

Controversial Loan Guarantee Provisions in Energy Bill Undermine Congressional Oversight and Put America's Taxpayers at Risk

Energy legislation now before Congress contains a controversial provision that would significantly alter how the Department of Energy (DOE) provides taxpayer funded loan guarantees for new energy technologies, especially to costly nuclear power plants. This provision, if adopted, would eliminate Congressional safeguards to appropriate tax dollars for these risky projects and shift enormous financial risk from Wall Street banks to America's taxpayers.

Shifting Billions of Dollars of Risk from Wall Street to Main Street

Because of the high 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.”***

This is why the nuclear power industry has sought a provision in the energy bill that will leave taxpayers holding the bag for 100% of all loans in the event that nuclear plants default on more than \$50 billion they are seeking in taxpayer-funded loan guarantees. As the Congressional Budget Office has concluded, the risk of default on loan guarantees for new nuclear plants “is very high – well above 50 percent.”

Removing Congressional Oversight over Unlimited Nuclear Loan Guarantees

Under current law House and Senate Appropriations Committees must specifically provide funding for federal loan guarantees. Under a provision in the Senate energy bill (H.R.6), however, appropriators would be permanently stripped of the authority to control the amount of loan guarantees. This would give DOE unchecked power to hand out unlimited amounts without any congressional oversight. According to the Chairman Pete Visclosky (D-IN) of the House Energy & Water Appropriations Subcommittee:

- ***The administration had asked for a total of \$4 billion for the nuclear energy industry and the coal industry. This does not come close to what the Nuclear Energy Association (sic) has indicated they need. The Nuclear Energy Association indicates a need for \$25 billion in Federal guaranteed loans for fiscal year 2008 and more than that in fiscal year 2009.***

In other words, without strong Congressional oversight by appropriators, the huge financial demands of nuclear power projects will gobble up most of the loan guarantees initially intended for “innovative technologies.”