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How to Speed Up DOE Loan Guarantees

By [Josie Garthwaite](#) May. 22, 2009, 7:19am PDT [No Comments](#)

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The energy industry has had it up to here with delays in the Department of Energy loan guarantee program. Like Energy Secretary Steven Chu, they want to [get money moving pronto](#). So this week groups representing solar, wind, biomass, geothermal, hydro and nuclear power companies [sent a letter](#) (PDF) to key White House officials calling for the DOE and the budget office to make nice and eliminate some hurdles. They've laid out a game plan to make that happen.

In a broad sense, the groups suggest that the DOE and the Office of Management and Budget can skip lengthy discussions about how to regulate the loan guarantee program. But they also have some more specific ideas for changes that could accelerate the application and evaluation process. To start, they recommend eliminating the "preliminary credit assessment," a process used to determine a borrower's creditworthiness and a [heavily weighted factor](#) in the DOE's financial scoring system (it also assigns projects a technical score).

These assessments, conducted by independent credit rating agencies, can cost hundreds of thousands of dollars. The letter-writers argue that the assessment is unnecessary for proven commercial technologies and ineffective for unproven innovative ones.

Kleiner Perkins partner John Denniston touched on this issue at a recent Senate Natural Resources Committee hearing on proposed changes to the guarantee program, suggesting (as we [wrote last month](#)) that startups be allowed to volunteer for a "quadruple-Z" credit rating, avoiding the credit rating agency review that's expensive and typically finds that a fledgling company has not established good credit (most startups simply haven't been in business long enough to do that).

The energy industry groups behind this week's letter also want multiple environmental reviews to be consolidated, calling for a new requirement that the DOE accept the review and decisions of state and

federal permitting agencies. The idea is to help companies avoid having to complete separate environmental reports and go through lengthy permitting procedures at multiple agencies.

Once the DOE finally decides who will get the loan guarantees, the energy groups see more ways to speed up project development. How about allowing the DOE to enter into full-on loan guarantee commitments, instead of “just merely conditional agreements,” so that outside project sponsors (who might step up to get a project started after government funds are promised but not yet available) can have more confidence they won’t lose their investment?

As we’ve [noted before](#), a green light on a loan guarantee does not mean money in the bank. Recipients still have to “secure their own share of financing — similar to earnest money in a home mortgage,” the DOE explained earlier this year. And so as another carrot for outside investors, the energy industry groups call for more flexible collateral sharing among co-lenders.

The stakes are high, according to leaders of the American Wind Energy Association, the Geothermal Energy Association, Solar Energy Industries Association, and other groups that signed the letter. They write:

Further delay endangers the planned role of the green energy economy in the nation’s economic recovery and undermines the effort to meet your Administration’s energy policy goals, including the doubling of renewable energy supply in three years.

The clock is ticking. After a 2-year extension approved as part of the stimulus package, the DOE’s authority to make loan guarantees under this program is set to [expire in September 2011](#).

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[...] has taken notice. Back in March the DOE offered Solyndra the first loan guarantee under a much-delayed program created under the Energy Policy Act of 2005. Solyndra plans to use the \$535 million loan guarantee [...]

3. [DOE Winnows Down Pool for High-Risk Energy Tech Funds July 31, 2009](#)[Tracked on](#)

[...] didn't get funding from Congress until the stimulus package passed earlier this year, and the delays seen in other government energy programs, it's encouraging that feedback is going out on schedule at this point. According to Elise [...]

4. [Stimulus Funds Almost Fully Tapped – Time For the Jobs Crunch January 20, 2010](#)[Tracked on](#)

[...] No one wants that to happen, and there's no doubt that Rogers and the DOE have been working extremely hard to find solid projects that create jobs and boost the U.S. economy. Rogers and Secretary of Energy Steven Chu have in a matter of mere months transformed the methods and pace at which the DOE selects and allocates funding. The environment of the DOE before Chu and Rogers came in was used to working slowly and with a lot of bureaucracy — for example the DOE let loan guarantees hang in limbo for years. [...]



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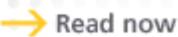




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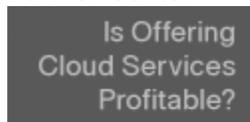
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