



Buyers Up • Congress Watch • Critical Mass • Global Trade Watch • Health Research Group • Litigation Group
Joan Claybrook, President

Incentives Title in the Senate Energy Bill: May the Best Lobbyist Win

The Incentives Title (Title XIV) of the Senate energy bill authorizes unlimited funding for an unlimited number of taxpayer-backed loan guarantees to energy companies to build energy projects, including nuclear power plants, coal gasification plants, and carbon sequestration technologies.

The loan guarantees can cover up to 80% of the cost of the project. According to the Congressional Research Service, the taxpayer liability for loan guarantees covering up to 50% of the cost of building six to eight new reactors would be \$14-16 billion. The Congressional Budget Office found that the risk of loan default by the nuclear industry would be “well above 50 percent.”

Loan guarantees are to be made based on specific federal appropriations or payment from the borrower to the Treasury. Given that a company making a risky investment would obviously prefer to back the investment with taxpayer money, it is unlikely that a company would choose to back its own risky venture by paying the Treasury for the cost of the loan guarantee in advance. Therefore, congressional appropriators will ultimately decide which projects are given loan guarantees. These decisions will more likely be based on the lobbying efforts of industry, rather than on a view of national energy needs.

Loan defaults are paid for by taxpayers. If an energy company receiving a loan guarantee defaults on that loan, the bank to which the loan is owed "shall have the right to demand payment of the unpaid [loan] amount from the Secretary" of Energy. Therefore, taxpayers hold all the risk while energy companies reap all the rewards. There is no limit to the amount that taxpayers would be liable to pay for loan defaults.

In addition, the Incentives Title includes very specific recipients of loan guarantees:

- Section 1403(c)(1)(C): \$800 Million in federal loan guarantees to controversial Excelsior Energy for a Coal Power-Generating Plant (ConocoPhillips is a partner in the project). The Department of Energy awarded the company a \$36 million in October 2004.
- Section 1403(c)(1)(B): Recipients of the federal loan guarantee described in this section most likely will be either a coal gasification proposed by Xcel Energy or the Medicine Bow Fuel & Power project in Wyoming (the section requires that the project "be located in a western State at an altitude greater than 4,000 feet" - Medicine Bow, Wyoming is at over 6,500 feet). Medicine Bow is owned by DKRW Energy, a Houston-based firm controlled by 4 former Enron executives, including Thomas White.
- Section 1403(c)(1)(D): Provides a federal loan guarantee to Lexington, Kentucky-based EnviRes to build a facility in East St. Louis, Illinois. The total cost of the project is \$254.2 million. EnviRes is a joint venture of 3 companies, including Triad Research, which in turn is operated by Robert Addington of AEI Resources. AEI is a huge coal conglomerate.

**OPPOSE TAXPAYER GIVEAWAYS TO BIG ENERGY COMPANIES—
OPPOSE THE ENERGY BILL**