

Statement for the Record of
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Chairman Kucinich, Ranking Member Jordan, and members of the Subcommittee, thank you for the opportunity to contribute to this discussion on federal loan guarantees for new nuclear power facilities, a crucial component of existing federal energy policy.

I am Christopher Guith, the Vice President for Policy & Managing Director of the Institute for 21st Century Energy (Institute), an affiliate of the U.S. Chamber of Commerce. The U.S. Chamber of Commerce is the world's largest business federation, representing the interests of more than three million businesses and organizations of every size, sector and region.

The mission of the Institute is to unify policymakers, regulators, business leaders, and the American public behind common sense energy strategy to help keep America secure, prosperous, and clean. In that regard we hope to be of service to this Committee, this Congress as a whole, and the administration.

The underlying issue presented at this hearing is a valid one: Is the federal government properly balancing the protection of American taxpayers with its responsibility to improve our nation's energy security? I think it is crucial that Congress ensure the tax dollars coming from America's businesses and citizens are spent wisely and invested in a cogent and responsible manner that furthers the common economic and security interests of our Country.

For many years, there has been consensus in Congress, and across the nation, that a comprehensive U.S. energy strategy would increase our competitiveness, grow our economy and create jobs, and promote greater energy security through reliable, affordable, and diverse sources of energy. While Congress may not always agree on the methods to achieve this consensus goal, the topic of this hearing, federal loan guarantees for new nuclear projects, is an instance where overwhelming bipartisan leadership and support have been generated.

History of the Loan Guarantee Program for Innovative Energy Technologies

It is important to remember how this program came to exist over 4 years ago. I had the unique experience of first serving as one of the Department of Energy's (DOE) lead representatives

during negotiations of the Energy Policy Act of 2005 (EPAAct), which created this loan guarantee program. After enactment I then had the privilege of serving as a senior appointee in DOE's Office of Nuclear Energy. Through my years of service in the Bush administration, I was a first hand participant throughout the Congressional creation of the loan guarantee program and then played a role in its implementation.

The loan guarantee program originated in Congress. The intent was to create a policy mechanism that would significantly accelerate private sector investment into new and clean energy technologies. The Bush administration was silent on the proposal throughout the debate of EPAAct. It was the unanimous, bipartisan, bicameral voice of the four Conference Managers that ensured inclusion of the loan guarantee program in EPAAct. While Title 17 of EPAAct created a loan guarantee program for all new technologies that met the requisite qualifications, those Conference Managers fully understood the importance of this program to begin building new nuclear facilities.

I would also note that this program initially elicited skepticism, or even reluctance, from senior leaders in multiple agencies of the administration. Frankly, many had doubts about whether the federal government possessed the necessary experts or understanding of capital markets to sufficiently protect the taxpayer. DOE had overseen the default of a large loan guarantee more than two decades before and there were concerns about whether it could implement a program on this scale while adequately protecting the taxpayer's interest.

However, much had changed since the default of the Great Plains Synthetic Fuel plant in 1984. Congress passed the Federal Credit Reform Act of 1990 (FCRA) that created a series of protections to minimize potential taxpayer liability when federal loan guarantees were issued. Building on FCRA, and Office of Management and Budget (OMB) guidance under FCRA, DOE sought to create a program centered around a rigorous review of proposed projects that would utilize every possible resource to minimize taxpayer exposure.

Following EPAAct's enactment in August 2005, DOE spent the next three years overseeing the standing up of the loan guarantee office, staffing it with esteemed subject matter experts who had spent entire careers in project finance, risk mitigation, and lending. Most of the initial employees had spent significant time at other agencies that finance energy projects using loan guarantees. This accomplished staff began utilizing the expertise of credit agencies, commercial lenders, engineering contractors, and legal consultants to name a few. These experts, along with legal counsel, worked together to produce the final rule that was issued last December.

Spanning two administrations, DOE, the Department of Treasury, and OMB all exerted significant input and oversight into the evolution of the final rule. Additionally, Congress has played, and as this hearing demonstrates, continues to play, a significant role by way of its authorization and oversight roles. Many senior Congressional leaders have taken issue with the amount of time it has taken to begin issuing guarantees, which is a testament to the careful and deliberate nature underpinning the implementation of this program.

The federal government manages a loan guarantee portfolio totaling \$1.2 trillion exposing the taxpayer to relatively little risk. In fact, these programs collectively generate revenue for the

government because they so effectively minimize risk exposure, requiring significantly less expenditure to cover defaults than revenue received by way of credit subsidy costs and other fees. DOE's loan guarantee program is designed with the same risk mitigation measures. U.S. taxpayers can have great confidence this program will improve our energy security while adequately protecting taxpayer liability.

It is important to acknowledge and understand the magnitude of risk a company accepts when it decides to build a new reactor. Even with a federal loan guarantee, each company understands that if a new project were to default, it would likely be the demise of that business. It is possible that the government may not be able to recoup the entire cost of guaranteeing a loan that ultimately defaults, but the business will recoup nothing unless and until the government is made whole. This is precisely why these companies are approaching the new build decision so cautiously. When a company does make a decision to build a new reactor, it will not be until it has completed an exhaustive review of its own risk, which is by rule greater than the government's, and has determined that risk is sufficiently minimized to effectively bet the company on the project.

