Will banks stand on the right side of history?

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The World Bank Board ended its long-standing nuclear ban in June 2025, paving the way for financing nuclear power plants worldwide. Although the World Bank was never a major funder of nuclear energy, this shift symbolises something larger: a reversal in the position of the global finance architecture and its key sponsors.

The World Bank's only direct loan to a nuclear power plant was in 1959, in Italy. The plant became operational in 1964 and was later shut down following a national referendum in the aftermath of the Chernobyl disaster. The formal institutional ban on nuclear financing emerged later, when the International Finance Corporation added radioactive materials to its exclusion list. This followed the Fukushima disaster in 2011, after funders raised concerns about accident risks, complex procurement processes, and long-term waste management challenges.

The lifting of the nuclear ban is the result of sustained pressure from nuclear industry associations and changing geopolitical priorities. The Trump administration has strongly pushed for ending restrictions on nuclear energy financing since taking office. The United States estimates the global civil nuclear market to be worth between USD 500 and 740 billion over the next decade and sees significant opportunities for its private sector. It has stated its intention to fully leverage federal government resources to enable US nuclear companies to compete for civil nuclear projects worldwide. The shift in the World Bank's position coincides with calls from the US Treasury Secretary to remove prohibitions on support for nuclear energy.

This change in direction is likely to influence other development finance institutions as well. The International Finance Corporation maintains an exclusion list of activities in which the World Bank Group cannot invest, including radioactive materials. This list is also used by at least 21 other international financial institutions to guide their own policies. Any change in the IFC exclusion list therefore has a ripple effect across the development finance ecosystem. The Asian Development Bank has already followed suit by lifting its nuclear ban in its new energy policy.

This policy shift was advocated by the Nuclear Energy Agency of OECD countries as early as 2009. In its report on financing nuclear power, the agency argued that multilateral financial institutions such as the World Bank and regional development banks should finance large nuclear projects, particularly in developing countries. The report noted that even if such loans constituted only a small portion of total investment, the involvement of a development bank could encourage other lenders by signalling that the project had met certain lending criteria. It also suggested that such involvement could help improve public acceptance of nuclear plants.

India's nuclear privatisation and rollback of liability protections

India's repeal of the Atomic Energy Act, 1962, and the Civil Liability for Nuclear Damage Act, 2010, and the introduction of the Sustainable Harnessing and Advancement of Nuclear Energy for Transforming India (Shanti Act), 2025, must be understood within this broader global context. These changes are taking place at a time when the United States is seeking to reassert its global dominance, which it perceives as being challenged by the rise of powers such as China, India, and Brazil.

India's civil nuclear liability framework was shaped by the country's lived experience of the world's worst industrial disaster in Bhopal. This framework has long been a point of contention for US nuclear companies, which have consistently opposed supplier liability and sought to restrict responsibility solely to operators. The most contentious provision was the operator's right of recourse against suppliers in cases where a nuclear incident resulted from defective equipment or substandard services. Nuclear suppliers, often based in or backed by Nuclear Suppliers Group countries, have opposed this clause because they do not want exposure to high-risk, long-term, and potentially catastrophic liability.

The current policy changes also coincide with growing interest from major Indian corporations in building small and modular nuclear reactors. Companies such as Reliance Industries, Adani Power, Tata Power, JSW Energy, Jindal Steel and Power, and Hindalco Industries have expressed interest. This suggests the emergence of an ecosystem designed to enable private players to profit from nuclear power while avoiding accountability for accidents or mishaps, with the state ultimately compensating losses from the public exchequer.

Earlier phases of nuclear expansion were marked by cost overruns and technical glitches, and there is little reason to assume the present expansion will be different. The nuclear option is being promoted without adequate consideration of its full life-cycle risks and costs. It is also unclear how private players will mobilise the enormous capital required to build nuclear plants, let alone cover decommissioning, waste management, and accident liabilities.

Nuclear expansion is being advanced alongside the global push for clean energy and the transition away from extractive industries such as coal due to their role in climate change. At the World Climate Action Summit during the 28th Conference of the Parties to the UN Framework Convention on Climate Change, more than 20 countries launched a declaration to triple nuclear energy. This has also attracted financier interest, with a group of 14 banks and investment managers signalling their intention to increase financial support for the nuclear industry to meet the COP28 goal of tripling global nuclear capacity by 2050.

Financing nuclear power

The financing of nuclear power must be assessed across the entire life cycle. Nuclear energy involves not only construction and operation, but also insurance, decommissioning, long-term waste storage, and preparedness for catastrophic accidents. The first nuclear plant financed by the World Bank received a loan of USD 40 million, while its estimated decommissioning cost alone stands at USD 432 million.

Looking at the costs of major industrial and nuclear disasters highlights why liability caps effectively socialise risk and create public bailouts. The Japanese government has estimated cleanup costs from the Fukushima disaster at approximately USD 180 billion. The Chernobyl disaster is widely regarded as the most expensive industrial accident in history, with long-term costs exceeding USD 700 billion. India's own Bhopal disaster, one of the world's worst industrial catastrophes, resulted in a settlement of USD 470 million, a figure that represents only a fraction of the true economic, environmental, and human suffering caused.

A particularly contentious aspect of the new Shanti Act is the cap on liability for nuclear incidents, set at approximately Rs 4,500 crore. The law also limits operator liability to a maximum of Rs 100 crore, regardless of the scale of damage caused by an accident. This framework creates long-term public debt and socialises risk, while allowing operators and suppliers to avoid meaningful accountability.

Will Indian banks finance nuclear power?

The key question for Indian banks is whether they will finance nuclear power projects. In many countries, commercial banks step in alongside multilateral development banks, export–import banks, and other financial institutions to fill financing gaps. This decision is not merely financial; it is fundamentally ethical.

Financing a nuclear power plant is not a one-time transaction. It represents a long-term ethical commitment to address potential disasters and to remain engaged throughout the plant's entire life cycle, including decommissioning and the safe disposal/ storage of nuclear waste. Banks must therefore ask whether they have the capacity, policies, and governance frameworks to manage such responsibilities.

Liability does not rest solely with producers and suppliers; financiers also bear responsibility. Financing nuclear power entails involvement in activities that carry the risk of irreversible environmental harm and threats to human survival. Under the UN Guiding Principles on Business and Human Rights, banks have an independent responsibility to avoid causing or contributing to human rights harm. Financing nuclear power plants with known catastrophic and long-term risks clearly falls within this responsibility.

While civil liability laws may be repealed or amended, history is not judged solely by the legality of actions at a given moment. History has its own standards of judging and assigning responsibility. The question remains whether banks will choose to stand on the right side of history.