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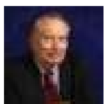

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House Oversight Committee Reports $14.5B DOE Green Loan Program Train Wreck

By Larry Bell

Nobel Laureate Energy Secretary Steven Chu is bringing home a very bad report card. It's a whole lot worse than he expected. When asked by Chairman Darrell Issa at a March 21 House Oversight and Government Reform Committee if he would give himself an "A minus" on "controlling the cost of gasoline at the pump", he responded: "The tools we have at our disposal are limited, but I would I say I would give myself a little higher in that. Since I became Secretary of Energy, I've been doing everything I can to get long-term solutions."

Judging from a March 20 committee staff report, Secretary Chu's self-assessment would seem a bit too lenient. Titled "The Department of Energy's Disastrous Management of Loan Guarantee Programs", it details many reasons for lowering that grade by several letters. The document cites "numerous examples of dysfunction, negligence and mismanagement by DOE officials, raising troubling questions about the leadership at DOE and how it has administered its loan guarantee programs."

By the conclusion of DOE's 1705 program in September 2011, 27 project loans totaling more than $14.5 billion had been approved. A large number of these (including Solyndra) "exposed taxpayers to excessive risk" that were glaringly apparent, yet ignored, from the time of the program's inception. In doing so, DOE violated responsible lending standards and eligibility requirements. It also amassed a highly speculative and undiversified loan portfolio that may ultimately result in substantial taxpayer losses.

A disproportionate number of these transactions (80% of funds… more than $13 billion) involved solar projects. As reported, this overemphasis on one type of technology leaves taxpayers vulnerable to changes in the market for solar energy. DOE also permitted "double dipping," where a company received multiple federal grants and loans to cover the cost of a single project and reduced its "skin in the game." In addition, DOE allowed large and financially sound parent entities to undercapitalize their loan guarantee projects, enabling them to shift risk away from the company to taxpayers in