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Politics as usual in battle for DOE nuke loan guarantees

By Jay Hodgkins

Check and mate. [Southern Co.](#) played a fantastic game of political chess to [secure](#) its \$8.3 billion loan guarantee from the U.S. Department of Energy to build new nuclear generation at its [Vogtle](#) site.

Spectators can be jealous of the lobbying power of the good ol' boys from Georgia, but the fact is Southern got its ducks in a row by pitting a strong project with good state regulatory support to get [Vogtle 3 & 4](#) into the top spot on the DOE's list for an initial \$18.5 billion batch of loan guarantees. When President Barack Obama needed nuclear power to move his energy agenda more to the center, Southern struck gold.

Now the rest of the players in the field have to [play the game](#) of politics just right to get in on the action that many consider absolutely necessary for any nuclear project, particularly merchant projects, to move forward.

[South Texas Project 3 and 4](#), being developed by [NRG Energy Inc.](#) and [Toshiba Corp.](#) partnership [Nuclear Innovation North America LLC](#); [Calvert Cliffs 3](#), being developed by [Constellation Energy Group Inc.](#) and [EDF Group](#) partnership [UniStar Nuclear Energy LLC](#); and [V.C. Summer 2 & 3](#), being developed by [SCANA Corp.](#) and [South Carolina Public Service Authority](#), are still alive.

The rules of the game are complicated. First, Washington has to keep wanting new nuclear. That seems safe for now, as the Obama administration wants to use new nuclear as a carrot to lead Republicans to accept some of the Democrats' clean energy proposals in Congress.

But Washington wanting nuclear is not enough. Remaining candidates for the roughly \$10 billion of the first batch of loan guarantees have to make Washington want them. Coming in fourth gets you nothing, as sources close to the DOE negotiating process say the current authorized amount of loan guarantees will not extend to a fourth project.

Coming in third probably does the South Texas Project BWR and Calvert Cliffs projects no good either, as one source told SNL Energy those merchant projects need nearly full loan guarantees, and the DOE will likely only have enough in its guarantee coffers for two-and-a-half awards.

That makes finishing second pretty important.

As best as those close to the process can confirm, NINA and UniStar seem to be running essentially neck-and-neck for an award. Opinions on the position of the Summer expansion are broader, placing that project anywhere from No. 2 to a clear No. 4, with opinions leaning a little stronger to the latter. Of course, SCANA has said it does not need the loan guarantee to move forward with its project.

What any of those project developers will have to do to follow Southern's lead in winning an award is walk through the White House labyrinth.

Merely being the next favorite of the DOE is not enough. The Obama administration has to have a good reason to stick its neck out with a loan guarantee for a project using a technology that still makes many Americans at a minimum skeptical and at the extreme end afraid that 50-foot-tall ants are going to start walking around crushing their houses.

That extra step brings a lot of added complications to the process. The current administration is a Democratic one. To that extent, it is anyone's guess how important certain factors may be — factors such as some projects employing union labor much more heavily than others in the construction phase and, once they are operating, that Maryland is a blue state while Texas and South Carolina are red states, that some of the projects are tied to strong Japanese interests while others are tied to the French, or that Constellation is a member of the powerful Edison Electric Institute while NRG and SCANA are not.

Think such trivial items are overblown as factors in the decision-making process? To think otherwise, one need only look at the fact that Obama announced Southern's loan guarantee, not in Georgia where the Vogtle plant is located, but at an International Brotherhood of Electrical Workers training center in Maryland.

Beyond the political advantages of certain projects to a Democratic White House, the competing parties also seem to be playing each other to outmaneuver their projects into the money. The White House and DOE both want new nuclear projects to succeed, and there is little doubt that all of the remaining loan guarantee players are throwing their arms in the air, yelling "woe is me," and proclaiming their impending death every time the DOE suggests they might not get exactly what they want in terms of a full award.

By all accounts, the DOE is expected to announce its next loan guarantee award in the next six to eight weeks.

UniStar and NRG executives have both publicly expressed confidence that their projects will be named to receive loan guarantees in that six- to eight-week period, seeming to indicate they both think they are on deck following Southern's award. In fact, one source even indicated it is possible the South Texas Project and Calvert Cliffs expansion projects will be named loan guarantee recipients together in the next announcement.

There is still enough mystery around the so-called rankings that it is difficult to make a good guess as to who will be tabbed for the next big announcement. And with the political wrangling that will go on before any announcement, anyone who attempts to tell you who is getting the next award is reaching.

But, hey, at least that person would have a one-in-three chance of guessing right.