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Mitigating FOAK Risk in SMR Deployment: Insights from Contracting Approaches

Small modular reactors (SMRs) offer a promising solution to the deployment challenges of gigawatt-scale nuclear projects, yet concerns over first-of-a-kind (FOAK) risk may deter potential customers. This paper proposes leveraging proven financing and contracting strategies from the renewable energy sector to alleviate FOAK anxiety among energy buyers. Through contracting strategies such as power purchase agreements (PPAs) and fixed price engineering, procurement, and construction (EPC) contracts, energy buyers only pay for the clean energy they receive, while developers can ensure cost predictability and performance accountability, thereby fostering customer confidence in the timely delivery of nuclear energy projects. Through a comprehensive analysis of the potential benefits and practical implications of these strategies, we contribute valuable insights on the deployment of FOAK nuclear reactors.

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