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## Obama Said to Seek \$54 Billion in Nuclear-Power Loans (Update3)

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By Daniel Whitten and Hans Nichols



Jan. 29 (Bloomberg) -- President **Barack Obama**, acting on a pledge to support nuclear power, will propose tripling U.S. loan guarantees for new reactors to more than \$54 billion, an administration official said.

The additional loan guarantees in Obama's budget, which will be released Feb. 1, are part of an effort to bolster nuclear-power production after the president called for doing so in his State of the Union address Jan. 27. In a conference call with reporters, Energy Secretary **Steven Chu** today announced a panel to find a solution to storing the waste generated by

nuclear plants.

"To create more of these clean-energy jobs, we need more production, more efficiency, more incentives," Obama said in his speech. "That means building a new generation of safe, clean nuclear-power plants in this country."

For the 2011 budget, the department will add \$36 billion to the \$18.5 billion already approved for nuclear-power plant loan guarantees, according to the official, who asked not to be identified because the budget hasn't been released. Congress started the program in 2005 to encourage new plant construction, but the department has yet to issue a loan guarantee.

"Senate Republicans support building 100 new plants as quickly as possible -- we hope Democrats will join us in that effort, particularly now with the president's call to action," Senate Minority Leader **Mitch McConnell** of Kentucky said on the Senate floor yesterday. "And the president could start by moving forward on the nuclear loan guarantee program."

'Bureaucratic Fretting'

Loan guarantees have been delayed partly because the industry must pay the expected long term liability the government incurs in issuing the guarantees, and companies are arguing for a smaller industry share than the government wants them to pay, said **Michael McKenna**, president of MWR Strategies, a consulting firm in Washington.

"I am not sure there will be enough demand ultimately to support \$54 billion in new guarantees," McKenna said, pointing to falling U.S. electricity demand and new discoveries of natural gas. "The amount of bureaucratic fretting has been enormous," he said.

Nuclear plants accounted for 20 percent of U.S. power generation in 2008, according to the Energy Department. Generation was off 13 percent through October of 2009 compared to the same period in 2007, before the worst economic slump since the Great Depression hit the U.S. economy.

Industry groups such as the Washington-based Nuclear Energy Institute have said the loan guarantees are critical to reviving the industry because most companies can't afford the capital investment in a facility that can take a decade to complete. The institute in a December report put the cost of a reactor at as much as \$9 billion.

Shares Rise

Shares of nuclear-industry companies rose today in New York Stock Exchange composite trading. **Shaw Group Inc.**, of Baton Rouge, Louisiana, jumped \$2.06, or 6.8 percent, to close at \$32.29, and was as high as \$33.35 earlier in the day. Houston-based **McDermott International Inc.** climbed 74 cents, or 3.2 percent, to \$23.62, while **URS Corp.** of San Francisco finished the day higher by 13 cents, or less than 1 percent, at \$44.88.

"We have lagged in our nuclear efforts in the last 30 years, but the Obama administration is committed to restarting the industry," Chu said on the call. He declined to comment on the president's budget request.

**Southern Co.** of Atlanta expects to be the first to get a loan guarantee, in two or three months, which may help it finance two additional nuclear reactors at its two-unit Vogtle plant in Georgia, Chief Executive Officer **David M. Ratcliffe** said in an interview Jan. 27.

#### Catalyst for Construction

Southern is among four companies that were put on a short list for loan guarantees last year. The others are Baltimore-based **Constellation Energy Group Inc.**, **NRG Energy Inc.**, of Princeton New Jersey for a plant planned in Texas, and **Scana Corp.**, of Columbia, South Carolina.

"The four reactor projects that DOE considers top-tier are plagued with large cost increases, credit-rating downgrades, delays, and reactor-design problems," said **Michele Boyd**, a nuclear opponent for Washington-based Physicians for Social Responsibility. "Why are U.S. taxpayers expected to promise to bail out the nuclear industry?"

The guarantees "can help project sponsors access lower-rate debt financing for clean-energy power projects," said **Richard Myers**, vice president of policy development at the Nuclear Energy Institute. "This would act as a catalyst to accelerate construction of new nuclear plants."

#### 'Blue Ribbon' Panel

The Energy Department's "blue ribbon" panel will study alternatives to the Yucca Mountain nuclear waste repository in Nevada, Chu said. It will be chaired by **Lee Hamilton**, a former Democratic congressman, and **Brent Scowcroft**, a former adviser to presidents Richard Nixon and George H.W. Bush.

Obama has said he would halt work on the Nevada project and find another solution to handling spent nuclear fuel.

"We are done with Yucca," said **Carol Browner**, Obama's chief energy and climate adviser. "We need to be about looking at alternatives."

Currently waste is stored at nuclear power plants. There are 104 operating reactors in the U.S. Among the alternatives that should be reviewed are advanced recycling technologies that would maximize energy use and minimize the waste, Obama said in a memo on the commission today.

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