



Written by [Rebecca Terrell](#) on February 17, 2010

Obama Pledges Nuclear Power Loan Guarantees

President Obama has promised up to \$8.33 billion in loan guarantees for construction of new nuclear reactors in Georgia. A White House press release said this is the "first U.S. nuclear power plan to break ground in nearly three decades."

Pledging commitment to fulfilling growing energy needs and fighting climate change, Obama announced, "Energy leaders and experts recognize that as long as producing carbon pollution carries no cost, traditional plants that use fossil fuels will be more cost-effective than plants that use nuclear fuel." He called for comprehensive, bipartisan legislation to provide "incentives to make clean energy profitable."



According to the [Congressional Budget Office](#) (CBO), Obama's profitable incentives involve great risk to the American taxpayer. The congressionally authorized Loan Guarantee Program (LGP) provides low-cost debt financing on up to 80 percent of construction costs for "clean energy" technologies. The Treasury reimburses the lender in cases of default, and CBO estimates nuclear utility companies default on 50 percent of loans for new reactors. Additionally, CBO calculates that conventional fossil-fuel technologies are the least expensive sources of electricity generation, barring cap-and-trade carbon taxes and LGP incentives. (Of course, nuclear power would be far cheaper, and the utilities would have continued to build new plants, were it not for crippling regulations currently forced on utilities, but that is beyond the scope of CBO's report.)

Moreover, the [Government Accountability Office](#) (GAO) has issued strong warnings to Congress that the Department of Energy (DOE), which administers LGP, has ignored its recommendations to mitigate risks associated with the program, thereby exposing taxpayers to significant loss. Though it mentioned nothing of the unconstitutionality of federal loans to utilities, GAO at least suggested "that Congress may wish to consider limiting the amount of loan guarantee commitments that DOE can make."

Undeterred, Obama claims to be dedicated to "jumpstarting the nation's nuclear power industry," lumping it in with other far-less-efficient "clean energy" technologies like solar panels and wind turbines. While his [Energy Secretary Steven Chu](#) is a supporter of nuclear power, Obama's new-found excitement is an about-face to his 2007 assertion that he is "[not a nuclear power proponent](#)." (Yet his complaint that "producing carbon pollution carries no cost" underscores the reality of his plans for a [cap-and-trade carbon tax](#).) The White House says the planned reactors will serve about 1.4 million people without emitting greenhouse gases and other pollutants associated with coal plants.

At least some supporters of nuclear power are delighted with Obama's decision. "The nuclear industry commends the Obama administration and the Department of Energy for having reached this major milestone," said Marvin Fertel, president and CEO of the [Nuclear Energy Institute](#). "This commitment demonstrates the Administration's recognition that new nuclear power plants must be part of America's



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clean energy portfolio." Others do not share Fertel's enthusiasm. A thwarted [Greenpeace](#) announced it "is extremely disappointed in the President's decision to back nuclear power. It's a dirty and dangerous distraction from the clean energy future he promised America."

But why should the federal government back *any* form of power generation — nuclear power, windmills, etc. — through loan guarantees or other policies? Why not get rid of the regulatory roadblocks and get the government out of the way so that entrepreneurs and consumers can best decide the best ways of getting the energy we need?

It certainly is an uncharacteristic move for Obama to cater to Republican preferences, but completely understandable while his own approval rating is so low. It's a safe move, too, since his loan guarantees cover only construction of new nuclear reactors. They do not ensure those new reactors will actually go on line once construction is complete years from now. The precedent of New York's [Shoreham nuclear power plant](#) offers a frightening lesson. Construction on this relatively small reactor began in 1973 and was delayed numerous times by organized labor and government bureaucracy. Once it was finally ready to go on online 10 years later, further crippling regulations forced the plant to close before it had a chance to deliver so much as a megawatt of power. If a similar scenario should play out with the Georgia reactors being backed by government-guaranteed loans, the American taxpayer would get stuck with the bill.

As that outcome is years down the road, Obama's decision is doing double-duty to prop up his approval rating now by catering to organized labor. According to White House projections, the new reactors will create approximately 3,500 construction and 800 permanent jobs. Obama made the loan announcement during a visit to an [International Brotherhood of Electrical Workers](#) (IBEW) training facility in Maryland. IBEW President Edwin Hill called the loan guarantee "a prime example of what needs to be done to address the jobs crisis in our nation."



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