



The Honorable Peter Visclosky
Chairman
Subcommittee on Energy and Water
Development
2362B Rayburn House Office Building
Washington, DC 20515

The Honorable Rodney Frelinghuysen
Ranking Member
Subcommittee on Energy and Water
Development
1016 Longworth House Office Building
Washington, DC 20515

March 16, 2010

Dear Chairman Visclosky and Ranking Member Frelinghuysen:

Today we join together to urge you to not provide any addition loan guarantee authority to the Department of Energy (DOE) Loan Guarantee Program in the FY 2011 Energy and Water Development Appropriations Bill. With hundreds of billions in bailouts already on the shoulders of US taxpayers, the country cannot afford to move forward with a program that could easily become a black hole for tens of billions more.

Originally authorized in the 2005 Energy Bill, the DOE loan guarantee program was established to distribute Treasury backed loan guarantees to innovative energy technologies. However, even capital intensive, mature technologies with high default rates and a poor financial track record, like coal-to-liquids and nuclear power, are eligible for loan guarantees under the program.

The DOE program already has more than \$50 billion in loan guarantee authority with no time restriction on its use. Now the Administration has proposed a \$36 billion increase, earmarked specifically for nuclear reactors which have been found to have a 50% risk of default. Given the existing authority and the high risk to taxpayers this increase is fiscally irresponsible. Regardless of your opinion on the loan guarantee program or the various technologies, providing any additional authority while this funding is available is unnecessary.

A loan guarantee program of this size and structure already puts the federal government at significant economic risk. DOE has minimal experience administering a loan guarantee program and its one test case ended with taxpayers paying a heavy price. In the late 1970s and early 1980s, DOE offered billions in loan guarantees for the development of synthetic fuels. Due in large part to poor administration and market changes, the federal government was forced to pay billions to cover the losses. The current loan guarantees, much like the synthetic fuels loan guarantees, are slated to provide guarantees to financially risky industries, many of which have and continue to receive billions of dollars in federal subsidies.

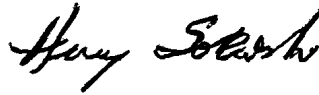
In administering the current loan guarantee program DOE has already failed to follow OMB safeguards for ensuring that taxpayers are protected. OMB guidance suggests that loan guarantee programs should not guarantee more than 80% of the loan. This ensures that lenders and borrowers in the program have a substantial stake in repayment and that lenders perform due diligence before issuing loans. Despite this, DOE issued a final rule that forces taxpayers to guarantee 100% of the loan.

It is clear the loan guarantee program could easily siphon billions of dollars from the Treasury. Because of the large risk this program places on taxpayers, we urge you to not include any additional budget authority for the program in the Energy and Water Appropriations Bill.

Sincerely,



Ryan Alexander
President
Taxpayers for Common Sense



Henry Sokolski
President
Non-Proliferation Policy Education
Center



Jeff Kueter
President
George Marshall Institute



Andrew Moylan
Director, Government Affairs
National Taxpayers Union

Cc Chairman David Obey, House Appropriations Committee
Ranking Member, Jerry Lewis, House Appropriations Committee
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Representative Ed Pastor
Representative Marion Berry
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Representative Tim Ryan
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Representative Ken Calvert
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