



IMPLEMENTING PRESIDENT TRUMP'S ENERGY DOMINANCE AGENDA:

Past and Future Role of the Loan Programs Office

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Implementing President Trump's Energy Dominance Agenda: Past and Future Role Of The Loan Programs Office

American Council for Capital Formation Center for Policy Research¹

EXECUTIVE SUMMARY

As the U.S. navigates the first 100 days of the new Administration, there has been an unprecedented tectonic shift in economic policymaking from domestic to international issues. With the goal of reshaping the U.S. economy into a manufacturing powerhouse, the Administration started putting policies in place to encourage creation and onshoring of the manufacturing industry. Secure and abundant energy is an integral part of the puzzle of creating a competitive manufacturing sector and key theme in the flurry of executive orders issued so far.

The Loan Programs Office (LPO) at the Department of Energy, which has been an integral part of advancing new technologies in the U.S. since 2005, can be a helpful complement to the Administration's goal of creating energy dominance. The Office, which manages loan guarantees for the Department, was born out of the economic and energy necessities of the early 2000s: Rising energy prices, growing dependence on foreign oil, and concerns about energy security mobilized a government-wide effort to increase domestic energy production, while also promoting energy efficiency through various incentives and regulations, at the same time balancing environmental goals and economic growth.

The focus of LPO is to help commercialize new energy technologies by providing access to capital that is not readily available in the private marketplace. Their focus has evolved over time with changing economic realities and the political goals of various Administrations.

The DOE administers four direct loan and loan guarantee programs through LPO:

- The Innovative Energy Loan Guarantee Program (Title 17): This program provides loan guarantees for eligible innovative technologies that are not yet commercially available, such as renewable energy systems, advanced fossil energy technologies, advanced nuclear technologies, and many others.
- *Innovative Energy (1703)*: Support for new or significantly improved technologies.
- *Innovative Supply Chain (1703)*: Financing for projects that employ new or significantly Improved Technology in the manufacturing process for a qualifying clean energy technology or for projects that manufacture a new or significantly improved technology.
- *State Energy Financing Institution (SEFI)-Supported (1703)*: Financing for projects that support deployment of qualifying clean energy technology and receive meaningful financial support or credit enhancements from an entity within a state agency or financing authority.
- *Energy Infrastructure Reinvestment (1706)*: Financing for projects that re-tool, repower, repurpose, or replace energy infrastructure, that has ceased

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operations or upgrade operating energy infrastructure to avoid, reduce, utilize, or sequester air pollutants or greenhouse gas emissions.

- The Tribal Energy Loan Guarantee Program: Federally recognized Indian tribes or Alaska Native Corporations are eligible for these guarantees to develop energy including drilling, mining, or refining fossil fuel energy, transmission infrastructure and energy storage, as well as production of renewable energy.
- The Advanced Technology Vehicles Manufacturing Loan Program (ATVM): This program was established to raise U.S. fuel economy standards and encourage domestic production of fuel-efficient cars.
- Carbon Dioxide Transportation Infrastructure Finance and Innovation Program (CIFIA): This program, established under the Bipartisan Infrastructure Law (BIL) in 2021, is designed to set up and finance a carbon dioxide transportation infrastructure.

According to LPO, as of December 2024, the office has issued loan and loan guarantees of \$69 billion, consisting of innovative clean energy projects and advanced technology vehicle manufacturing facilities across the United States.

The office has been fairly broad in funding a variety of energy technologies, despite the perception that it has focused on renewable energy. These projects have ranged from restarting a nuclear power plant ([Holtec Palisades](#)) to address baseload power to broadening the U.S. manufacturing base in batteries and lithium processing, as well as deploying strategic scale backbone transmission infrastructure ([Grain Belt Express](#)) to strengthen grid reliability and security. According to financial data provided by the Office:

- Over the life of the program, LPO-supported projects created over 47,300 permanent jobs and produced over 127 million MWh of energy, equivalent to powering 11 million houses.
- The Program generates a net revenue for the U.S. Treasury: During fiscal year 2023, \$556 million in principal and an additional \$484 million in interest payments were received. Principal repayments over the portfolio's lifetime totaled \$14.3 billion, representing 43% of total funds disbursed, while interest payments totaled an additional \$4.9 billion over the portfolio's lifetime.
- At the end of 2024, the interest payment of \$5.6 billion was more than 5 times higher than the actual and estimated loss of \$1.03 billion, creating \$4 billion plus net gain for the U.S. taxpayer.

In today's U.S. economy, the track record of the LPO indicates that the program can be critical in achieving important energy and manufacturing goals, such as:

- Accelerating new technologies in energy deployment.
- Supporting domestic energy manufacturing by increasing energy and supply chain projects in the country, building a reliable domestic energy workforce, and ultimately increasing American supply chain competitiveness.
- Helping emerging energy technologies create affordable energy and make it achievable for workers, consumers, and communities.
- Unlocking private sector investment in energy and manufacturing by demonstrating the viability of new technologies and financing structures.

- Strengthening critical materials supply chains which represent the key input for many advanced manufacturing products.

A significant number of the Administration's Executive Orders target various aspects of these goals. And the LPO can be a great policy tool:

- Use LPO to set the country's energy infrastructure on a sustainable path to meet energy demand.
- Use LPO to gain a competitive advantage in international trade in advanced technologies.
- Use LPO to mobilize private investment in critical energy infrastructure.
- Use LPO strategically with other policy tools to increase its effectiveness.
- Use LPO to upgrade and restart existing infrastructure to strengthen the nation's grid.

The new Administration took over many conditional loan commitments. Given the rigorous approval process, if the loans meet the conditions, final approval should be given to greenlight these projects. However, recent budget and staffing cuts at the agency level could negatively impact this process. A careful approach to these cuts should consider how energy security and dominance might be impacted. Considering the staffing and resource shortages at DOE, difficult choices need to be made to prioritize project approvals. An efficient approach could be prioritizing the approvals of the projects under section 1703, based on the core mission of LPO. Such an approach could be tremendously helpful in decreasing the uncertainty in markets and in speeding up the needed work in energy markets to increase abundance, affordability and security.

The Administration should avoid repeating the mistakes of past LPO eras where politically favored investment led to poor loan performance (Solyndra) and partisan criticism of LPO's mission. Applying a "favored-technology litmus test" to frozen funding would be a mistake. Instead, LPO should evaluate projects based on their outcome, impact, and confidence of repayment.

INTRODUCTION

Currently, the Administration is looking at various tools in its policy toolbox to increase domestic energy production. While certain sources of energy might be favored in this, a prudent approach would be to create an energy portfolio diverse enough that it can withstand long-term policy challenges and provide certainty of secure and abundant energy for the country's economic needs. This approach will require not only re-upping and building existing technologies but also helping advanced technologies to commercialize. In addition, increased energy production can help negate any potential increase in prices caused by tariff increases and help U.S. consumers to maintain their standard of living.

The Loan Programs Office (LPO) at the Department of Energy, which has been an integral part of advancing new technologies (even though used sporadically) in the U.S. since 2005, can be a helpful complement to the Administration's goal of creating energy dominance. This short white paper first gives a brief history of the LPO and discusses its track record over the past 20 years. It then considers how LPO could be a successful component of the overall U.S. energy policy based on the currently announced goals of the Administration.

