



Loan guarantees recharge nuclear debate

As initial projects face struggles, Obama seeks to triple program

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President Barack Obama's proposal to triple federal loan guarantees for the construction of new nuclear power plants has galvanized critics of the existing program, which they say is on the verge of throwing taxpayer support behind four projects facing untold costs and dependent on unproven technology.

In his \$3.8 trillion budget plan for 2011, released last week, Obama called for boosting loan guarantees to \$55 billion to help jump-start construction of U.S. nuclear plants. In his Jan. 26 State of the Union address, the president urged "building a new generation of safe, clean nuclear power plants in this country."

His words marked a shift toward more public support for an industry that has brought just one new U.S. nuclear power plant online in 20 years. Utility companies and nuclear reactor builders insist that federal financial backing is necessary to woo investors, wary that only 50 percent of U.S. reactors that have been ordered have been licensed and generated power.

"These loan guarantees will serve as a catalyst to accelerate construction of new nuclear plants, creating thousands of high-paying, long-term jobs in the process," Marvin Fertel, president of the main industry association, the Nuclear Energy Institute, said in a statement. "By supporting new reactors, loan guarantees also will reinvigorate U.S. manufacturing capability for nuclear energy components."

But Obama's push for more loan guarantees — at the same time his administration has gone back to the drawing board on the issue of nuclear waste by defunding the Yucca Mountain, Nev., repository site — also has reinvigorated the debate over the near-term viability of nuclear power.

Administered and pushed by the Department of Energy, the financing scheme would make American taxpayers liable for as much as 80 percent of the likely \$7 billion-plus cost of designing, licensing and building each new U.S. nuclear reactor that receives a loan guarantee. The guarantees would extend up to 30 years.

Obama's new support for nuclear power, which some feel may be a down payment for Republican backing on a climate change bill, follows a much stronger commitment by President George W. Bush. The industry's stock has soared in Washington after it poured tens of millions of dollars into federal lawmakers' campaign coffers and spent hundreds of millions on lobbying.

At Bush's behest, the Energy Policy Act of 2005 provided \$13 billion in subsidies to the nuclear power industry for research, construction, operations and site cleanup, and it authorized the loan guarantees. The Department of Energy is selecting recipients for an initial round of \$18.5 billion in guarantees.

First four projects face problems

The four projects at the top of DOE's list for that first round, culled from 19 applications, all are facing problems, including squabbling among partners, cost overruns and reactor design difficulties. Issues such as those, anti-nuclear groups and fiscal watchdogs say, demonstrate that the plants are far too risky for taxpayers to endorse.

Jerry Taylor and Peter Van Doren, senior fellows at the conservative Cato Institute, which opposes all energy industry subsidies, have called the industry's claims that nuclear power is economically viable "nonsense."

"It's not about the merits of nuclear power, it's about the merits of these particular projects," Autumn Hannah of Taxpayers for Common Sense said of her group's opposition to the federal funding. "We are not anti-nuclear, we are anti-nuclear subsidies." Her group has characterized the four projects in line for initial loan guarantees as "in a shambles."

"Nothing could be further from the truth," countered Jarret Adams, U.S. spokesman for French-owned nuclear giant Areva, which hopes to build the reactor for one of the four projects. Adams and other industry representatives told msnbc.com that the problems are minor hiccups on the road to the "nuclear renaissance" they have been predicting for a decade now and are being unfairly trumped up by groups

that are dead-set against any new nuclear plants.

While the Department of Energy has not published its short list of contenders for the first round of loan guarantees, and did not answer questions from msnbc.com about the program, DOE officials and some applicants have previously confirmed them to be:

