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Opening Statement of Rep. Henry A. Waxman
Ranking Member, Committee on Energy and Commerce
H.R. 2054, the “Energy and Revenue Enrichment Act of 2011”
Subcommittee on Energy and Power
June 13, 2011

Today, the Subcommittee is examining H.R. 2054, Chairman Whitfield’s legislation to direct the Department of Energy (DOE) to enter into a contract to enrich its depleted uranium tails and then sell the enriched uranium on the market. The way that H.R. 2054 is currently drafted, the only entity that DOE could contract with for these enrichment services is the United States Enrichment Corporation or USEC.

When USEC was privatized in the 1990s, proponents said there would be many benefits from privatizing uranium enrichment. Wall Street underwriters, insiders, and lawyers made millions of dollars on the transaction, but USEC failed to live up to many of these promises.

Within a few years of being privatized, USEC abandoned important national initiatives, announced layoffs of more than 800 workers, closed its Portsmouth facility in Ohio, and sold off large amounts of uranium – whipsawing the domestic uranium industry.

With USEC’s planned closure of its Paducah, Kentucky, facility in 2012 fast approaching, we are being asked to direct DOE to enter into a sole-source contract with USEC to process what has become a valuable asset: DOE’s uranium tails.

DOE already has the authority under law to do this. So the question is, should DOE be forced by Congress to exercise this authority?

I am concerned that this legislation is not carefully crafted to yield the best deal for the American taxpayer.

First, it is not clear how many hundreds of millions of dollars – or potentially billions of dollars – this contract would cost the American taxpayer. We should ask USEC about its capacity to execute this contract, but the company refused to testify and the majority has not insisted that USEC send a witness today.

Second, by ordering DOE to enter into a sole-source contract, it is almost guaranteed that the government won't be able to negotiate the best deal for its uranium tails. The way this legislation is drafted, as long as the government receives one penny more in revenue than it costs to re-enrich the uranium, the contract would be deemed "economically viable" and the Secretary of Energy would have no discretion not to accept it.

Third, DOE has a number of options for managing its tails, as well as its excess enriched uranium. Another option, for example, would be to sell the tails to the highest bidder, which would avoid the costs of enrichment. This legislation charges forward with a highly prescriptive plan without giving DOE the authority to implement the best strategies for maximizing taxpayer value.

The legislation purports to raise money for the uranium enrichment decontamination and decommissioning fund, also known as the D&D fund. The D&D fund is used to clean up contamination from years of uranium enrichment activities in Kentucky, Ohio, and Tennessee. Adequately funding these cleanup efforts is important, but because of the flaws in the bill, it is not at all clear that the fund will receive any significant funding under this legislation.

Moreover, responsibility for contributions needs to be apportioned fairly, with both the government and the utilities that purchased uranium paying their fair share. There is an estimated shortfall of more than \$11 billion between the projected cleanup costs and authorized funding for the D&D fund. Congress should reinstate the requirement that industry contribute to the D&D fund.

Finally, even though the uranium tails have become a valuable resource in recent years, re-enriching them with old technology may not be the best approach.

Experts agree that the gaseous diffusion process, which was developed in World War II, is extremely inefficient and has high production costs. Gas centrifuge technology – which is currently being deployed in the U.S. – uses about 5% of the electricity that is consumed by the gaseous diffusion technology used in Paducah. Using this more efficient technology for enriching the tails may generate more resources for the D&D fund than using the old technology.

I hope we will be able to examine some of these issues today. I understand that the Chairman intends to markup his legislation the day after tomorrow. That gives us a short period of time to refine this legislation. I hope the Chairman will work with us to make this legislation a good deal for taxpayers.

I thank the witnesses for appearing today, and I look forward to their testimony.