Aligning Energy, Economic, & National Security – A Brief History of the Loan Programs Office and Loan Guarantees Programs

Loan guarantees—described as “a loan or security on which the federal government has removed or reduced a lender's risk by pledging to repay principal and interest in case of default by the borrower”²—aren't a new concept in U.S. policymaking. In fact, loan guarantees have long

been a part of U.S. policy and have been used for different purposes and goals, on many occasions addressing bipartisan concerns in the economy. For example, the Home Owners' Loan Corporation (HOLC) was established as part of the Roosevelt Administration's 100-day initiatives. HOLC's goal was to protect “small home owners from foreclosure and to relieve them of a portion of the burden of excessive interest and principal payments incurred during a period of higher values and higher earning power.”³ Today, the U.S. government provides loan guarantees ranging from small business loans to encourage entrepreneurship to mortgages via different government agencies.⁴

But ultimately these loans aim to mobilize targeted private investments in important segments of the American economy such as infrastructure, housing and domestic food supply chains.⁵

In the energy field, the history of loan guarantees goes back to the early 1970s and their use to demonstrate alternative energy technologies. For example, the Department of Energy Act of 1978 authorized the Secretary of Energy to guarantee loans for alternative fuel demonstration facilities. These types of loan guarantees for energy projects were different than previous ones—like student borrowers or low-income house support—because they represented only a small number of borrowers, and the risks could not be pooled across large groups via insurance fees. These new types of loan guarantees also came with their own set of questions, regarding their costs and effectiveness. Some proponents underlined the low budgetary cost of these loans and their minimal federal intervention, since the government was not altering the deci-

² Congressional Budget Office, “[Loan Guarantees: Current Concerns and Alternatives for Control](#),” August 1978.

³ George Selgin, “[The New Deal and Recovery, Part 28: A New Deal for Housing](#),” April 12, 2023, Cato Institute.

⁴ For current government obligations and details, see [Estimates of the Cost of Federal Credit Programs in 2024](#), Congressional Budget Office, August 2023.

⁵ Kyle Peterdy and Jeff Schmidt, “[Government Guarantee](#),” Corporate Finance Institute.

sion-making process for lenders and borrowers in the economy.⁶ Opponents, however, argued that the apparent low-cost of these programs could lead to the undertaking of projects that would otherwise not be realized. But, despite some pushback, the energy price shock of 1979 further mobilized the use of these loans for creating the synthetic fuels industry and they were also used for alcohol fuel projects.⁷

LPO: Supporting Private Energy Investment

LPO, Federal Support for Private Energy Infrastructure Investment

The Loan Programs Office (LPO) of the United States Department of Energy (DOE), which manages loan guarantees for the Department, was also born out of the economic and energy necessities of the era. In the early 2000s, rising energy prices, growing dependence on foreign oil, and concerns about energy security mobilized a government-wide effort to (1) increase domestic energy production, (2) promote energy efficiency through various incentives and regulations, and (3) balance environmental goals and economic growth. In fact, the National Energy Policy Development Group that was established by President George W. Bush in 2001 released a comprehensive report to set a “long-term strategy that uses leading-edge technology to produce an integrated energy, environmental and economic policy.”⁸ These efforts ultimately led to the Energy Policy Act of 2005, signed into law by President Bush, to “ensure jobs for our future with secure, affordable and reliable energy.”⁹

The LPO was established in 2005 with the goal of accelerating the development and deployment

of new energy technologies through financial support for large-scale infrastructure projects. In 2009, Congress passed the American Recovery and Reinvestment Act, which created a temporary loan guarantee program for the deployment of clean energy technologies, significantly expanding the types of projects that qualify for the program. This pushed beyond the original goal of LPO but at the same time increased the economic reach of the program.

The focus of LPO is to help commercialize these new technologies by providing access to capital that is not readily available in the private marketplace. Its focus evolved over time with the changing economic realities and political goals of the Administrations. For example, the Inflation Reduction Act (IRA) of 2022 expanded the types of projects eligible for financing and increased LPO’s lending authority to support the Administration’s goals at the time, which mainly focused on clean energy, domestic job creation and domestic manufacturing goals.¹⁰

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- **The Innovative Energy Loan Guarantee Program (Title 17):** This program provides loan guarantees for eligible innovative technologies that are not yet commercially available, such as renewable energy systems, advanced fossil energy technologies, advanced nuclear technologies, and many others. To qualify for these loans, applicants should demonstrate that their projects decrease their environmental footprint by avoiding, reducing, or sequestering air pollutants or greenhouse gas emissions and that they

⁶ CBO, 1978.

⁷ Congressional Research Service, “[Loan Guarantees for Clean Energy Technologies: Goals, Concerns, and Policy Options](#),” January 17, 2012.

⁸ National Energy Policy Development Group, “[National Energy Policy](#),” May 2001.

⁹ [Energy Policy Act of 2005](#).

¹⁰ Department of Energy, “[Transforming Clean Energy Financing and Supply Chains in the United States: LPO One Year After the IRA](#),” August 16, 2023.

use new and improved technologies. Specifically, the Title 17 program supports:¹¹

- *Innovative Energy (1703)*: Financing for new or significantly improved technologies.
- *Innovative Supply Chain (1703)*: Financing for projects that employ new or significantly improved technology in the manufacturing process for a qualifying clean energy technology or for projects that manufacture a new or significantly improved technology.
- *State Energy Financing Institution (SEFI)-Supported (1703)*: Financing for projects that support deployment of qualifying clean energy technology and receive meaningful financial support or credit enhancements from an entity within a state agency or financing authority.
- *Energy Infrastructure Reinvestment (1706)*: Financing for projects that retool, repower, repurpose, or replace energy infrastructure that has ceased operations or to upgrade operating energy infrastructure to avoid, reduce, utilize, or sequester air pollutants or greenhouse gas emissions.

- **The Tribal Energy Loan Guarantee Program:** Federally recognized Indian tribe or Alaska Native Corporations are eligible for these guarantees to develop energy including drilling, mining, or refining fossil fuel energy, transmission infrastructure and energy storage, as well as production of renewable energy.
- **The Advanced Technology Vehicles Manufacturing Loan Program (ATVM):** This program was established to raise U.S. fuel economy standards and encourage domestic production of fuel-efficient cars.
- **The Carbon Dioxide Transportation Infrastructure Finance and Innovation Program (CIFIA):** This program, established under the Bipartisan Infrastructure Law (BIL) in 2021, is designed to set up and carry out a carbon dioxide transportation infrastructure finance and innovation program.

According to LPO, as of December 2024, the office has issued loan and loan guarantees of \$69 billion, consisting of innovative clean energy projects and advanced technology vehicle manufacturing facilities across the United States.¹² **Table 1** summarizes the composition of the \$69 billion. Out of this \$69 billion, \$40.5 billion was disbursed.

Table 1. LPO Portfolio Performance Summary as of 12/31/24	
Loan and Loan guarantees issued	\$69.0 billion
Conditional commitments	\$41.2 billion
Amount disbursed	\$40.5 billion
Principal Repaid	\$15.2 billion
Interest Paid	\$5.6 billion
Actual and Estimated Losses	\$1.03 billion
Actual and Estimated Losses as % of Total Disbursement	3.00%

Source: U.S. Department of Energy, "[LPO Portfolio](#)"

¹¹ Loan Programs Office, "[Annual Portfolio Status Report](#)," Fiscal Year 2023.
¹² Department of Energy, "[Loan Guarantees for Projects that Employ Innovative Technologies](#)."

During the last days of the Biden Presidency, the office finalized another \$16 billion worth of three projects and made four new conditional commitments.¹³ Overall, LPO maintains a current portfolio of almost \$100 billion in closed loans and monitors the construction and operations of these projects.¹⁴

LPO Over the Years: Success Story or Failure

The mission, vision, and reach of LPO has been shaped by various Administrations over the years. In its early foundation, under Title 17 of the Energy Policy Act of 2005, the office aimed to offer loan guarantees for new technologies to reduce pollution—predominantly in electricity generation—that were controlled by strict parameters, such as offering loan guarantees for projects that have fewer than three commercial implementations.¹⁵ The reasoning behind government support was the assumption that securing funding for advanced energy projects could be difficult due to inherent risks associated with new technologies. Enough funding was also necessary to bridge the gap between development of new projects and the commercialization stage. There was also no incentive for the private sector to follow clean energy innovations due to a lack of policies that targeted externalities related to pollution. The heavy upfront capital investment requirement in electricity generation put new technologies at a significant disadvantage vis-a-vis existing technologies and the loan guarantees aimed to lessen some of that risk by providing favorable rates for borrowers. Ultimately, these guarantees turned into credit subsidies for the borrowers.

