

**Union of Concerned Scientists ♦ Southern Alliance for Clean Energy ♦
Sierra Club ♦ Public Citizen ♦ Physicians for Social Responsibility ♦
Nuclear Information and Resource Service ♦ Friends of the Earth ♦
Environment America ♦ Clean Water Action ♦ Beyond Nuclear**

July 21, 2010

Dear Appropriations Committee Member:

We are writing in strong opposition to additional appropriations for nuclear reactor and fossil fuel loan guarantees in the Fiscal Year 2011 Energy and Water Appropriations bill. The nuclear industry's history of cost overruns and default, and its inability to reduce the soaring capital costs of new reactors, assure the safety of its technology, or resolve interim or long-term radioactive waste storage issues, makes it unwise to burden U.S. taxpayers with tens of billions dollars of additional liability for new reactors. Expanding federal support for the fossil fuel industry at a time when we must make dramatic reductions in our greenhouse gas emissions to avoid the worst impacts of climate change is ill-advised and runs counter to President Obama's pledge at the G20 to end fossil fuels subsidies.

Greatly expanding the financial resources of the DOE loan guarantee program would also exacerbate the many systemic problems the Government Accountability Office (GAO) found in their recent report.¹ Despite numerous reviews of the program, GAO found that DOE still lacks the tools necessary to evaluate the program. We are concerned that greatly expanding the loan guarantee authority for nuclear power and fossil fuels would only further the Department's inclination to favor these technologies over other cleaner, more cost effective technologies. Furthermore, GAO's conclusion that "DOE lacks the foundation to assess the program's progress, and more specifically, to determine whether the projects its supports with loan guarantees contribute to achieving the desired results" underscores our belief that Congress should not be giving DOE more authority to hand out guarantees when it clearly cannot manage the program at its current size.

Moody's investor services called new reactors a "bet the farm" investment, and neither Wall Street nor the nuclear industry is willing to take that risk. The risk of default arises from the enormous capital costs and long construction times for new reactors. Requiring taxpayers to underwrite this risk does not eliminate it. The Congressional Budget Office (CBO) estimated the likelihood of default for loans made to nuclear reactor developers to be "very high – well above 50 percent." Taxpayers will be at risk even if the estimated subsidy cost (the risk of default) is

¹ GAO. *Department of Energy. Further Actions Are Needed to Improve DOE's Ability to Evaluate and Implement the Loan Guarantee Program.* July 2010.

paid by the industry. Both the non-partisan CBO and GAO have concluded in their analyses of loan guarantees that calculating a subsidy cost is extremely difficult and likely to be underestimated.

Guaranteeing loans to fossil fuel projects, most particularly coal-fired power plants, coal gasification projects, and liquid coal facilities, pose similar risks to taxpayers. Other federal agencies, such as the Rural Utilities Service of the U.S. Department of Agriculture, have stopped financing such projects because of soaring construction costs, changing market conditions, and the likelihood of default. No new coal plants have started construction in the United States in the last 20 months because private businesses and financial institutions recognize that these expensive and dirty projects will not be able to compete with cleaner energy technologies.

Despite the high costs, pollution, and risks associated with these projects, loan guarantees continue to be given to nuclear power and fossil fuels projects that are far from “shovel-ready” while cleaner energy efficiency and renewable energy technologies that are ready now remain on the shelf. The only loan guarantee to be conditionally offered thus far to a new nuclear power project – \$8.3 billion to Southern Company and its project partners – is for two reactors in Georgia that have yet to receive a certified reactor design or a combined construction and operating license from the Nuclear Regulatory Commission.

Expanding public subsidies to encourage utilities to invest in excessively risky projects that will jeopardize tens of billions of taxpayer dollars and threaten the public health is irresponsible. Pouring more money into a program with as many red flags as this one is unwise. We strongly urge you not to authorize additional loan guarantees or subsidies for new nuclear reactors or fossil energy projects in the Fiscal Year 2011 Energy and Water Appropriations bill.

Sincerely,

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cc: Majority Leader Harry Reid