CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

August 16, 2011

Clean Energy Financing Act of 2011

As ordered reported by the Senate Committee on Energy and Natural Resources on July 14, 2011

SUMMARY

This legislation would establish the Clean Energy Deployment Administration (CEDA) within the Department of Energy (DOE) and authorize that new agency to provide various forms of financial assistance for clean energy projects developed by nonfederal entities. CEDA's financial liabilities would be limited to the amounts available in a newly created Clean Energy Investment Fund, which would consist of federal appropriations and income from certain fees. Finally, the bill would modify some of the terms and procedures governing DOE's Innovative Technology Loan Guarantee Program, which was established by title 17 of the Energy Policy Act of 2005.

CBO estimates that implementing this bill would cost $1.1 billion over the 2012-2016 period, assuming appropriation of the necessary amounts. Pay-as-you-go procedures apply to this legislation because it would affect net direct spending. However, CBO estimates that such net spending would be negligible over the 2012-2021 period. Enacting this bill would not affect revenues.

The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of this legislation is shown in the following table. The cost of this legislation falls within budget function 270 (energy).

	By Fiscal Year, in Millions of Dollars					
	2012	2013	2014	2015	2016	2012-2016
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	15	100	475	975	975	2,540
Estimated Outlays	13	50	150	350	550	1,113

BASIS OF ESTIMATE

For this estimate, CBO assumes that the legislation will be enacted near the end of fiscal year 2011 and the necessary amounts will be appropriated for each year. Outlays are estimated to occur at historical rates for similar activities.

Clean Energy Deployment Administration

This bill would expand the scope of federal financial assistance for clean energy projects relative to existing law. CEDA would be authorized to provide direct loans, loan guarantees, letters of credit, insurance, and other forms of credit enhancement for clean energy projects. Such assistance would be available for investments in the energy, transportation, manufacturing, commodities, residential, commercial, municipal, and other sectors of the economy. This assistance would supplement DOE's existing credit programs for energy and automotive projects that use advanced technologies and meet certain environmental emissions standards. Although the legislation would express a sense of the Senate that the initial funding for CEDA's activities should total $10 billion, the figures in this analysis reflect CBO's estimate of CEDA's likely obligations over the next five years.

CEDA's debt-related transactions would be subject to the Federal Credit Reform Act of 1990 (FCRA), which requires appropriations for subsidy costs in advance of commitments for direct loans and loan guarantees. Under that act, the subsidy cost is the estimated long-term cost to the government of the transactions (excluding administrative expenses), calculated on a present-value basis. CEDA's noncredit-related transactions probably would be recorded in the budget on a cash basis.

CBO expects that CEDA's activities would ramp up slowly because of the time needed to issue guidelines, solicit applications, and conduct the necessary financial and environmental assessments of potential projects. The amounts spent for subsidies and other forms of assistance would depend on several factors, including investment decisions made by nonfederal entities in response to market conditions. Based on federal and industry projections of capital spending over the next few years for renewable energy and other eligible sectors, CBO estimates that obligations for CEDA's administrative expenses and credit assistance would total about $2.5 billion over the 2012-2016 period, with outlays totaling about $1.1 billion by 2016. That estimate is similar in scale to the volume and cost of loans guaranteed by DOE for renewable energy and electric transmission projects under a temporary program funded by the American Recovery and Reinvestment Act (ARRA).[1]

Finally, the legislation would authorize CEDA to collect fees from firms participating in its financial assistance efforts to cover costs associated with its operations. Any fees collected for loans or loan guarantees would be deposited in the appropriate FCRA account and would be contingent on the enactment of appropriation laws authorizing that assistance. Fees assessed for noncredit activities would affect direct spending because they could be collected and spent without further appropriation action. CBO estimates that such fees would have a negligible effect on net direct spending over the 2012-2021 period because the income from the fees would be spent for program activities.

DOE's Title 17 Loan Guarantee Program.

Other provisions in this legislation would modify the eligibility criteria and administrative procedures governing DOE's existing title 17 loan guarantee program. CBO estimates that those changes would increase outlays by about $20 million over the 2012-2016 period.

Under this bill, DOE could guarantee debt for new segments of the nuclear power industry. Based on publicly available information, CBO estimates that the types of projects authorized by the bill—such as facilities to manufacture components of nuclear power plants and modular nuclear power plants—would cost hundreds of millions of dollars to build. While enacting this bill would significantly increase the volume of loans eligible for federal guarantees, CBO expects that most of that increase would occur after 2016 because of the long lead times associated with the construction of new nuclear power plants and the development of new technologies. For this estimate, CBO assumes that DOE would guarantee an additional $500 million over the next five years for newly eligible projects and that most of the outlays for the subsidy cost of the guarantees would occur after 2016.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. This legislation would affect direct spending, but CBO estimates that such effects would be negligible for each

1. As of August 11, 2011, DOE's title 17 loan guarantee program had given conditional or final approval to guarantees valued at about $19 billion under a three-year initiative funded by ARRA. According to the President's budget request for fiscal year 2012, the subsidy rates for most of those projects are projected to range from 10 percent to 15 percent, indicating that this credit assistance would cost about $2.4 billion if all of the projects are approved before the guarantee authority expires on September 30, 2011.

year and in total over the 2011-2021 period because fees collected under the bill would be spent, producing no net impact over time.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

The bill contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

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