Initially, there was no appropriation provided by Congress to cover the credit subsidy costs of loan guarantees and the borrowers were required to pay various fees to cover the costs of their own projects in addition to interest expenses.

Under these terms, the program remained obscure and failed to attract borrowers.

However, the American Recovery and Reinvestment Act (ARRA) of 2009, that was enacted to address the economic turmoil of the Great Recession, changed the dynamics. Title 17 was amended with the introduction of section 1705, that stipulated that DOE could guarantee loans for projects using existing commercial technologies. ARRA also provided \$2.5 billion to cover the cost of credit subsidies, which was equivalent to supporting \$18 billion in loan guarantees, according to DOE calculations. With this temporary injection of money and expansion of the program's reach, LPO increased its footprint in innovation and economic/environmental policy. Unfortunately, the program's expansion coincided with the political realities of the day: President Obama's goals of economic growth through clean energy and "green job" creation, has put the office and loan guarantees in the spotlight. Many saw the program as politicized, favoring the industries that the Administration preferred. The bankruptcy of the first company that received a loan guarantee under ARRA—Solyndra, on September 2nd, 2011—dominated the news cycle at the time and raised questions about the program. A staff report of the Committee on Oversight and Government Reform dubbed the whole experience as "evidence of the folly of subsidizing green energy combined with the folly of politicians hand-picking winners and losers in the market."¹⁷

Despite the negative press surrounding the Solyndra bankruptcy, there were also success stories highlighted by new energy sources and advanced vehicles breaking into the commercial market. In some cases, the lead of LPO mobilized the private sector as intended, reducing risk for innovative technologies and creating a financing model that could be adopted by the

¹³ Maeve Allsup, "[On its last day, LPO finalizes more than \\$16 billion in loans.](#)" January 17, 2025.

¹⁴ Loan Programs Office, "[LPO Year in Review 2024.](#)" January 17, 2025.

¹⁵ Department of Energy, "[Loan Guarantees for Projects that Employ Innovative Technologies.](#)"

¹⁶ Government Accountability Office, "[DOE Loan Programs: Information on Implementation of GAO Recommendations and Program Costs.](#)" March 3, 2016.

¹⁷ U.S. House of Representatives Committee on Oversight and Government Reform, "[How Obama's Green Energy Agenda is Killing Jobs.](#)" September 22, 2011, pg. 5.

private sector. In 2011, LPO provided loan guarantees to the first five utility scale solar projects over 100 MW in capacity, which was followed by 45 major solar projects of 100 MW capacity or more by 2016—all privately financed—resulting in a 531% increase in installed capacity.¹⁸ The support for advanced vehicles at this time period also “jump started” the industry. A \$465 million loan to Tesla in 2010 was used to re-open an automotive manufacturing plant in California to produce battery packs, electronic motors and other components, creating 1,500 full-time jobs at the time.¹⁹ A \$1.4 billion loan to Nissan, which was used to retool Nissan’s Tennessee plants to onshore the manufacture of electric vehicles, helped create 1,300 full-time jobs.²⁰

LPO was also instrumental in jumpstarting the nuclear industry through \$8.33 billion in loan guarantees for the construction and operation of two new, innovative 1,100 MW nuclear reactors at Georgia’s Plant Vogtle in February 2010.²¹ This first new nuclear power plant construction in the U.S. after a 30-year hiatus had its challenges due to its unique size and a dormant industry that became stagnant in domestic supply chains and required a skilled workforce. But the continuous support of the DOE in the field not only helped the Vogtle project but also mobilized the development and manufacture of advanced nuclear technologies.

However, the surge of project applications and approvals came to a halt at the end of 2011, since ARRA included a deadline to issue loans and loan guarantees by the end of that year. According to experts, “the lack of clarity in eligibility criteria and complicated application processes deterred many prospective borrowers, despite the draw of low interest rates.”²² During the first Trump Presidency, the Administration’s budget requests continuously asked for elimination of the program, creating uncertainty for potential

borrowers. The only exception was a new loan guarantee commitment to the Vogtle nuclear plant in the amount of \$3.7 billion on September 29, 2017, showing the importance of the project across Presidential Administrations.

The dormant program became active again after the signing of the Energy Act of 2020. The Act reformed the program, taking into account ongoing demands to increase transparency and efficiency. Specifically, the Act:²³

- Deferred collection of certain fees for loan applicants,
- Expanded eligibility to include innovative projects that could also employ elements of established commercial technologies,
- Clarified eligibility of projects involving nuclear supply chains, carbon management, and energy storage, and
- Created a process to obtain written analyses of the financial terms and conditions of any proposed loan in coordination with the U.S. Department of Treasury.

The Infrastructure Investment and Jobs Act (also known as the Bipartisan Infrastructure Law), that was signed into law on November 15, 2021, with the aim of repairing and modernizing the nation’s infrastructure, introduced further improvements in the LPO program by:²⁴

- Formalizing evaluation criteria for the reasonable prospect of repayment as a condition of loan approval,
- Codifying established LPO practices to ensure that political influence does not impact project selection, and

¹⁸ Energy Futures Initiative, “[Leveraging the DOE Loan Program](#),” March 2018.

¹⁹ Ibid.

²⁰ Loan Programs Office, Nissan Project Summary.

²¹ Loan Programs Office, “How the Loan Programs Office and Plant Vogtle are Shaping the Energy Transition through Nuclear Technology,” October 28, 2022.

²² Third Way, “How to Unleash the LPO’s True Potential,” July 27, 2021.

²³ Loan Programs Office, “Getting to Know LPO: Energy Act of 2020, BIL Implementation,” November 10, 2022.

²⁴ Ibid

- Strengthening reporting requirements on LPO project metrics, such as types of technologies supported, jobs created, and estimates of emissions avoided.

These reforms—which improved program predictability and efficiency for borrowers while strengthening taxpayer protections—have often been overshadowed by an increase in loan authority²⁵ enacted in the Inflation Reduction Act of 2022. Although this expansion spurred a significant uptake in LPO projects during the Biden Administration, it was controversial and led to accusations the program was straying from its original mission, which we discuss in more detail later.

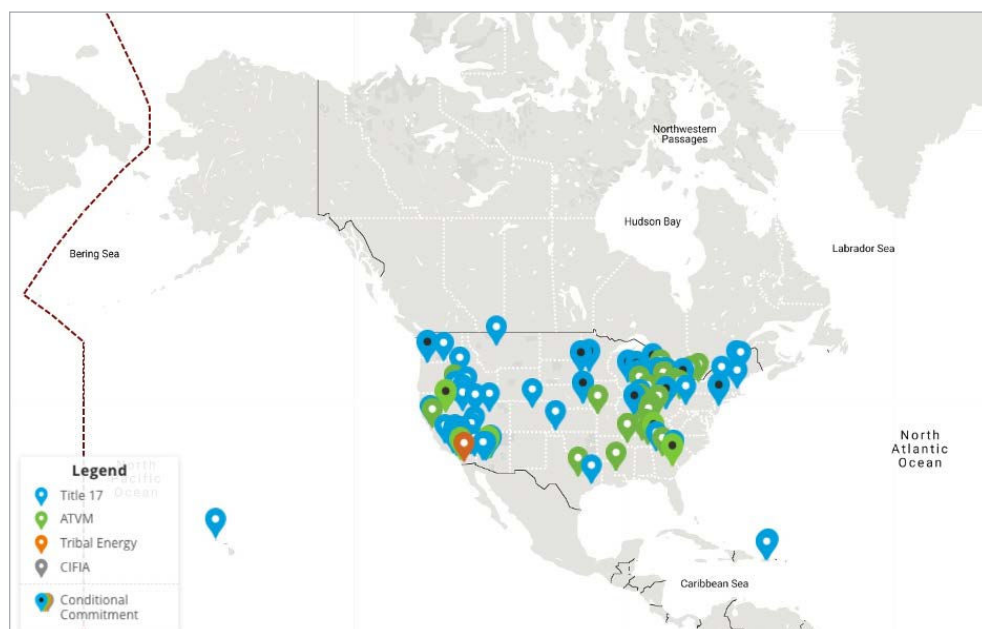
Assessing LPO’s Portfolio: Broad Funding - Substantial ROI to Taxpayers

