Union of Concerned Scientists • SUN DAY Campaign •
Southern Alliance for Clean Energy • Sierra Club • Safe Climate Campaign •
Public Citizen • Physicians for Social Responsibility •
Nuclear Information and Resource Service • League of Conservation Voters •
Greenpeace • Environmental Working Group •
Environmental and Energy Study Institute • Environment America •
Clean Water Action • Center for Biological Diversity •
Beyond Nuclear • Alliance for Nuclear Accountability

June 16, 2009

Dear Senate Energy and Natural Resources Committee Member:

We support the financing of clean energy technologies to promote the domestic development and deployment of technologies that will reduce greenhouse gas emissions in the most efficient, environmentally sound manner possible. However, the proposed Clean Energy Deployment Administration (CEDA) will not achieve these important goals and will in fact, as drafted, pose unnecessary and potentially enormous risks to our environment and to the U.S. taxpayer. CEDA could allow for potentially unlimited loan guarantees, disproportionately benefit more expensive and risky technologies, and fail to ensure that the cleanest technologies are prioritized. We urge you to require congressional authority for loan guarantees, cap how much any one technology or industry can benefit from this program, and ensure that the program prioritizes those technologies that reduce carbon emissions on a cost-effective basis in the shortest time possible.

One of the biggest dangers of the 21st Century Energy Technology Deployment Act (S.949) is the exemption from Sec. 504(b) of the Federal Credit Reform Act (FCRA), a valuable Congressional oversight tool. By exempting the program from the requirement to comply with FCRA, CEDA would circumvent the appropriations process and rely solely on the model that the Office of Management and Budget (OMB) uses to calculate the risk of default and how much subsidy cost (the risk of default) must be paid in order to get a loan guarantee. According to both the Congressional Budget Office and the Government Accountability Office, this calculation is very difficult to determine accurately and is likely to be underestimated, leaving U.S. taxpayers to bail out energy companies when they default.

Allowing CEDA to issue potentially unlimited loan guarantees on the basis of this speculative calculation flies in the face of good governance and accountability to the U.S. taxpayer. If the OMB subsidy calculation is off, even by a small amount, then the potential taxpayer exposure could be enormous, especially given the history of defaults and cost overruns associated with certain technologies. This will be especially true if the program authorizes large loans for multiple capital intensive projects requiring billions of dollars in credit support. If the purpose of the 21st Century Energy Technology Deployment Act is to promote the domestic development and deployment of innovative clean energy technologies with varying and ambiguous degrees of risk, then this is all the more reason to require compliance with FCRA, which was created to measure the cost of federal credit programs from a budgetary standpoint.

The 21st Century Energy Technology Deployment Act must also include a cap on the financial assistance that could be provided to any one technology. The diversity of technologies eligible for loan guarantees under the program means that less expensive and less risky technologies will be
competing for financial assistance with technologies that are highly capital intensive and inherently more risky. In order to have a truly diverse portfolio of clean energy technologies receiving support, there must be a limit on the amount of financial assistance that any one technology can receive. Absent a cap, the CEDA investment portfolio could become disproportionately weighted in favor of capital intensive technologies by virtue of the fact that they require more financing for deployment. Higher costs must not advantage one technology over another. The portfolio should be weighted accordingly to ensure balance, diversity and ensure that the cleanest, greenest and least risky technologies are brought on line first.

Finally, the legislation should include a true greenhouse gas metric that would ensure that funding priority will be given to those technologies that reduce the greatest amount of greenhouse gases, per dollar invested, in the shortest amount of time. Given that the role of CEDA is to facilitate the deployment of innovative energy technologies that will reduce carbon output and help our country combat climate change, a greenhouse gas metric should be the central criteria for determining how financial assistance is allocated. Putting a priority on those technologies that reduce the greatest amount of carbon emissions using the least amount of money in the shortest amount of time assures that we will be addressing the climate crisis in the most efficient, cost-effective manner while limiting financial risk to the U.S. taxpayer and putting people back to work in new green jobs as soon as possible.

We urge you to make changes to the CEDA bill that would protect U.S. taxpayers and prioritize the cleanest and most economical energy technologies.

Sincerely,

Alan Nogee, Program Director, Clean Energy Union of Concerned Scientists
Ken Bossong, Executive Director SUN DAY Campaign
Sara Barczak, Program Director, High Risk Southern Alliance for Clean Energy
Dave Hamilton, Director, Global Warming and Energy Program Sierra Club
Dan Becker, Director Safe Climate Campaign
Tyson Slocum, Director, Energy Program Public Citizen
Michele Boyd, Director, Safe Energy Program Physicians for Social Responsibility
Michael Mariotte, Executive Director Nuclear Information and Resource Service

Tiernan Sittenfeld, Legislative Director League of Conservation Voters
Jim Riccio, Nuclear Policy Analyst Greenpeace
Sandra Schubert, Director of Government Affairs Environmental Working Group
Carol Werner, Executive Director Environmental and Energy Study Institute
Anna Aurilio, Director, Washington DC Office Environment America
Lynn Thorp, National Campaigns Coordinator Clean Water Action

William J. Snape, III, Senior Counsel Center for Biological Diversity
Kevin Kamps, Radioactive Waste Watchdog Beyond Nuclear
Susan Gordon, Director Alliance for Nuclear Accountability