

6. POLICY POSITION

SUPPORTING CLEAN NUCLEAR ENERGY PROJECT FINANCING, FEDERAL LOAN GUARANTEES AND A CLEAN ENERGY DEPLOYMENT ADMINISTRATION

BACKGROUND

The U.S. Department of Energy forecasts that America's electricity demand will increase by 21 percent by 2030, even assuming vigorous pursuit of various conservation and energy efficiency strategies which the Southern Legislative Conference supports. To meet this demand, and partly in recognition of the growing likelihood of federal carbon emission reduction mandates, the U.S. electricity sector is anticipating needed investment in new generation, transmission and distribution infrastructure of between \$1.5 trillion and \$2 trillion by the same 2030 target date. The need to meet the demand for environmentally responsible electricity sector modernization poses enormous challenges for the South and the nation as a whole.

Many policymakers in the 16-state Southern Legislative Conference region, which already derives 18.6 percent of its electricity generation from clean, zero-emission nuclear energy, have put new nuclear plant construction at the forefront of their integrated climate stabilization, economic development and competitiveness, electric system reliability and energy security planning efforts. Of the 16 pending applications for new nuclear projects totaling 25 new reactors, 13 of those applications are for 22 reactors in Southern Legislative Conference states.

Clean nuclear energy is an engine for economic growth. Each new nuclear plant has the potential to provide up to 2,400 jobs during its four-year construction phase and 400-700 full-time jobs once the plant begins operation. Each new reactor has the potential to generate \$430 million in expenditures for goods, services and labor, and through subsequent spending throughout its host and surrounding communities. The average nuclear plant contributes more than \$20 million in state and local tax revenue per year, and pays \$75 million in federal taxes annually. Anticipation of a new wave of U.S. nuclear plants already has spurred considerable expansion and hiring in the domestic nuclear construction, manufacturing and supplier industry nationwide, including more than \$4 billion in investment and 15,000 new jobs concentrated mainly in the South.

While new reactors pose a considerable financial commitment for the utilities that will build them, legislators, regulators and other public officials throughout the Southern Legislative Conference region have been enacting laws and policies that help utilities raise the up-front capital required to finance these facilities that will provide cost-competitive, clean energy for at least 40 years. Lawmakers and public service commissions in a number of Southern states have approved Construction Work-in-Progress (CWIP) and other similar cost recovery methods that will significantly lower a new nuclear project's cost over the life of the new plant. This approach will result in long-term savings of as much as 25 percent of the price of the plant, and real savings to ratepayers for several generations.

In 2005, recognizing the sizable initial cost of new reactors and other clean energy sources, a bipartisan coalition in Congress created the Title XVII Loan Guarantee program to help spur investor confidence in new nuclear plants and other non-emitting technologies. Thus far, \$18.5 billion in federal loan volume has been set aside for new nuclear plants – about enough to cover the loan volume for two projects (three to four reactors). Like CWIP and other state-level new plant incentives, federal loan guarantees lower project costs, specifically by enabling project sponsors – utilities – to secure more favorable lending terms and interest rates.

The commercial nuclear industry and its supporters have been working with Congress and the administration toward implementation of a workable loan guarantee program of sufficient volume to facilitate construction of six to eight new reactors by 2017. In addition, in order to provide even greater and more stable federal encouragement and support for all innovative, non-polluting energy technologies, including nuclear, clean coal, renewables, energy efficiency and conservation and a smart grid, some in Congress have proposed creation of a Clean Energy Deployment Administration, or CEDA. CEDA is intended as a technology-neutral revolving loan fund to encourage development and deployment of clean energy technologies.

RECOMMENDATION

The Southern Legislative Conference of The Council of State Governments urges Congress and the administration to support \$25 billion in increased loan volume for nuclear projects under the Title XVII Loan Guarantee Program at no cost to taxpayers to deploy the top projects selected by U.S. Department of Energy and further the economic growth associated with new nuclear construction. Further, the Southern Legislative Conference of The Council of State Governments supports the creation of a Clean Energy Deployment Administration that includes nuclear energy as an eligible technology, among many technologies, to ensure rapid deployment of carbon-free electricity generation in support of climate change goals.

The Southern Legislative Conference of The Council of State Governments request that a copy of the position be forwarded to the president of the United States, Southern congressional delegation and the U.S. secretary of energy.