EESI
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BRIEFING NOTICE

Loan Guarantee Provisions in the 2007 Energy Bills: Does Nuclear Power Pose Significant Taxpayer Risk and Liability?

Tuesday, October 30
10:30 AM - 12:00 PM
Room 340, Cannon House Office Building

The Environmental and Energy Study Institute (EESI) invites you to learn about the loan guarantee provisions in the 2007 energy bills that have passed the House and Senate and await conference (HR. 6/HR. 3221). The Senate bill's provision would significantly alter how the Department of Energy (DOE) provides taxpayer-funded loan guarantees for new energy technologies, especially to costly nuclear power plants. Section 124(b) of the Senate bill (HR. 6) allows loan guarantees to be given to multiple projects to construct an **existing** nuclear power design; exempts DOE's loan guarantee program from Sec 504(b) of the Federal Credit Reform Act of 1990 (FCRA) which allows DOE to write unlimited loan guarantees without Congressional oversight; and gives DOE unfettered access to the Incentives for Innovative Technologies Fund (EPACT 2005) without requiring appropriations or any fiscal year limitation. This provision, if adopted, would eliminate Congressional authority and the safeguards provided through the appropriations process regarding expenditures for these potentially risky projects and shift enormous financial risk from Wall Street banks to America's taxpayers. The House-passed legislation on loan guarantees is different; it says that no eligible technology can be excluded from consideration from loan guarantees.

Because of the likelihood of delays and cost overruns in building new nuclear power plants, Wall Street banks are unwilling to accept any financial risks for nuclear power loans. Six of the nation's largest investment banks—Citigroup, Credit Suisse, Goldman Sachs, Lehman Brothers, Merrill Lynch, and Morgan Stanley— recently told the DOE, "We believe these risks, combined with the higher capital costs and longer construction schedules of nuclear plants as compared to other generation facilities, will make lenders unwilling at present to extend long-term credit." Our briefing panel will discuss whether the loan guarantee provisions constitute a significant taxpayer liability and/or poor governance. Speakers include:

- **Peter Bradford**, President, Bradford Brook Associates; former Chair, New York State Public Service Commission and Maine Public Utilities Commission; and former Commissioner, U.S. Nuclear Regulatory Commission
- **Jerry Taylor**, Senior Fellow, Cato Institute
- **Jim Harding**, CEO, Harding Consulting
- **Susan J. Irving**, Director for Federal Budget Analysis, US Government Accountability Office (GAO)

Not only is the cost to the taxpayers potentially very high, so is the risk. The Congressional Budget Office has said there is a good chance that the DOE will underestimate the costs of administering these loans and that more than 50 percent of new reactor projects will default on their loan repayments, leaving taxpayers at risk. U.S. taxpayers will be fully liable for any potential shortfalls. The nuclear industry ask is $25 billion for FY 2008 and more than that in FY 2009—more than $50 billion in two years. According to the Congressional Research Service, this is more than the $49.7 billion spent by the DOE for all nuclear power R&D in the 30 years from 1973-2003. This is also well over the Administration's target of $4 billion in loan guarantees for nuclear and coal for FY 2008.

This briefing is open to the public and no reservations are required. Please feel free to forward this notice.

For more information, contact Fred Beck at 202-662-1892 (fbeck@eesi.org)