Balancing the Federal Government's Roles

It is true that issuing any loan guarantee exposes the taxpayer to greater risk than if none was issued. However, the federal government has a greater responsibility to Americans than to just minimize their exposure to risk. It must also craft and implement broader policies that further the taxpayer's interest, while also mitigating risk. The pervasiveness of energy touches every single business and household every day. The country looks to the federal government to develop and implement a national energy strategy that ensures we do not repeat the mistakes of the past and can look forward to a brighter, more secure energy future. Fostering the deployment of clean energy technologies is a major component of fulfilling the government's obligation and the DOE loan guarantees are an integral tool in doing this in a technology neutral fashion.

Businesses have a wide choice of technologies that are eligible for a DOE loan guarantee. Each power provider, working with its public utility commission, shareholders, and other stakeholders, makes specific decisions as to how it will meet future demand for electricity based on the environmental and economic conditions each faces. In light of those considerations, more than 20 power companies have suggested they are considering new nuclear power to meet these obligations. When one considers the economic benefit that a new reactor creates, this should be no surprise.

Benefits to the Economy

The Nuclear Regulatory Commission has received 26 license applications to build new nuclear units. While the first license is not expected to be issued until next year, industry has already invested more than \$4 billion in preparation of building new reactors. Moreover, these activities have already generated more than 15,000 new career opportunities within the industry.

If all 26 of those proposed reactors are built, it is estimated that 240,000 direct and indirect jobs would be created by 2030. On average these jobs pay about 36% above the local average. As

Congress continues to focus on job creation, it should be noted the nuclear industry is already creating jobs, and with a functioning loan guarantee program in place, it will continue to do so. This is especially true up front during the construction phase of a new unit when as many of 4,000 construction jobs will be created at each site.

Nuclear plants are also staples of local and regional economies, purchasing \$430 million in goods and services from the surrounding community. The majority of this goes to small businesses, which in turn employ even more of the local population. Additionally, a single plant provides approximately \$40 million in salaries, benefiting the local economy even more. On average, a plant also provides nearly \$100 million in tax revenues to the federal, state, and local governments. These significant economic contributions are one of the primary reasons support for nuclear power polls highest in communities that already host nuclear facilities. It is worth mentioning that national support for nuclear power has climbed to 62% in Gallup's annual survey, the highest mark since it began asking the question in 1994.

Environmental Benefits

While the economic benefits nuclear power provides are tremendous, they are rivaled by the environmental benefits nuclear power provides to its surrounding communities, the nation, and the world. The production of electricity with a nuclear reactor produces zero greenhouse gas emission. Nuclear power is by far the largest source of emissions-free electricity in the United States, accounting for 72% of all clean generation. In 2008, the 104 reactors in the United States prevented nearly 700 million metric tons of carbon dioxide emissions—an amount equivalent to that of nearly all passenger cars. While the legislative and regulatory focus in Washington continues to be on greenhouse gases, and it is important to acknowledge that nuclear power not only emits no greenhouse gas emissions, it emits no hazardous air emissions at all.

In announcing the first conditional nuclear power loan guarantee, President Obama stated, “[I]n order to truly harness our potential in clean energy...we're going to have to build a new generation of safe, clean nuclear power plants in America.”

Global Competitiveness

Other countries are well aware of the economic and environmental benefits of nuclear power. These are two of the primary reasons 54 reactors are currently under construction around the world in 13 countries, with another 142 planned in the near future according to the World Nuclear Association. The Director of the International Atomic Energy Agency recently estimated that by 2030, there will be between 10-25 nations with operating reactors that do not currently have a nuclear program. Yet in this country we haven't licensed the operation of a new nuclear reactor in over 30 years. Many opponents of nuclear power seize on announcements of other countries making new investments in renewable power generation, but usually fail to note that these investments are but a fraction of what the world community is making in new nuclear generation.

What is it that these countries know that the United States seems to be missing?

I would suggest these countries realize that nuclear power must play an increasing role in meeting projected increases in demand for power, in reducing greenhouse gas and hazardous air emissions, and doing so in an efficient, economical, and reliable manner. While the federal governments in many of these countries directly finance the construction of new reactors, in the United States we rely predominantly on investor-owned utilities, as well as municipal and cooperative ventures to do it. However, without a federal loan guarantee program to help secure financing for the first bunch of these new reactors, we will likely not see enough new nuclear generation to even make up for lost generation of retiring reactors over the next thirty years.

Countless studies over the past five years from places like MIT, the National Academies, the Electric Power Research Institute, the General Accounting Office, and the Energy Information Agency have all demonstrated that the United States cannot meet projected increases in demand for power in a carbon constrained universe without a significant increase in nuclear generation. Nuclear generation is already competitive in the current environment, and as these entities have shown, it will be even more competitive as countries take increasing steps to reduce emissions.

It has become fashionable to argue that the United States is missing the proverbial boat on the clean energy revolution around the world. While it is almost never the speaker's intention to include nuclear power in this mix, they are correct that every year that goes by while we debate whether to support new nuclear builds, we are missing out on the largest component of the global clean energy market.

The global nuclear market is robust and growing. As demand for reactor components and skilled labor increases, more and more countries are making the long-term investments to support this market. They are making these investments because they know the momentum is more likely to grow than diminish and by supporting this global market they are realizing the economic benefits of exporting goods, the environmental benefits of reduced emissions, and the energy security benefits of being more self-reliant for their electricity production. They are investing tens of billions of dollars in the United States betting that the country that first harnessed the power of the atom for electricity will soon see the proverbial light again. For the sake of the nation's future, I hope their bets pay off.