



## Oppose Blank Check Loan Guarantees in Final Energy Bill

October 31, 2007

Dear Senator,

We urge you to oppose the inclusion of language in the final energy bill exempting the Department of Energy (DOE) Loan Guarantee Program from the regulations of the Federal Credit Reform Act of 1990. This provision, currently included in the Senate passed version of H.R. 6, would effectively strip Congress of all oversight of the program and allow the DOE to disperse unlimited loan guarantees.

The Department of Energy Loan Guarantee Program was authorized in Title XVII of the Energy Policy Act of 2005. According to the DOE the program will cover 100 percent of the loan at up to 80 percent of the cost of the eligible project. If these projects default on their loans, as some surely will, the federal government will be forced to cover the costs. This leaves taxpayers to foot the bill on defaults that could cost hundreds of millions, or even billions, of dollars.

In a report released last month, the DOE Office of the Inspector General found that the issuing loan guarantees at 80 percent of the project cost will “result in significant risk to the Government and therefore, the American taxpayer.” The federal government has made this mistake before. During the late 1970s and early 1980s the federal government issued loan guarantees to jumpstart the synthetic fuels industry. It was a fiscal nightmare and taxpayers ended up footing the \$13 billion bill.

Without congressional oversight the synthetic fuels debacle could pale in comparison to the current loan guarantee program. The nuclear industry has already made it clear that they need \$50 billion in loan guarantees over the next two years. The Congressional Budget Office considers the risk of default on nuclear loan guarantees to be very high --well above 50%.

We urge you to oppose this language and ensure that all safeguards for the loan guarantee program are not lost. Taxpayers should not be required to finance billions in risky loan guarantees. For more information please contact Autumn Hanna, Taxpayers for Common Sense Action at 202-546-8500 or [autumn@taxpayer.net](mailto:autumn@taxpayer.net), Kristina Rasmussen, National Taxpayers Union at 703-683-5700 or [kasmussen@ntu.org](mailto:kasmussen@ntu.org), Elizabeth Wright, Council for Citizens Against Government Waste at 202-467-5300 or [ewright@cagw.org](mailto:ewright@cagw.org).

Sincerely,

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President  
Taxpayers for Common  
Sense Action

Pete Sepp  
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Thomas Schatz  
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Council for Citizens  
Against Government Waste