LPO has announced 53 deals totaling approximately \$107.6 billion in committed project investment—approximately \$47.0 billion for 28 active conditional commitments and approximately \$60.6 billion for 25 closed loans and loan guarantees.²⁶

The office has been fairly broad in funding a variety of energy technologies, despite a perception of a focus on renewable energy. These projects ranged from restarting a nuclear power plant ([Holtec Palisades](#)) to address baseload power, to broadening the U.S. manufacturing base in batteries and lithium processing, as well as deploying strategic scale backbone transmission infrastructure ([Grain Belt Express](#)) to strengthen grid reliability and security. **Figure 1** shows the current portfolio of projects in approximately 90 locations with a total financing amount of \$137.4 billion.

LPO’s statistics for 2024 also provide details regarding the economic impact of the cumulative LPO program: Over the life of the program, LPO-supported projects created more than 47,300 permanent jobs and produced over 127 million MWh of energy, equivalent to powering 11 million houses.²⁷ Another interesting data point is the loan repayment and interest revenue for the U.S. Treasury: During fiscal year 2023, \$556 million in principal and an additional \$484 million in interest payments were received. While

Figure 1. Projects in LPO Portfolio



Source: LPO, [Portfolio Projects](#)*. *Website also highlights details regarding the individual projects.

²⁵ Approximately \$11.7 billion is appropriated for LPO programs to support issuing new loans under IRA. This expands LPO’s existing loan programs by approximately \$100 billion in new loan authority. The Act also added a new program to repurpose energy infrastructure that has ceased operations or are still operating. For more information, see [Inflation Reduction Act of 2022](#).

²⁶ [LPO](#), January 2025.

²⁷ Loan Programs Office, [LPO Portfolio Performance Summary as of 12/31/24](#).

principal repayments over the portfolio's lifetime²⁸ totaled \$14.3 billion, representing 43% of total funds disbursed, interest payments totaled an additional \$4.9 billion over the portfolio's lifetime. In addition, the data in **Table 1** shows that at the end of 2024, the interest payment of \$5.6 billion was more than five times higher than the actual and estimated loss of \$1.03 billion, creating a more than \$4 billion net gain for the U.S. taxpayer. While these point to the positive direct impact of the program on the U.S. Treasury, the 3% loss rate is also comparable to the loss rate of commercial banks. The low loss rate can be lowered even further by ensuring that the program focuses on commercializing critical technologies and prioritizing impacts and outcomes, rather than primarily funding specific, politically favored investments.

Critiques of LPO: How to Improve the Program?

Despite reforms and renewed momentum under the Biden Administration, the Loan Programs Office (LPO) still suffers from critical administrative shortcomings—issues that have been flagged by experts and confirmed by the Department of Energy's inspector general. These failures can be resolved and should be addressed without delay.

There is also political division over the fate of the program: While some policymakers would like to get rid of the program altogether, others would like to reform it to see its financing provide support to a larger swath of energy sources in a more technology agnostic manner, expanding resources for issues like grid investment and baseload power.²⁹ There is no question that the federal funding pause in Executive Order 14154 will bring LPO and its loans, especially the most recent ones, under close scrutiny. However—given the current Administration's policy priorities with respect to energy dominance and national security—with

the right adjustments, the program can become a powerful tool to mobilize energy and advanced manufacturing in the country.

In general, LPO has a rigorous management process: Various teams work on different aspects of the loan from origination to oversight. The management system is somewhat similar to commercial bank lending with additional advantages: Due to inherent advantages of the scientific and engineering staff at the National Laboratories and DOE, LPO's due diligence in many occasions is more diligent than the ones found in the private sector.³⁰ This advantage is also apparent in the relatively low loss rate of LPO's portfolio. But continuous monitoring of the program for any deficiencies would not only improve the outcomes of the program's investments but could also help to generate further return on investment for taxpayers.

For example, a December 2024 preliminary report of the Energy Department's Inspector General highlights several conflict-of-interest issues that could give an unfair advantage to some applicants. According to the report:³¹

- DOE LPO is lacking a regulatory and contractually compliant and effective system to manage organizational conflicts of interest, which could lead to significant risk of fraud, waste and abuse.
- Focusing on contractors, subcontractors and third-party experts, the report highlights that LPO does not track contractors who may be serving both LPO and prospective borrowers.
- LPO does not track conflict-of-interest disclosures or waiver requests for contractors who provide the office with technical or financial support.

²⁸ LPO, "[Annual Portfolio Status Report](#)," Fiscal Year 2023.

²⁹ Nico Portuondo, "Republicans mull fate of DOE loan program," December 3, 2024, E&E News.

³⁰ Government Accountability Office, "DOE Loan Guarantees," 2012, pg. 21.

³¹ Department of Energy, "Memorandum for the Under Secretary of Energy for Infrastructure," December 17, 2024.

The report recommends:

- Pausing all loan and loan guarantee packages until proper oversight of third-party contractors or conflict-of-interest information from contractors is established.
- Ensuring that contracting officers working on LPO loans and loan guarantees either:
 - establish a centralized tracking mechanism that tracks both (a) contractors for all projects, and (b) conflict of interest disclosures or waivers; or
 - implement measures to comply with conflict-of-interest regulations and contract provisions.
- Enhancing practices for managing conflicts of interest for contractors.
- Ensuring the contracting officer and the contracting officer's representative for the prime contractor review the prime contractor's plan to ensure full implementation of oversight.

Under the new Administration, LPO can easily put these recommendations in place following best practices similar to the private sector, as well as through an efficient use of technology to track conflict-of-interest issues. Strengthening the program's conflict-of-interest problem as outlined by the inspector general can further reduce any potential waste, fraud and abuse, ultimately increasing the return on taxpayer-funded projects.

LPO and Loan Guarantees Under Current Political and Economic Conjecture

With the change of the Administration and U.S. economic policy, it is important to evaluate any program with respect to its current and potential effectiveness when it comes to its original goal:

