

## **Testimony for the Record**

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The Nuclear Energy Institute<sup>1</sup> (NEI) appreciates the opportunity to provide testimony on the reauthorization of the Export-Import Bank of the United States (“Ex-Im Bank” or “the Bank”).

Ex-Im Bank is one of the most important tools available to promote U.S. nuclear energy exports to the large and growing global market. When a U.S. supplier wins a major nuclear power plant tender, it establishes relationships that can endure for decades through the supply of fuel, equipment and services.

Beyond their substantial benefits to U.S. exports and job creation, U.S. nuclear exports promote nuclear safety, security and nonproliferation. Further, they enable U.S. partners to protect their energy security interests through diversification of energy technologies and supply relationships.

With Ex-Im Bank support, U.S. nuclear energy suppliers can compete for and win key international nuclear energy tenders, and advance these multiple U.S. national interests. Accordingly, we strongly support the swift reauthorization of Ex-Im Bank that ensures its long-term viability with a sufficient lending cap that enables strategic nuclear energy exports to proceed.

### **U.S. Nuclear Exports Promote Multiple National Interests**

U.S. commercial nuclear exports provide the United States with substantial influence over other nations’ nonproliferation policies and practices, and help to ensure the highest possible levels of nuclear power plant safety and reliability around the world. U.S. commercial nuclear exports also maintain U.S. leadership in nuclear energy technology and support the U.S. manufacturing base.

Nuclear energy supply arrangements enable the United States to promote the energy security interests of its partners through diversification of technologies and suppliers. Overreliance on Russian energy supply, in particular, has proved to be a significant energy security risk for certain U.S. partners in Europe. Russia’s growing presence in the global nuclear energy market poses a similar risk to Russia’s dominance in oil and gas markets.

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<sup>1</sup> NEI is responsible for establishing nuclear industry policy on matters affecting the nuclear energy industry, including regulatory, financial, technical and legislative issues. NEI members include all companies licensed to operate commercial nuclear power plants in the United States, nuclear plant designers, engineering/construction firms, fuel cycle facilities, and other organizations and individuals involved in the nuclear energy industry.

Russia has made a strategic priority of capturing a larger share of the global nuclear energy market.<sup>2</sup> With a target of 70 percent growth in nuclear energy exports by 2020, Russia aims to increase export revenue while also strengthening its overall position as an energy supplier.<sup>3</sup> Russia uses its supply of nuclear energy, like its supply of oil and gas, to ensure long-term relationships with the countries that rely on it. Even without financing, Rosatom, Russia's state-owned nuclear supplier, has multiple advantages over U.S. nuclear companies – including consolidated supply of all nuclear technology, equipment and services, and the ability to take back used fuel. Rosatom is currently building 13 reactors around the world.<sup>4</sup>

Ukraine provides a vivid example of the market power that Russia can achieve in the energy market – and not just as a supplier of natural gas. Russia has also supplied Ukraine with virtually all of the fuel and services required by its fleet of 15 Russian-designed nuclear power plants. These plants generate about half of Ukraine's power, with the balance generated mostly using Russian gas.

Russia is aggressively seeking to expand its nuclear supply within Europe and worldwide. Recent nuclear energy deals with Hungary and Finland will increase the influence that Russia already wields as a result of its supply of natural gas to those nations. Nuclear supply arrangements that Russia is pursuing with the United Kingdom and the Czech Republic would do the same. Outside Europe, Russia is aggressively seeking to extend its influence through nuclear supply to the strategically important regions of Asia (two plants on order in Vietnam) and the Near and Middle East (one plant planned in Jordan, two plants on order in Turkey).

### **U.S. Nuclear Energy Suppliers Compete Against Nations**

U.S. suppliers of nuclear technology, equipment and services compete against a growing number of foreign firms – many of which are state-owned and benefit from various forms of state support. All foreign nuclear energy competitors are backed by national export credit agencies or other state financing.

On a level playing field, U.S. nuclear energy suppliers can compete and win. Advanced U.S. reactor technology, world-leading U.S. operational expertise, and broader partnership with the United States in nuclear energy have strong appeal to international nuclear energy customers.

U.S. nuclear suppliers cannot succeed in international markets if the United States is perceived as an unreliable supplier. Nuclear energy projects typically require years to mature. Uncertainty about the ability of U.S. suppliers to provide competitive financing for nuclear energy projects can be fatal to U.S. competitiveness.

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<sup>2</sup> Hannah Thorburn, "Russia building nuclear reactors – and influence – around the globe," Reuters, April 29, 2015, <http://blogs.reuters.com/great-debate/2015/04/28/russia-building-nuclear-reactors-and-influence-around-the-globe/>; Javier E. David, "The Real Front in U.S.-Russia 'Cold War': Nuclear Power," CNBC, March 23, 2014, <http://www.cnbc.com/id/101507755>.

<sup>3</sup> "Nuclear Power in Russia," World Nuclear Association, April 2015, <http://www.world-nuclear.org/info/Country-Profiles/Countries-O-S/Russia--Nuclear-Power/>.

