

Billions of Dollars of Nuclear Subsidies Hidden in *New Energy Reform Act of 2008*

TOTAL subsidies for nuclear power: \$91.9 billion - \$170.8 billion

- **Makes Loan Guarantee Program Even Riskier (Sec. 426, estimated cost: \$84.2 billion to \$163.1 billion*)**: Title XVII of the Energy Policy Act of 2005 (EPACT 2005) authorized unlimited taxpayer-backed loan guarantees for up to 80% of the cost of building new nuclear power plants. This loan guarantee program has not been tested; yet, this provision would make this highly risky subsidy even more risky:
 - Requires that the loan guarantees cover 100 percent of the debt for as much as 80 percent of the cost of the facility, unless less is requested by the borrower. EPACT 2005 authorizes as much as “80 percent of the project cost of the facility,” which gives the Department of Energy (DOE) the ability to guarantee less debt on extremely risky projects like nuclear power.
 - Expands the definition of “project costs” to include development, planning, design, engineering, permitting and licensing, construction, commissioning, startup, shakedown, and financing of a facility (including escalation and contingencies), fees for guarantees, reserve funds, initial working capital, and interest during construction.
 - Allows for a combination of congressional appropriations and borrower funding to pay the administrative and subsidy costs. Under EPACT 2005, this funding is to come either from taxpayers or the borrower.
 - Exempts the loan guarantee program from Sec. 504(b) of the Federal Credit Reporting Act. This section of FCRA requires DOE to obtain Congressional budget authority before committing to loan guarantees. This provision would eliminate this requirement, thereby allowing DOE to give out unlimited guarantees without annual Congressional authorization.
 - Allows fees collected from borrowers to be expended for administrative expenses without further appropriation or fiscal year limitation. EPACT 2005 requires annual Congressional authority.

* The nuclear industry is proposing 34 new reactors. Current estimates per reactor (without cost overruns) range from \$6.2 billion to \$12 billion per reactor. Unlimited loan guarantees that cover 80% of the 34 projects would guarantee \$168.6 billion to \$326.4 billion. The nuclear industry expects to pay \$100 million in fees. Assuming these reactors have the 50% default rate as projected by the Congressional Budget Office, the taxpayer cost would be \$84.2 billion to \$163.1 billion.

- **Builds a Reprocessing Facility (Sec. 424):** Authorizes “such sums as necessary” for DOE to construct a reprocessing research and development facility within one year. DOE determined in August that it is not ready to choose a site for any reprocessing facilities (including R&D) in its Global Nuclear Energy Partnership Programmatic Environmental Impact Statement, which currently is in process. According to DOE estimates from March 2006, such a facility would cost **\$1.5 billion**.
- **Authorizes DOE to Enter into MORE Risk Insurance Contracts with MORE Risk to Taxpayers (Sec. 425):** EPACT 2005 authorized “standby support” (i.e. “risk insurance”) to pay the industry for any delays in construction and operation licensing, including delays due to the Nuclear Regulatory Commission or litigation. This provision would greatly expand the scope and financial risk to taxpayers of this subsidy. EPACT authorized \$2 billion, but this provision increases the taxpayer risk to **\$6 billion**.
 - Increases the number of contracts for “standby support” to twelve at a given time, covering two to four different designs. EPACT 2005 authorized this subsidy for six new reactors.
 - Authorizes DOE to enter into a new contract if a contract terminates without a claim being paid. Therefore, DOE would be able to continue to enter into these contracts until \$6 billion is spent.
 - Increases taxpayer risk by insuring 100 percent of the covered costs of delay after 30 days, up to \$500 million. EPACT 2005 authorized contracts for the first two reactors for 100 percent of covered costs up to \$500 million and the other four for 50 percent after a 180-day period up to \$250 million.
 - Defines “full power operation” as either the commercial operation date or 50 percent or more capacity for 30 consecutive dates after startup testing.
 - Defines “increased project costs” to include construction, commissioning, testing, operating and maintaining a reactor prior to full-power operation, and costs of equipment, materials, and labor due to delay, increased general and administrative costs, and escalation costs for construction.
 - Defines “litigation” to include Federal, State, local or tribal courts, and any administrative proceeding.
 - Adds a provision that any disputes arising from such a contract will be determined by arbitration in Washington, DC, and will be final and binding.
- **Increases Number of Nuclear Regulatory Commission (NRC) Staff (Sec. 421):** Authorizes an uncapped amount of funding for 40 additional full-time-equivalent (FTE) staff to process applications for new reactors and to further fast-track the licensing process. In FY08, NRC budgeted \$216.9 million for 587 FTE staff to review twelve applications for new reactors, an average of 49 FTE staff per application. The cost to taxpayers for an additional 40 FTE staff is approximately **\$17.6 million**.
- **Inflates Nuclear Workers Training Program (Sec. 422):** Authorizes **\$100 million** over five years for the Department of Labor to provide grants for training programs for “nuclear utility and nuclear energy products and services industries.” Adds this category of workers to the list of workforce trends tracked by the Department of Energy.

- **Creates Massive Working Group to Promote U.S. Nuclear Manufacturing (Sec. 423):** Authorizes **\$100 million** over five years for an interagency working group, including representatives of the departments of Energy, Commerce, Defense, Treasury and State, as well as the Environmental Protection Agency, the U.S. Agency for International Development, the U.S. Export-Import Bank Agency, the Trade and Development Agency, the Small Business Administration, the Office of the U.S. Trade Representative, and other Federal agencies named by the President, to promote domestic manufacturing of nuclear components and equipment.
 - Requires that the Working Group within 180 days identify actions to promote the development of nuclear energy products and services in foreign countries and identify the subsidies, legislation, and administrative actions for increasing the capacity of U.S. companies to produce nuclear energy products and services and report its findings to Congress within 270 days.
 - Requires that the Working Group members encourage its agencies to provide financial and technical assistance to nonprofits that support marketing and export of domestic nuclear energy products, develop foreign nuclear energy projects, lobby the Work Bank and international lending institutions regarding nuclear energy, provide financial incentives to the private sector to commercialize and export nuclear energy products, and increase budgets for trade and development programs for feasibility studies.

- **Accelerates Depreciation of New Nuclear Power Facilities (Sec. 432):** Gives nuclear facilities that are approved by the NRC on or after December 31, 2013 and that start before January 1, 2021 an accelerated five-year depreciation through the tax code, which means that a nuclear utility will potentially pay millions of dollars less in taxes.

- **Puts Nuclear Power on the Agenda of a Energy Commission (Title I):** Creates a new Commission on Energy Independence and requires that it report to Congress and the President about the legislation, procedures, rules, and regulations that remove barriers to achieving independence from foreign oil, including the use of nuclear power. Authorizes “such sums as necessary.”

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