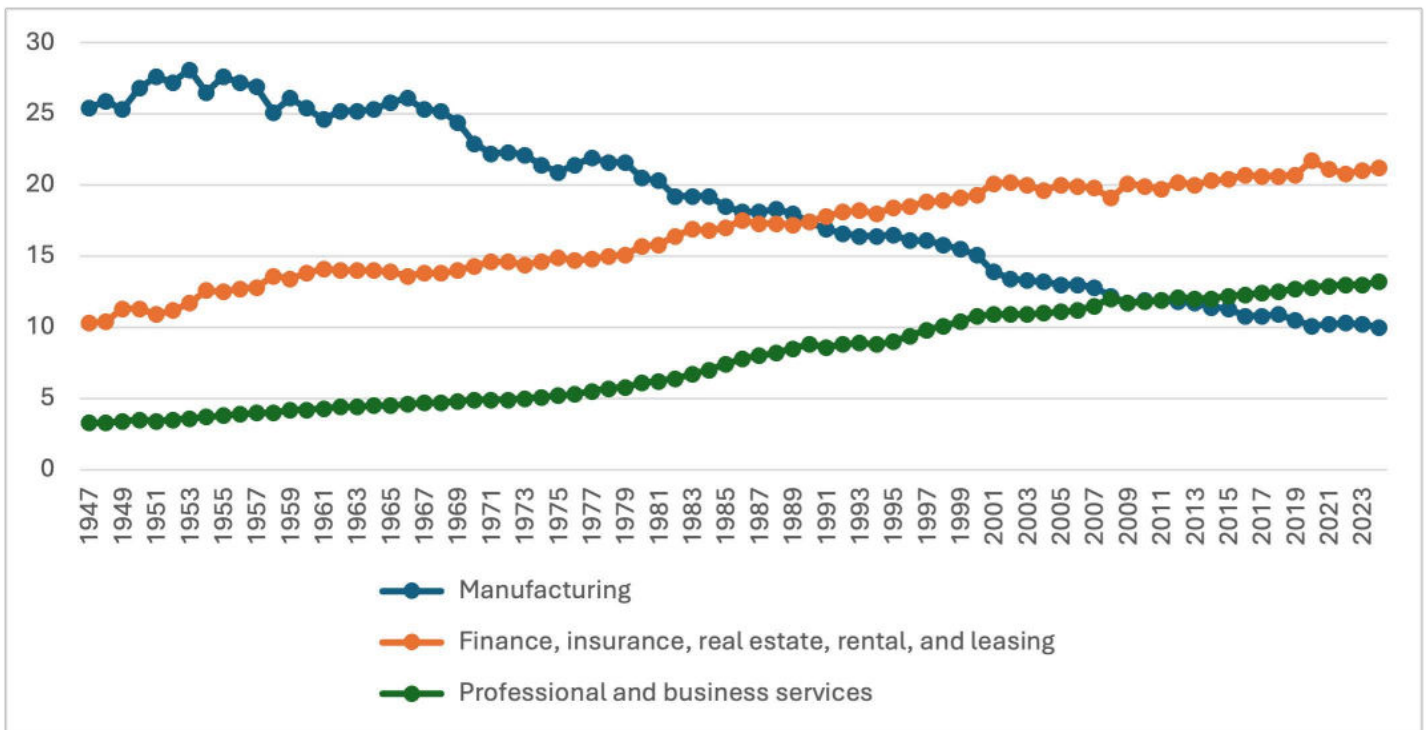
helping to accelerate investment in new energy and manufacturing technologies to break into commercial markets. In today's U.S. economy, this can cover various economic aspects. Some of them are:

- Accelerate new technologies in energy deployment.
- Support domestic energy manufacturing by increasing energy and supply chain projects in the country, building a reliable domestic energy workforce, and ultimately increasing American supply chain competitiveness.³²
- Help emerging energy technologies create affordable energy and make it achievable for workers, consumers, and communities.
- Unlock private sector investment in energy and manufacturing by demonstrating the viability of new technologies and financing structures.
- Strengthen critical materials supply chains that represent the key input for many advanced manufacturing products.

The current Administration's goal of reshaping the economy in terms of creating U.S. energy dominance and a manufacturing powerhouse requires a strong investment plan to mobilize necessary capital, especially when it comes to complex, high-budget projects that support new technologies or the deployment of needed innovation. The slew of Executive Orders in the first 100 days of the Trump Administration gives us a glimpse of these goals. The following section first gives a short summary of issues associated with the Administration's thinking on manufacturing and national security and then describes some of these executive orders and how LPO can be transformative if it is used according to its core mission.

³² Department of Energy, "How the DOE Loan Programs Office Understands and Manages Portfolio Credit Risk," February 8, 2024.

Figure 2. Value added by Industry as a Percentage of Gross Domestic Product (1947-2024)



Source: U.S. Bureau of Economic Analysis, “[Value added by Industry as a Percentage of Gross Domestic Product](#),” (accessed Thursday, March 27, 2025).

U.S. Manufacturing: A Cause for Concern?

When evaluated in its entirety, the policies followed by the Trump Administration point to the importance of manufacturing to its overall agenda. A wide range of tariffs were introduced with a goal to reshore, restart and expand certain key industries in the U.S. The latest examples are a 25% tariff on imported cars and car parts as well as sweeping worldwide reciprocal tariffs, rates ranging from 10% to 50%, currently paused for 90 days.

Currently U.S. manufacturing provides around 10% of U.S. GDP, supporting 13 million jobs.³³ The average earning of employees in the manufacturing sector is \$103,000 per year. The industry exported a total of \$1.6 trillion worth of U.S. products in 2023.

The continuous decline of manufacturing’s share in U.S. GDP has been a concern for recent Ad-

ministrations. While the industry had the largest share of GDP in the 1950s, hovering between 25% and 30%, that share has declined to 10% (See Figure 2). In 2024, the top two industries based on value added as a share of GDP were the finance, insurance, real estate, rental and leasing industry followed by professional and business services. The impact of this gradual switch from a manufacturing-based economy to a service-based economy has been a concern since the COVID pandemic, as outlined by the Administration’s announcement of auto tariffs:³⁴ “The COVID-19 pandemic exposed critical vulnerabilities and choke points in global supply chains, undermining our ability to maintain a resilient domestic industrial base.”

Another problem closely tracked by the Administration is the rising power of China in manufacturing and overall trade. Maybe the most eye-opening illustration of this increasing economic power is through the depiction of the top

³³ [NAM.org](#), accessed 3/20/25.

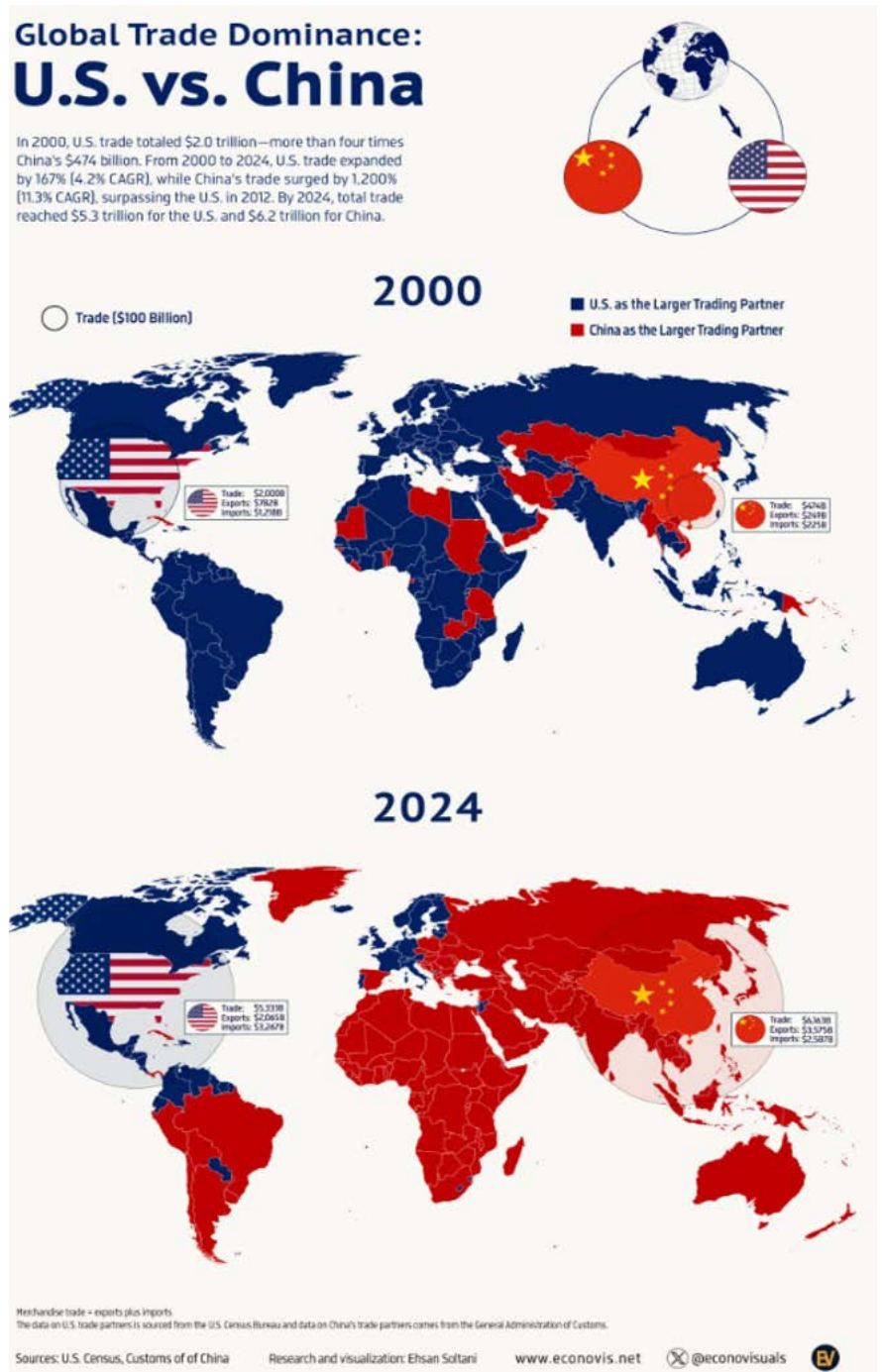
³⁴ The White House, “[Fact Sheet: President Donald J. Trump Adjusts Imports of Automobiles and Automobile Parts into the United States](#),” March 26, 2025.

