

Energy Bill to Allow Nuclear Power to Gobble up Loan Guarantees for Innovative Technologies

Provisions in the pending energy bills would allow the already highly subsidized nuclear power industry to gobble up the lion's share of taxpayer-funded loan guarantees by removing Congress' appropriations authority. The Senate version of the energy bill would give the Department of Energy (DOE) discretion to provide guaranteed loans to nuclear and coal projects virtually without Congressional oversight.¹

- Based upon historic and current building costs, the nuclear industry could easily gobble up virtually all guaranteed loans Congress wanted used for innovative energy technologies.²
 - Nuclear energy has proven to be expensive—the first 70 of 100 nuclear reactor projects in the 1960s and 1970s had cost overruns as high as 380%—the first 75 reactors had \$100 billion in cost overruns—the nuclear industry wrote off \$17 billion in losses.³
 - Nuclear projects under construction now in China, Taiwan and Finland are coming in two or more years late and over-budget.⁴ The Finnish reactor being built by the French AREVA Company (partner with Constellation Energy in UniStar) has eaten up over \$2 billion in cost over-runs.⁵
- Moody's Investment Service reported this month that nuclear plants will cost as much as \$6 billion each – more than double industry predictions.⁶
- Eight reactor projects (12,800 megawatts) could gobble up \$48 billion and provide about one percent of the current total U.S. electrical generating capacity.⁷
- The cost of eight new nuclear plants could be equivalent to the world's current total capital investment for wind energy, which represents nearly six times more generating capacity (74,000 megawatts).⁸ Clearly the capital demand for nuclear power will push out *truly innovative* energy projects, while barely making a dent in the need for clean energy!

With Wall Street unwilling to finance risky nuclear power plants, despite all the existing tax and insurance subsidies and regulatory streamlining, there is no justification for America's taxpayers to provide loan guarantees that are exempt from congressional oversight.

¹ Senate (H.R. 6) and House (H.R. 3221) energy bills. Section 124 (b) of the Senate energy bill exempts the loan guarantee program from laws requiring the loan guarantee program to face annual appropriations oversight or be subject to an agreed upon cap in the total amount that can be lent. Section 9201 of the House energy bill bars appropriators from excluding any eligible project from a guaranteed loan. This allows the DOE to use the money for projects—like nuclear and coal—that are not truly innovative energy technologies.

² Loan Guarantees for Projects *that Employ Innovative Technologies*, 10 CFR Part 609 at 56 (emphasis added).

³ Paul Adams, "The Economics of Nuclear Power are Rethought—Loan guarantees could transform industry." *Baltimore Sun* (October 12, 2007) at: <http://www.baltimoresun.com/business/bal-te.bz.nuclear04sep04,0,2384711.story>

⁴ Alan Katz, "Cost overruns and long delays cool hopes for nuclear renaissance." *Business Report* (September 9, 2007) at: <http://www.busrep.co.za/index.php?fSectionId=561&fArticleId=4023210>

⁵ UK Biz Yahoo, "TVO says won't share nuclear reactor cost overruns with Areva." (Sept 28, 2007) at: <http://uk.biz.yahoo.com/28092007/323/tvo-says-won-t-share-nuclear-reactor-cost-overruns-areva.html>

⁶ Moody's Corporate Finance, Special Comment at 11 (October 2007).

⁷ Edison Electric Institute, Industry Statistics, http://www.eei.org/industry_issues/industry_overview_and_statistics/industry_statistics

⁸ American Wind Association, Wind Power Outlook 2005.