Beyond Nuclear ♦ Clean Water Action ♦ Environment America ♦
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1Sky ♦ Physicians for Social Responsibility ♦ Public Citizen ♦ Safe Climate Campaign ♦
Sierra Club ♦ Southern Alliance for Clean Energy ♦ SUN DAY Campaign ♦
Union of Concerned Scientists

March 17, 2009

Dear President Obama:

Thank you for your commitment to tackling climate change by developing renewable energy and increasing energy efficiency in the United States. As you develop your detailed Fiscal Year 2010 Budget Request, we urge you to reject further subsidies for nuclear power, particularly authorizing more loan guarantees that could be applied to the construction of new reactors.

The nuclear industry is not ready to build new reactors in the near-term. The 2009 Omnibus indefinitely authorizes $18.5 billion for the construction of new reactors. Even under the best-case scenarios for the industry, no new reactors will even be licensed for at least three years and they will take another six or more years to build. Nuclear loan guarantees would allow developers to obtain government commitments to fund future projects at the expense of more immediate opportunities to develop clean, environmentally acceptable energy sources.

The U.S. Department of Energy (DOE) is not ready to manage such an enormous loan guarantee program. In February 2009, the DOE Inspector General found that DOE still "has not completed the development and implementation controls necessary to manage the Government's significant financial risk exposure." Indeed, the DOE is not yet even prepared to disburse the $51 billion loan guarantee program authorized by Congress in 2007 and 2009. The stimulus bill added another estimated $60 billion in loan guarantees for existing renewable energy and transmission technologies. We are concerned that DOE could be given additional monies when it has not proven that it can manage the funds it already has.

Additional loan guarantees for nuclear power plants would create a significant liability to U.S. taxpayers. Unlike the renewable industry, the nuclear industry is unable to borrow money from Wall Street. This was the case, even prior to the current credit freeze. The Congressional Budget Office (CBO) estimates the likelihood of default for loans made to nuclear reactor developers to be "well above 50 percent." Worse still, the loan guarantees permit much more highly leveraged financing (a four-to-one debt-to-equity ratio) for nuclear plants than would occur in their absence. High leverage is a key characteristic of the mortgage-backed securities that precipitated our current economic crisis.

These risks are intensified by nuclear power's enormous capital costs and long lead times. Estimates of construction costs for nuclear reactors have more than tripled since 2000. According to an October 2008 report by the credit rating agency *Standard & Poor's*, the costs continue to "soar" due to production bottlenecks, increasing costs of materials, and lack of trained workers and utility construction experience. The showcase reactor under construction in Finland is already three years behind schedule and more than 50 percent over budget. It is unacceptable to ask taxpayers to shoulder the full costs and risks of this technology when renewable energy and energy efficiency investments can be made much more quickly, for much less money, and with little risk to taxpayers.

Finally, nuclear power should not be viewed as an efficient jobs generator. Nuclear jobs are expensive to create and few jobs would be created in the near-term. Based on the current estimated costs for new reactors, each nuclear job would require an investment of at least $1.5 million, according to the Nuclear Energy Institute's own numbers. Investments in renewable energy and energy efficiency will create more domestic jobs sooner and at less cost than nuclear power. If short-term "green jobs" are the objective, it makes no economic sense to attack the low-carbon energy problem with 10-year, high-cost, waste-generating nuclear power at a time when we have no national plan for managing the irradiated fuel, and numerous faster, cleaner and lower-cost energy solutions are available.

We are at a time when the integrity of our financial system is being sorely tested. The U.S. nuclear industry has made it clear that it wants taxpayer-backed loan guarantees for nearly all of its proposed new reactors — itself an admission that the subsidies are not part of a market transformation strategy that moves toward self-sustaining economic viability for the technology. A financial crisis is a particularly bad time to pile more risky obligations on the shoulders of taxpayers and the federal budget. We urge you to omit additional nuclear subsidies from your 2010 budget, including provisions that would allow the industry to obtain additional loan guarantees. Instead, we urge you to invest broadly in renewable resources, energy efficiency and conservation measures that can be deployed at lower cost and risk in the near-term.

Sincerely,

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Cc: Hon. Carol Browner, Assistant to the President for Energy and Climate Change
Hon. Nancy Sutley, Chair, Council on Environmental Quality
Hon. Steven Chu, Secretary, Department of Energy
Hon. Peter Orszag, Director, Office of Management and Budget
Ms. Sally Eriksson, Program Associate Director for Natural Resources, Energy, and Environment, Office of Management and Budget