trading partners by countries in 2000 versus 2024 as shown in **Figure 3**. While the U.S. was the largest trading partner for most of the world in 2000, today China holds that distinction, as shown in the second half of **Figure 3**. The Chinese government's use of every policy lever at their disposal, from financing to creating markets, to build their industry over the last 25 years is an interesting fact to keep in mind while considering changing U.S. policies for an evolving economy.

The President's allies who support his trade policies suggest the declining manufacturing sector has also been a concern when it comes to economic inequality. In a recent piece, Lori Wallach highlights the impact of the disappearing manufacturing sector on non-college educated American's life expectancy and life quality.³⁵

While there is division over the Administration's trade policies, many experts and policymakers agree that the President's agenda on tax, regulatory and energy policies could boost U.S. manufacturing significantly. The Administration's tariff policies are expected to increase prices for U.S. consumers, who are already struggling under an increased cost of living. For example, according to a 2023 U.S. International Trade Commission study,³⁶ the 2018 steel and aluminum tariffs caused the U.S. oil and gas extraction industry to lose \$586 million in production between 2018 and 2021. The impact on electrical equipment manufacturing—which

Figure 3. U.S. China Global Trade Dominance



Source: Ehsan Soltani, [Global Trade Dominance: U.S. vs. China \(2000 & 2024\)](#), February 2025.

³⁵ Lori Wallach, "[What Trump's Tariff Critics Are Getting Wrong](#)," March 26, 2025, Project Syndicate.

³⁶ U.S. International Trade Commission, "[Economic Impact of Section 232 and 301 Tariffs on U.S. Industries](#)," May 2023

also includes power, distribution and specialty transformers—was worse: \$686 million. All these losses contributed to slower than necessary growth, especially in the electric power sector.

The President’s continued use of tariffs, in some sense, requires domestic policies to negate the negative impact of potential price increases. A mobilized approach to increase energy production to provide affordable and reliable energy could be one of the solutions.

Manufacturing and energy policies closely support each other: Cheap and abundant energy gives a competitive advantage to the manufacturing sector, while advancements in manufacturing can help improve efficiency in the energy sector, especially when it comes to advanced technologies.

National Security: Energy and Manufacturing

There are close ties between energy security, brought about by cheap and abundant supply, a strong manufacturing base, and national security. In a global economy, with a growing political divide, the ability to have strong strategic sectors—such as defense and advanced technology—carries a significant weight. Energy security not only provides a necessary input for a healthy and growing economy, including these key sectors, it also provides a geopolitical advantage.

With the changing economy, especially the expansion of artificial intelligence (AI) and data centers, the U.S. energy system is under significant demand pressure, and it is important to create an infrastructure that supports U.S. economic and national interests by maintaining stability, affordability and independence from foreign adversaries. According to a recent DOE report:³⁷

- The U.S. energy system increasingly depends on complex, global supply chains, each with embedded risks.
- Risks to the U.S. energy supply chain in-

clude overreliance on covered nations—a group including China, Russia, Iran, and North Korea—for the production of critical minerals and other key inputs for energy technologies.

- The U.S. needs more investment to meet escalating energy demands and mitigate the exercise of market power by covered nations.

All these issues point to the need for a well-thought-out, comprehensive economic plan and the strategic use of all available tools to ramp up energy production and expand the manufacturing base without burdening American consumers with increasing energy costs. For example, according to the same DOE report, rising demand for grid components—driven by rapidly increasing electricity demand and an aging grid infrastructure stressed by severe weather events—put more pressure on supply chains creating long lead times and increasing prices. “For example, across transmission and distribution (T&D) equipment, the lead time for components range from an average of 51 weeks for distribution transformers to 137 weeks for power transformers, with prices up 37% to 80%. Risks in the transformer and grid components supply chain are primarily driven by insufficient production capacity, labor shortages, and constrained upstream material availability for grain-oriented electrical steel and copper”³⁸

The reliability and security of the U.S. power grid—particularly against foreign threats such as nuclear or non-nuclear electromagnetic pulse (EMP) attacks—has become a growing concern for the Administration. In a recent interview, Vice President J.D. Vance underscored the urgency of preparedness, advocating for a national stockpile of critical infrastructure components:

“What we should have is basically a backup power transformer for every major system in the United States of America, just sitting in

³⁷ Department of Energy, “[Identifying Risks in the Energy Industrial Base: Supply Chain Readiness Levels](#),” January 2025

³⁸ Ibid, pg. 8.

a warehouse that's turned off. And because it's turned off, it won't be affected by an EMP pulse. Then, if there is an EMP attack, you just get those transformers to swap out the ones that were destroyed, and the grid is back up and running. It's actually a scandal, I think, that the federal government—despite all the money we spend on defense—hasn't committed \$15 billion to buy enough transformers to have a backup for every one.”³⁹

The ability to provide reliable, cheap and abundant electricity not only for personal and commercial use, but also for military use, is important for the nation's economic and security interests.

Executive Orders and the LPO

The second term of President Trump started with a flow of Executive Orders (EO) addressing various parts of the U.S. economy. When put together, these EOs aim to create an economic environment that strengthens domestic manufacturing by developing reliable and abundant domestic energy, as well as onshoring and reshoring critical supply chains for the industry. Five of the EO's warrant special attention within the context of the LPO:

- **Declaring a National Energy Emergency:** One of the first EO's the President signed states that “The energy and critical minerals (“energy”) identification, leasing, development, production, transportation, refining, and generation capacity of the United States are all far too inadequate to meet our Nation's needs.” Described as an “unusual and extraordinary threat” to affordable prices, development of domestic manufacturing, transportation, agriculture, and defense industries, the President directs agencies to identify emergency authorities to facilitate energy projects, ranging from extraction to production and distribution. The EO also highlights the reliance on foreign energy

and the national security aspect of such reliance on the future of the country. The order specifically describes energy and energy resources as “crude oil, natural gas, lease condensates, natural gas liquids, refined petroleum products, uranium, coal, biofuels, geothermal heat, the kinetic movement of flowing water, and critical minerals.”