<sup>4</sup> Nuclear Power Plants Under Construction in Foreign Countries, Rosatom, May 2015, [http://www.rosatom.ru/en/areas\\_of\\_activity/npp\\_design\\_engineering\\_construction/npps\\_under\\_construction\\_in\\_foreign\\_countries/](http://www.rosatom.ru/en/areas_of_activity/npp_design_engineering_construction/npps_under_construction_in_foreign_countries/).

## **Prospective U.S. Nuclear Exports Require a Robust Ex-Im Bank**

Today, there are 66 new nuclear power plants under construction worldwide, of which only five are under construction in the United States. An additional 165 plants are in the licensing and advanced planning stages. Virtually all of these plants will be built abroad, where the demand for reliable, affordable and clean baseload electricity is growing.

Although many of the 165 planned reactors will be constructed in markets that are closed to U.S. exports or that may not require export credit agency support, Ex-Im support will play a pivotal role in key markets. Over the next decade, exports of up to 15 new nuclear plants could hinge on the availability of Ex-Im Bank products. At roughly \$3 billion to \$5 billion per plant, the projects represent a potential \$45 billion to \$75 billion in U.S. exports in need of Ex-Im Bank support. Four nuclear power projects – including up to seven plants – are already in Ex-Im Bank’s project pipeline. These projects represent \$21 billion to \$35 billion in potential business that could become committed orders within the next 2-3 years. The Department of Commerce is currently managing 49 active nuclear energy trade advocacy campaigns in 22 markets around the world. These campaigns range in value from \$1 million to \$25 billion and cover everything from site selection consulting services to complete reactor construction. The total value of the nuclear energy campaigns under management is \$234 billion, with \$62 billion in U.S. export content. If U.S. companies achieve a modest share of this market, they will contribute billions of dollars to U.S. exports and support tens of thousands of high-paying American jobs.

## **Export Credit Agencies Play an Essential Role in Financing Nuclear Power**

For multiple reasons, export credit agency support is critical in the global nuclear energy market.

- Export credit agency support is almost always a bidding requirement for international nuclear power plant tenders. Ex-Im Bank is therefore vital to the success of U.S. exports even in cases where the customer ultimately elects not to use Ex-Im financing. Without Ex-Im Bank, U.S. commercial nuclear suppliers would suffer a major competitive disadvantage or be excluded for failure to meet tender requirements.
- In the emerging markets where commercial nuclear energy opportunities are concentrated – such as Brazil, India and Vietnam – capital markets are not developed. This makes competitive financing from a foreign export credit agency vital.
- Participation of Ex-Im Bank enables commercial lenders to assume a role in financing nuclear power plants that they would not otherwise accept. Risk in nuclear power plant finance is typically low. But commercial lenders are averse to financing nuclear power projects for regulatory reasons – specifically, the higher capital requirements mandated under the Basel III accord.

Through leverage provided by Ex-Im Bank, the United States has successfully imposed discipline on other export credit agencies in multiple business sectors, including nuclear energy. Under the Nuclear Sector Understanding of the Organization for Economic Cooperation and Development (OECD), export credit financing terms and trade-related aid in the nuclear energy

sector must conform to agreed limits.<sup>5</sup> If the United States shuts down the Bank, it would lose its greatest source of leverage for disciplining the 59 export credit agencies operating worldwide.

### **The Loss of a Robust Ex-Im Bank Would Endanger Nuclear Exports, Thousands of Jobs, and Broader U.S. National Interests**

We recommend that the Committee approve long-term reauthorization of Ex-Im Bank. We understand from our member companies that foreign competitors are already using uncertainty over Ex-Im Bank's future as reasons not to buy from the United States. Short-term authorizations have played into this uncertainty about the Bank's reliability, to the detriment of U.S. competitiveness.

We would also recommend that, as the Committee considers reforms to the Bank, it pursue only measures that would enhance the Bank's operations and usefulness to U.S. exporters. This means ensuring that the Bank will be able to provide financing for multiple, multi-billion-dollar nuclear power projects if U.S. suppliers succeed on the tenders. More generally, the Bank should be made more competitive with other export credit agencies. Initiatives that would impair Ex-Im Bank's ability to support increased U.S. exports and American jobs would not be "reforms."

A strong and reliable Ex-Im Bank will enable U.S. nuclear energy suppliers to compete for and win international nuclear energy tenders, add billions of dollars of U.S. exports and tens of thousands of American jobs, and promote other U.S. national interests. For these reasons, we would appreciate your support for a long-term reauthorization of Ex-Im Bank.



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<sup>5</sup> Notably absent from the discipline of the OECD are China and Russia. Russia has used aggressive financing terms, utilizing funds from the Russian treasury rather than an export credit agency, to increase its share of the global nuclear energy market. According to reports, Russia is providing 85% of the financing for the completion of two plants in Ukraine, and 85% of the financing for two plants in Vietnam. Hungary cited below-market interest rates for its recent award to Rosatom of a \$13.5-billion tender for two new nuclear plants – the largest construction deal in Hungary's post-communist history. See "Hungary, Russia agree on financing deal for nuclear plant," Reuters, February 5, 2014, <http://www.reuters.com/article/2014/02/05/hungary-nuclear-financing-idUSL5N0LA4DJ20140205>.