



May 26, 2021

The Honorable Ron Wyden
Chairman
U.S. Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510-6200

The Honorable Mike Crapo
Ranking Member
U.S. Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510-6200

Sent via e-mail

Dear Chairman Wyden and Ranking Member Crapo,

In recent weeks, the President and some Congressional leaders have advocated for action to preserve the existing domestic nuclear power plant fleet to prevent further closures and combat climate change.¹ Yesterday, an amendment to Chairman Wyden's Clean Energy for America Act was posted on the Senate Finance Committee website that would provide a Production Tax Credit (PTC) for existing nuclear facilities.² We appreciate the continued efforts of Congress and the Administration to find bipartisan solutions to address climate change. However, we believe that a more holistic market-based approach will lead to more sustainable solutions to ensuring that nuclear plants remain financially viable while also ensuring that there continues to be investment confidence for all resources needed to cost-effectively meet climate goals and maintain grid reliability.

We believe that market-based, technology-neutral mechanisms such as an economy-wide price on carbon will lead to an affordable, reliable, and increasingly clean U.S. power sector. A market that values low- and zero-emissions energy resources will provide all resources—including nuclear—the opportunity to compete to meet climate and emissions reduction goals, while improving efficiency and lowering consumer costs. Alternatively, we believe that policies such as a PTC are better suited to fostering the development of new technologies.

We do not oppose nuclear energy and believe nuclear will be part of the solution that helps us reach our clean energy goals. EPSA members own and operate competitive nuclear power generation resources. However, we believe any policy that would provide a PTC or Zero Emission Credit (ZEC) to existing nuclear resources is simply not a sustainable approach and fails to recognize the impacts such policy may have on other resources that are essential to meeting future emissions goals. PTCs are designed to encourage private investment in new technologies and have played a significant role in the development of wind generation in the United States. Such a policy risks derailing investment in new, clean energy resources needed to meet climate goals and maintain private investment in existing resources needed for grid

¹ <https://www.energy.senate.gov/services/files/FC01A8FF-FC8F-4FFA-A44E-C3D81CF00A2E>

² <https://www.finance.senate.gov/download/master-amendments-to-the-clean-energy-for-america-act>

reliability. By providing cash payments to legacy resources, private developers of new low- and zero-emissions resources are left with little to no incentive to invest in and build the resources necessary to reliably and affordably decarbonize the U.S. economy.

Should Congress or the administration pursue such a policy, subsidies should, at a minimum, be directed and limited to the facilities that need the support. Potential recipients must be required to demonstrate financial need before receiving any funding. Looking at the economic viability of existing nuclear resources seeking out-of-market payments at the state level shows that similar policies have led to bailouts that were not needed.³ In Ohio, one company refused to disclose financial information to prove need for the \$150 million in subsidies it was slated to receive each year.⁴ Following an extensive federal investigation and the resignation of the Speaker of the Ohio House of Representatives, the state legislature repealed the nuclear subsidy in early 2021.⁵ Taxpayers should not be burdened with potentially unnecessary costs associated with providing PTC credits to facilities for which they are unwarranted.

An independent assessment performed by Monitoring Analytics found that no nuclear units in the PJM region are at-risk of retirement.⁶ All but three of the 16 nuclear units in PJM are expected to be profitable in 2021 to the tune of tens to hundreds of millions of dollars. In the instances where nuclear resources are already receiving state subsidies, the payment boosted the profits on one already profitable plant to nearly \$280 million.⁷ While 2020 was a record low year for wholesale power prices due to the pandemic, real time prices are up over 50% relative to this time last year, likely providing additional market-based compensation to nuclear resources.⁸

These examples provide ample evidence to support a deep dive into the finances of any potential nuclear subsidy recipient to determine whether they are in a position of halting operations and closing prior to any allocation of any funding. One significant downside of a broadly available PTC approach is that it is unclear how need would be verified, opening the door to an unchecked stream of taxpayer dollars to nuclear resources.

These challenges could be avoided by pursuing a market-based, technology-neutral approach to address climate change. We encourage Congress and the administration to avoid a band-aid approach of broadly extending funding to existing nuclear resources at the expense of taxpayers and other resources competing in a competitive market. Such an approach would do little to progress America's efforts to sustainably address climate goals. We look forward to working

³ <https://www.politico.com/agenda/story/2019/04/23/nuclear-energy-climate-change-000893/>

⁴ <https://www.cleveland.com/open/2020/09/amid-debate-over-repealing-house-bill-6-energy-harbor-still-wont-say-whether-its-nuclear-plants-are-profitable.html>

⁵ <https://www.spglobal.com/platts/en/market-insights/latest-news/electric-power/040121-repealing-subsidies-to-2176-mw-of-ohio-nuclear-power-leaves-uncertainty>

⁶ https://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2020/2020-som-pjm-sec7.pdf, P 361.

⁷ https://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2021/2021q1-som-pjm-sec7.pdf, Table 7-22

⁸ https://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2021/2021q1-som-pjm-sec1.pdf, Table 1-1.

together to tackle these challenging issues to ensure there are comprehensive market-based approaches that help our nation meet its climate objectives.

Sincerely,



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The Electric Power Supply Association (EPSA) is the national trade association representing America's competitive power suppliers. EPSA members provide about 150,000 MW of reliable and competitively priced electricity from environmentally responsible facilities using a diverse mix of fuels and technologies including natural gas, wind, solar, hydropower, geothermal, storage, biomass, and coal. EPSA seeks to bring the benefits of competition to all power customers.