- **Unleashing American Energy:** This executive order encourages energy exploration and production on Federal land and waters, both for critical minerals and fossil fuels. It removes mandates associated with electric vehicles and household appliances to increase consumer choice. It also requires a review of all regulation that could burden domestic energy production “with particular attention to oil, natural gas, coal, hydropower, biofuels, critical mineral, and nuclear energy resources.” It also reverses Biden-era environmental orders and freezes disbursement of funds allocated by Congress under the IRA.
- **Establishing the National Energy Dominance Council:** This EO aims to leverage U.S. natural resources and leadership in energy technologies to support economic growth, national security, and global influence. To do so, a Council chaired by the Secretary of the Interior will advise the President on the expansion of all forms of reliable and affordable energy production to address inflation, create jobs and reduce foreign dependence. The newly created Council is tasked with:
 - Determining how to use its authority to produce more energy to realize a U.S. energy dominance.
 - Advising the President on improving the processes for permitting,

³⁹ The Singju Post, “[FULL TRANSCRIPT: JD Vance on Joe Rogan Experience Podcast](#),” November 1, 2024.

production, generation, distribution, regulation, transportation, and export of all forms of American energy, including critical minerals.

- Providing the President with a National Energy Dominance Strategy to ensure the achievement of the long-range goal of energy dominance by cutting red tape, enhancing private sector investments across all sectors of the energy-producing economy, focusing on innovation, facilitating consistency in energy production policies and seeking to eliminate longstanding, but unnecessary, regulation.
- Advising and assisting the President to facilitate cooperation among the federal government and domestic private-sector energy partners.
- Ensuring consistency in energy production policies.
- **A Plan for Establishing a United States Sovereign Wealth Fund:** This EO directs the Treasury and Commerce secretaries to submit a comprehensive plan within 90 days for the creation of the United States' first Sovereign Wealth Fund (SWF). The stated goal of the SWF is to manage and invest government assets to generate revenue and advance national interests such as fiscal sustainability, a lighter tax burden for families and small businesses, and economic security. Even though energy and energy policy are not specifically mentioned in the EO, the SWF can play a significant role in terms of financing key energy projects that are required for the future of the country.
- **Immediate Measures for Increasing American Mineral Production:** This EO

underlines the importance of securing a stable and predictable supply of minerals that are essential for defense, technology, and infrastructure. It also directs Federal agencies to expedite approvals for domestic mineral production projects.

Prioritizing Energy Infrastructure

The common theme across these five EOs is the need to create a national energy policy that achieves energy security, abundance, and dominance through increased investment in every necessary component. The specific attention devoted to the energy sector is for a good reason: Despite having an abundant resource base, the country has been struggling to build the necessary energy infrastructure to support its growing economy. There are a variety of reasons why the country needs a comprehensive energy plan to mobilize the necessary policies, and ultimately the capital to upgrade its energy infrastructure:

- *Aging infrastructure and need for grid modernization:* The majority of the energy infrastructure in the U.S. needs upgrading. The most recent report of the American Society of Civil Engineers gives our infrastructure a grade of C-, which indicates significant problems. According to the report, the generation, transmission, and distribution components of the electric grid have a cumulative investment gap of \$197 billion to integrate different demands into the grid by 2029.⁴⁰ According to the same report, frequent power outages are costing the U.S. economy \$28 billion to \$169 billion annually.
- *Lack of adequate domestic pipeline infrastructure:* By the same token, despite having abundant domestic natural gas production, U.S. pipeline infrastructure remains constrained due to resistance against new interstate natural gas pipe-

⁴⁰ American Society of Civil Engineers, "[2021 Report Card for America's Infrastructure.](#)"

lines and related infrastructure.⁴¹ Important projects have faced development barriers, due to regulations, permitting delays and litigation. However, even under potentially stringent environmental regulations, many experts see natural gas as an important fuel for the next 30 years. And the lack of adequate pipeline infrastructure around the country has a negative impact on consumers: A recent study⁴² conducted by National Economic Research Associates (NERA) shows that increasing natural gas supply will reduce domestic prices while allowing us to continue to meet the demands of our allies and trading partners around the world. However, the lack of new pipeline infrastructure in the U.S. makes it impossible to bring these resources to market.

- *Changes in the U.S. energy supply profile:* In the last decade, there has been a growing presence of renewable energy sources—such as wind and solar—in the power grid and improvements in demand response technology and business models. At the same time, FERC policies and regional transmission planning have failed to achieve enough investment in interregional transmission capacity to adapt to the changing relationship between supply and demand. This has led to extreme cost gradients between regions.
- *Significant growth expectation for electricity demand:* According to a recent S&P Global Commodity Insights report,⁴³ U.S. electricity demand is expected to increase by 35% to 50% between 2024 and 2040. The reasons behind this surge are the growth in AI data centers and new manufacturing activity in the short-term and electric vehicles (EV), space-heating electrification, and broad economic growth in the long-term. As the study indicates, current generation technologies

face differing challenges in deployment, and load profiles across the grid are diverse—therefore, a diversified portfolio of generation technologies will be needed to ensure planning reserve margins are met and grid reliability is maintained. Within this context, there is a role for clean technologies not currently deployed at scale, like advanced nuclear and geothermal.

- *Reliance on foreign critical materials:* The U.S. is heavily dependent on foreign sources for critical materials that are key for defense and critical infrastructure, as well as advance manufacturing. This creates strategic vulnerabilities to the U.S. economy and military, especially under growing global political tensions. These materials—such as lithium, cobalt and graphite—are concentrated in countries that are seen as adversarial by the U.S., and it is important for the U.S. to diversify and potentially onshore the supply chains of these materials. Developing efficient recycling technologies and processes to recover used materials can also diminish U.S. reliance on upstream activities.

Recommendations

As indicated by economic factors and the data, the U.S. energy infrastructure needs significant modernization to create a competitive economy to meet the rapidly changing forces of the global economy. In its second term, the Trump Administration can use the LPO more efficiently to mobilize much-needed capital for the next wave of technologies in its drive for energy security, abundance, and dominance. The past performance of the program, improved by the tweaks suggested by experts, can be a strong driver of future performance. Specifically:

- *Use LPO to set the country's energy infrastructure on a sustainable path to meet demand:* The continued support

⁴¹ Congressional Research Service, "[Natural Gas Reliability: Issues for Congress](#)," July 2024.

⁴² ACCF, "[Analysis of U.S. Natural Gas Market Price Impacts from Increasing Natural Gas Supply Accessibility for Different Natural Gas Demand Outlooks](#)," April 2023.

⁴³ S&P Global Commodity Insights, "[US National Power Demand Study](#)," March 2025.

