

Alliance for Nuclear Accountability - Beyond Nuclear - Clean Water Action  
Environment America- Friends of the Earth - Greenpeace –  
Natural Resources Defense Council - Nuclear Information and Resource Service -  
Physicians for Social Responsibility - Public Citizen - Sierra Club - Southern Alliance for  
Clean Energy - SUN Day Campaign - Union of Concerned Scientists

May 24, 2011

Dear Appropriations Committee Member:

We are writing to urge you to strongly oppose additional appropriations for nuclear reactor loan guarantees in the Fiscal Year 2012 Energy and Water Appropriations bill, which would come on top of the \$18.5 billion already allocated to this technology. The nuclear industry has a long history of soaring capital costs, cost overruns, and default in this country. This troubled history, coupled with the failure of the nuclear energy industry worldwide to prevent severe accidents, and our collective inability to find a long-term solution for storing radioactive waste, make it unwise to burden U.S. taxpayers with tens of billions of dollars of additional liability for new reactors. Given our current budget constraints, Congress should be looking for less risky and more cost-effective ways to spend taxpayer dollars.

Loan guarantees can't solve the fundamental economic problems facing new reactors in the United States: escalating construction cost projections; plentiful, low-cost natural gas supplies; large reductions in current and projected electricity demand resulting from the economic slowdown; the demonstrated ability to significantly reduce future customer demand through investments in inexpensive energy efficiency technologies; and increased competition from safe, clean and cost-effective renewable energy sources . Loan guarantees and the subsequent loans from the taxpayer-financed Federal Financing Bank will, however, put billions of U.S. taxpayer dollars at risk on projects that are not competitive in the current and projected energy marketplace.

The writing is on the wall. U.S. partners have pulled out of the two nuclear projects next in line for loan guarantees: Constellation Energy at the Calvert Cliffs III project in Maryland, and NRG Energy at the South Texas Project in Texas. These projects, which were already in trouble, are now infeasible given all credible economic forecasts. Other projects reportedly in line for loan guarantees look no healthier. John Rowe, CEO of Exelon – the largest nuclear utility in the United States – has come to the conclusion that new nuclear reactors will not be economic for at least a decade, maybe two. He further stated that “Congress

should not expand the nuclear loan guarantee program beyond the current \$18.5 billion already allocated.”

Additional nuclear loan guarantees will put taxpayers at risk even if the credit subsidy fee (the estimated risk of default) is paid by the industry. Both the non-partisan Congressional Budget Office and Government Accounting Office have concluded in their analyses of the Title XVII loan guarantee program that calculating a project subsidy cost is extremely difficult and likely to be underestimated.

The ongoing Fukushima tragedy underscores the potential risks of nuclear reactors. Even prior to Fukushima, nuclear subsidies were unpopular with the public. A Wall Street Journal/NBC poll on March 3, 2011 found that subsidies to build new reactors were the most popular proposed cut to federal spending.<sup>1</sup> Expanding unpopular public subsidies that encourage utilities to pursue excessively risky nuclear projects by shifting tens of billions of dollars of financial risk to federal taxpayers is reckless public policy, particularly in light of the many less risky and more cost-effective power generation and demand reduction options available today.

Pouring more money into a federal program with as many red flags as this one is unwise. We strongly urge you to oppose additional loan guarantees or other subsidies for new reactors. The existing \$18.5 billion is more than sufficient to demonstrate whether a new generation of passively safe, cost-effective nuclear reactors is a viable reality or a costly mirage.

Sincerely,

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<sup>1</sup>[http://online.wsj.com/article/SB10001424052748704728004576176741120691736.html?mod=WSJ\\_hp\\_MIDDLETopsStories#project%3DWSJPDF%26s%3Ddocid%253D110302233016-962e97512a5b45d7b64c022c35d65248%257Cfile%253Dwsj-nbcpoll03022011%26articleTabs%3Ddocument](http://online.wsj.com/article/SB10001424052748704728004576176741120691736.html?mod=WSJ_hp_MIDDLETopsStories#project%3DWSJPDF%26s%3Ddocid%253D110302233016-962e97512a5b45d7b64c022c35d65248%257Cfile%253Dwsj-nbcpoll03022011%26articleTabs%3Ddocument)

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