- The Summer Station Nuclear Station's proposal to add two 1,117-megawatt reactors to its Fairfield County, S.C., site, which currently operates a single reactor. The new reactors would be Westinghouse AP 1000s, not in operation anywhere yet and under new scrutiny from the U.S. Nuclear Regulatory Commission over the design of the shield building and other issues. The station's owner warned last year that projected cost of the reactors could be \$500 million higher than expected.
- A similar expansion plan at the Vogtle site in Waynesboro, Ga., which currently operates two reactors with a total of 2,430 megawatts of capacity. The plant's owners want to nearly double that by adding a pair of the Westinghouse AP 1000s. In addition to the hurdles faced by the reactors, the project is the subject of a lawsuit over its finances.
- The plan to add a 1,600-megawatt reactor at the Calvert Cliffs Nuclear Power Plant, which operates two reactors near Lusby, Md., with a combined output of 1,750 megawatts. The plant's owner has chosen Areva's Evolutionary Power Reactor. The first installation of that reactor in Okiluoto, Finland, is running two to three years behind schedule, with cost overruns pushing the price from \$4.4 billion to \$6.5 billion. And the design has not yet received certification from the NRC.
- The South Texas Project's bid to become the nation's largest nuclear power plant by adding a pair of reactors to its Matagorda County facility for a total generating capacity of more than 5,000 megawatts — enough electricity to supply the needs of about 2 million homes and businesses. STP's plans are threatened by a courtroom squabble among its partners over the estimated cost of the expansion, which has skyrocketed from \$6 billion to \$17 billion. The Texas project is the only proposal on the loan guarantee list that calls for using a reactor — General Electric's Advanced Boiling Water Reactor — currently in operation. (General Electric also owns NBC, which in turn owns half of msnbc.com.)

Given the uncertainties surrounding the projects, critics say, taxpayers should not be guaranteeing the loans.

"This is a massive effort to engage in risk shifting so the construction can go forward," said Ellen Vancko, an analyst with the Union of Concerned Scientists. Vancko said that, given the cost and design issues, the industry would not likely attempt to build any new plants without the massive subsidies and loan guarantees provided by the 2005 energy bill, which she called a "bailout."

"It's no different than the Wall Street bailout or the GM bailout," she said. "The nuclear industry just wants it in advance."

Industry representatives took issue with the notion that they are getting anything in advance.

"These organizations are obfuscating the real issues behind this," said Areva's Adams. "A loan guarantee from the DOE is considered a conditional loan guarantee. There's no actual guarantee of the financing without the project being licensed and having the design approved."

But Hannah, the spokeswoman for the taxpayers' group said, the government is "in fact endorsing these projects and saying taxpayers should be behind these projects by giving these conditional commitments. From what we've heard, it's very difficult to get out of these conditional commitments."

Industry spokesmen also say that the hurdles facing the Areva and Westinghouse reactors will be solved in a timely fashion.

The problems encountered by Areva on the Okiluoto project are actually benefiting future EPR installations, according to Adams. "We've learned a lot in Finland," he said. "By the time we begin our first project in the U.S., we'll be able to apply all of those lessons and believe those projects will run even more smoothly."

Furthermore, Adams said, NRC design approval for the use of the EPR reactor in the United States is "going extremely well. It is on schedule to be certified by the NRC."

Westinghouse spokesman Vaughn Gilbert said problems with the AP 1000 are also being overplayed. "The AP 1000 is design-certified and we are making some modifications now due to some changes that the NRC put in place after certification was achieved," he said. "We are talking about a relatively small portion of the plant."

"It's not an issue that's going to affect timing and I don't think it's relative to the loan guarantee issue,"

Gilbert said, noting that "we are building four AP 1000s in China already that are on time and on schedule."

The DOE has no timetable for announcing the actual awards of the first four conditional loan guarantees, but Energy Secretary Steven Chu said in mid-January that he was eager to do so "soon." Without enumerating them, Chu acknowledged that the program was hitting unexpected snags.

Other agencies have questions

Other federal agencies have not been supportive of the loan guarantees. The Congressional Budget Office has estimated the chance for default on such loan guarantees to be "very high — well above 50 percent." The Government Accountability Office has questioned the DOE's management of the program, and the Office of Management and Budget has long had issues with the fees the nuclear industry should be charged to obtain the guarantees.

While some industry leaders have said they're willing to pay a 1 percent premium, they have said 10 percent is far too high. The wrangling over the fees, like the process for choosing loan guarantee recipients and other parts of the program, is done in secret.

"Most of this is all happening behind closed doors, which is one of the problems we have with it," said Hannah of Taxpayers for Common Sense. Not only are the terms and conditions of the guarantees unknown and likely to remain secret, she said, "We have no idea how these companies are being vetted."

But Nuclear Energy Institute spokesman Steven Kerekes called such arguments disingenuous.

"Are they also criticizing the selection process associated with loan guarantees being made available to the energy technologies they prefer, or are they simply hypocrites seeking cover for their anti-nuclear viewpoint?" he asked.

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