarantees as well as the first wave of new plant licences since the Three Mile Island accident in 1979 are in jeopardy. Germany has idled one-third of its nuclear capacity. Spain, Switzerland, the UK, the US and India have announced safety reviews.

The Middle East turmoil and nuclear woes in Japan have revived sentiment in wind, solar and geothermal energy. The WilderHill Clean Energy Index, which had underperformed S&P 500 by nearly 9 % from the beginning of the year until the day of the massive Japan earthquake, has beaten the market by over 4% since.

The 1995 earthquake in Kobe, Japan, provides reasonable template of potential loss. That quake killed 0.4% of the population and it took 3% of Japan's GDP to resurrect Kobe. Those are small fractions of the 20% loss of population and 30-50% of Portuguese GDP needed to rebuild Lisbon two centuries earlier.

In the initial week following Kobe, Nikkei fell 6.6%. Over next month, the index was down 5.26%, and over next three months, Nikkei fell 15%. Just under six months after Kobe was hit, Nikkei had fallen 25%. By end of 1995, however, the index regained all of its post-earthquake losses.

If nuclear power plants there have to stay offline and there are blackouts, it could disrupt supply chains. High-value goods, such as computer chips or specialised auto parts, made in Japan might have limited sources elsewhere around the globe.

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