

## One Easy Way to Pay for New U.S. Infrastructure

The Energy Department's loan program has \$40 billion ready to spend.

**By Ernest Moniz, Joseph S. Hezir, and Melanie A. Kenderdine**

President Donald Trump says he wants to “rebuild our crumbling infrastructure.” The framework he has submitted to Congress will need bipartisan support to become law, but there is reason for optimism: Infrastructure investments tend to have broad appeal, because they support economic growth, security, health and well-being long into the future.

In the near term, however, they are expensive. And Congress will have to keep in mind the expanding national debt.

One tool the White House and Congress could deploy to modernize infrastructure without deepening the deficit is the Department of Energy's loan programs. They have available almost \$40 billion in loan and loan-guarantee authority that could be used to finance energy infrastructure projects without any new appropriations.

The infrastructure that's needed to generate, store and distribute energy and improve efficiency is vital across the U.S. economy, and provides broad support for transportation systems, building development and other kinds of infrastructure.

Unfortunately, though, the Energy Department's [Loan Programs Office](#), authorized by Congress in 2005 with bipartisan backing, has become a partisan football in a debate often uninformed by the record. In fact, the credit backstop provided by the loan portfolio has leveraged \$50 billion in investments in commercial projects that deploy innovative energy technologies. This translates into new businesses, good jobs and

a more competitive economy.

Meanwhile, the default rate on these loans has been just over 2 percent, and, in some cases, repayment has been accelerated. This record compares favorably with those of private lending institutions, even though the portfolio's principal objective – and the basis of its success – has been to invest in relatively risky commercial deployments of innovative energy technologies. It has, for example, stimulated establishment of utility-scale solar generation and grown advanced auto manufacturing capacity in eight states.

The bad news is that, despite these achievements, the Trump administration has recommended that the loan programs be ended, presumably because of its misguided contention that only “early stage” research and development should be federally supported. But private-public partnerships such as those that the Energy Department's loan portfolio can support are essential to innovation. Giving the Energy Department an expanded ability to apply loan support to more projects could help overcome the significant market barriers to deploying large-scale energy technology, and provide critical performance data to companies, investors and policymakers.

Working together with the administration's own infrastructure program, the loans could make our energy systems more resilient, and make our cities and rural communities smarter, safer and cleaner. Specifically, the loan programs could finance platform technologies such as digitization, data analytics and artificial intelligence for smart cities and urban transportation systems. They

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could advance distributed electricity generation and storage, including in rural and tribal areas. And they could help strengthen cybersecurity for the grid.

Loans could accomplish these things at much lower cost than the grant program the White House envisions, because loans and loan guarantees lead to private sector spending, rather than federal cash outlays. Our [new analysis](#) shows that the \$39 billion of remaining credit in the Energy Department's loan portfolio could attract as much as \$100 billion in energy infrastructure investments.

Loans also generate future revenue for the Treasury in the form of interest payments. And, importantly, they could reduce infrastructure modernization cost-shifting to states and localities.

What's more, they could make the U.S. more competitive globally. As China pours hundreds of billions of dollars into electricity infrastructure, the U.S. needs to make a commensurate effort.

By helping modernize the U.S. energy

infrastructure, the Energy Department's loan programs can boost economic competitiveness, security and innovation. But Congress will need to act to protect and expand these programs. If it does not, a great investment opportunity for infrastructure improvement will be lost.

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