April 11, 2011

STOP NEW AUTHORITY TO DOE LOAN GUARANTEE PROGRAM

Dear Energy and Water Development Appropriations Subcommittee Member:

Today, we join together to urge you to not provide any additional loan guarantee authority to the Department of Energy (DOE) Loan Guarantee Program in the Fiscal Year 2012 Energy and Water Development Appropriations Bill. The President's Fiscal Year 2012 budget requests an additional $36 billion in budget authority for nuclear reactors and appropriates $200 million for renewable energy technologies subsidy costs. **With a looming $1.65 trillion budget deficit and heated debates on how to draw down long-term federal expenditures**, **the last thing Congress should do is increase unnecessary spending authority for a program that is sure to become a black hole for tens of billions more. At a time when French and Japanese nuclear firms and other potential private investors are questioning their willingness to participate in the existing program, Congress should show similar caution by at least not expanding this program.**

In a recent NBC Wall Street Journal poll, among the most popular cuts to federal discretionary spending at 57 % was curtailing further federal subsidies for the construction of new power reactors. Here, public opinion tracks what private utility owners are thinking. In a March 8th keynote address to the American Enterprise Institute, the CEO of one of the world's largest merchant electrical utilities, Excelon, urged Congress not to expand the current energy loan guarantee program since doing so would only increase the costs of providing clean energy technologies and complicate discovering optimal energy options.

In addition, both the Government Accountability Office and the DOE Inspector General's office have been critical of **the existing loan guarantee effort.** They found the program lacked goals, circumvented the required independent checks for applicants, had no systematic process for awarding applicants and could not effectively evaluate the effectiveness of the program.

The DOE program already has more than $50 billion in loan guarantee authority with no time restriction on its use. Given the existing authority and the high risk to taxpayers, **increasing this figure as is currently proposed** is fiscally irresponsible.

A loan guarantee program of this size and structure puts the federal government at significant economic risk. DOE has minimal experience administering a loan guarantee program, and its one test case ended with taxpayers paying a heavy price. In the late 1970s and early 1980s, DOE offered billions in loan guarantees for the development of synthetic fuels. Due in large part to poor administration and market changes, the federal government was forced to pay billions to cover the losses.

Regardless of your opinion on the loan guarantee program or the various technologies it supports, providing any additional authority while $50 billion in existing funding is already available is completely unnecessary. Because of the large risk this program places on taxpayers, we urge you to oppose any additional budget authority for the loan guarantee program in the Fiscal Year 2012 Energy and Water Appropriations Bill.

Sincerely,

Ryan Alexander, President
Taxpayers for Common Sense

Jeff Kueter, President
George Marshall Institute

Henry Sokolski, President
Non-Proliferation Policy Education Center

William Yeatman, Assistant Director
Competitive Enterprise Institute

Andrew Moylan, Vice President, Government Affairs
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CC Chairman Hal Rogers, House Appropriations Committee
Ranking Member, Norm Dicks, House Appropriations Committee
Chairman Paul Ryan, House Budget Committee
Ranking Member, Chris Van Hollen, House Budget Committee