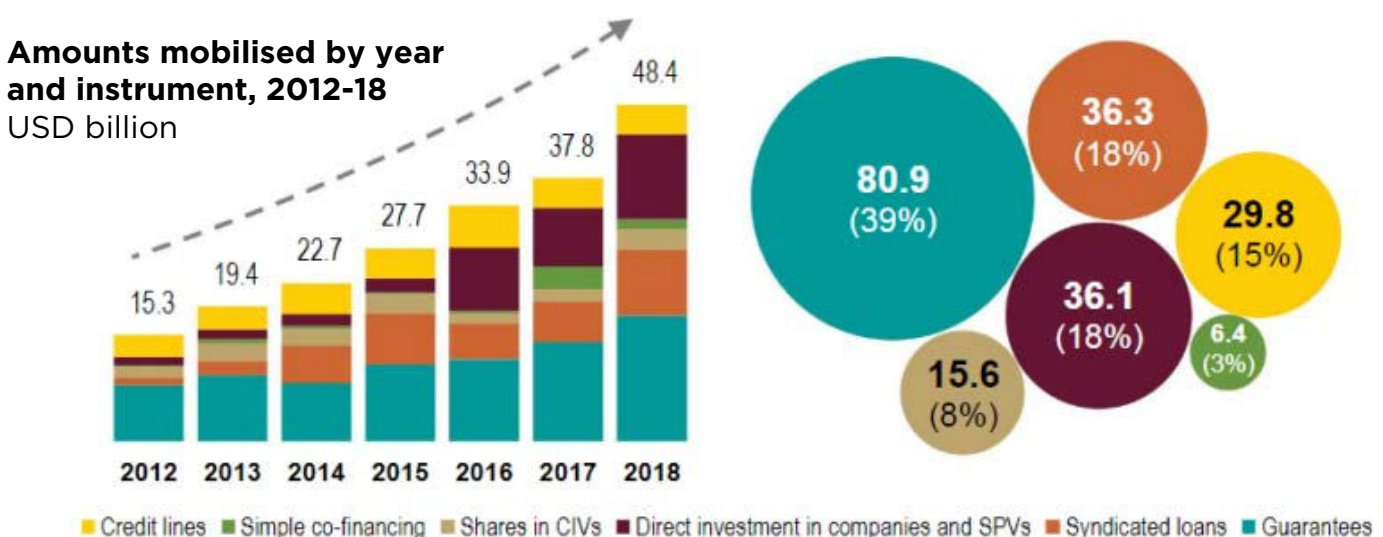
of the first Trump Administration for the Vogtle Plants helped set up a reliable energy source with advanced technology for Georgia that will be online for 80 plus years. Combined with other incentives—such as the investment tax credit and modified accelerated cost recovery systems—low-interest financing via LPO can be a powerful tool that could replicate the success of Vogtle Plants in other advanced nuclear energy projects, and in expediting U.S. progress on grid infrastructure generally.

- *Use LPO to gain competitive advantage in international trade in advanced technologies:* LPO support for first-of-its-kind technologies is vital to gaining necessary experience through learning by doing and a strong step in commercializing new technologies. Going back to the Vogtle example, these two plants represented the first of its kind in the U.S. while China had already completed four of these reactors by 2018 and started to build their own modified design.⁴⁴ The U.S. construction of these plants put the U.S. back on the “nuclear energy competition” map. As

President Trump works toward his goal of energy dominance, the U.S. presence on the global stage through exports of advanced energy technologies will be important in terms of supporting U.S. competitiveness and long-term geopolitical relationships critical to U.S. leadership in nuclear non-proliferation and safety.⁴⁵

- *Use LPO to mobilize private investment in critical energy infrastructure:* When it comes to complex technology investment or even needed investment for important infrastructure development, LPO funding could be instrumental in mobilizing private funding and, in some cases, could create an impressive capital multiplier. A recent Blackrock report highlights that, globally, \$21 trillion of energy infrastructure will be needed by 2040.⁴⁶ We have multiple policy tools that could mobilize the needed private investment. For example, according to research by the Organization of Economic Cooperation and Development, when compared with other policy tools, guarantees have mobilized more private finance than any other financial instrument—representing 39% of

Figure 4. Amounts mobilized by year and instrument 2012-2018



Source: OECD, [OECD Development Co-Operation](#), May 2021.

⁴⁴ Dr. James Richards, “[The DOE Loan Program Office’s Role in U.S. Nuclear Energy Leadership](#),” January 2025.

⁴⁵ Ibid.

⁴⁶ Larry Fink, “[2025 Letter to Investors](#).”

total private finance mobilized for development over the period covered by the data⁴⁷ (See Figure 4). Currently, grid investment in the U.S. is at record levels. Yet this is still not enough to keep pace with demand. LPO is a vital tool to unleash major step-change investment in interregional grid solutions as seen in the substantial portfolio of high-quality applications and conditional commitments for transmission projects. Given the goals of the Administration in energy and advanced manufacturing markets, strategically placed financing from LPO can achieve significant results with private capital following.

- *Use LPO strategically with other policy tools to increase its effectiveness:* As mentioned before, the success of advanced nuclear energy was also enhanced by other policy tools, such as production tax credits and accelerated cost recovery systems. Potential creation of a SWF and using some of the funds in conjunction with LPO could be an interesting exercise for the Administration. In general, SWFs save and invest revenue from government assets (typically financed from surplus or natural resource revenues) to create permanent wealth and to generate income to pay for government services and benefits for current and future generations. Some of this government-run investment fund can be directed by LPO to undertake critical investments for the country. If managed with due diligence, in addition to the usual financial returns for the country's citizens, various goals can be achieved without significant taxpayer funding. This may include reshaping the country's economic future (specific industrial policy) and improving national

security. There are some examples at the state level of how SWFs can be designed and used specifically for certain goals. For example, North Dakota's Growth Fund sends its capital to North Dakota-based entrepreneurial and innovation centers. The data shows that every \$1 in state funds mobilized an additional \$1.56 private investment capital.⁴⁸

- *Use LPO to upgrade and restart existing infrastructure to strengthen nation's grid:* Recently LPO was instrumental in restarting a retired nuclear plant, Holtec Palisades, with a \$1.5 billion loan. After the government loan, Microsoft and Constellation announced plans to reopen Three Mile Island Unit 1 and set up the Crane Clean Energy Center; in addition, the CEO of NextEra energy stated that the company was evaluating restarting the Duane Arnold Nuclear Plant in Iowa. Given the demands in the nation's infrastructure, using existing plans with upgrades can be a quicker route to take, rather than starting from scratch.⁴⁹

While all these suggestions discuss how the Administration can strategically use LPO to advance its policy priorities staying within the original goals of LPO, it is also important to continue the momentum LPO gained over the last four years to help build the next generation of energy and manufacturing infrastructure:

- The new Administration took over many conditional loan commitments. Given the rigorous approval process, if the loans met the conditions, final approval should be given to green-light these projects. However, recent budget and staffing cuts at the agency level could negatively impact this process. A careful approach

⁴⁷ Organization of Economic Cooperation and Development, [OECD Development Co-Operation](#), May 2021.

⁴⁸ Nathan Brooks and Mark Hagerty, "[Investing in the Nation's Future: Why Congress Should Emulate Energy States' Sovereign Wealth Funds](#)," February 2025.

⁴⁹ Dr. James Richards, "[The DOE Loan Program Office's Role in U.S. Nuclear Energy Leadership](#)" January 2025.

to these cuts should consider how energy security and dominance might be impacted. Considering staffing and resource shortages at DOE, difficult choices need to be made to prioritize project approvals. An efficient approach could be prioritizing the approvals of the projects under section 1703, based on the core mission of LPO. Such an approach could be tremendously helpful in decreasing the uncertainty in markets and in speeding up the needed work in energy markets to increase abundance, affordability and security.

- The Administration should avoid repeating the mistakes of past LPO eras where politically favored investment led to poor loan performance (Solyndra) and partisan criticism of LPO's mission. Applying a "favored-technology litmus test" to frozen funding would be a mistake and identical to past problematic use of LPO. Instead, LPO should evaluate projects based on their outcome, impact, and confidence of repayment.

CONCLUSION:

The U.S. economy and policymaking is going through an interesting time: While the global economy is changing and becoming more competitive, U.S. policymaking is doing its own exercise to control its ever-increasing budget but at the same time trying to build an economy that can handle global competition. The goal of providing a growing economy with better living standards for its citizens requires a thoughtful approach to policymaking. That thoughtful approach should evaluate all the tools available based on their past performance, taking out ideology. As the Administration continuously highlights the importance of secure, affordable and abundant energy in this goal, the Loan Programs Office, if used properly, can be an efficient tool not only to bring about new energy technologies, but can also be helpful in mobilizing private investments. It is also important to remember that early investments in new technologies can give a competitive edge to the country when it comes to international trade.



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