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Energy Department auto loan program sputters

By Ronnie Greene email

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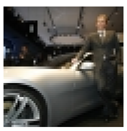
Fisker Automotive owner Henrik Fisker, who resigned in March 2013, with the company's electric Karma in an earlier photo.

Gary Malerba/AP



Energy's risky $1 billion bet on two politically-connected electric car builders

By Ronnie Greene, Matthew Mosk and Brian Ross

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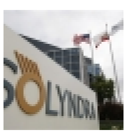

Skipping safeguards, officials rushed benefit to a politically-connected energy company

By Ronnie Greene and Matthew Mosk

May 24, 2011

A Department of Energy loan program, infused with $25 billion to spur a wave of fuel-efficient vehicles, has not closed a loan in two years and is likely to leave two-thirds of the money unspent amid fallout over the Solyndra debacle and other factors.

Those findings, revealed Friday in a U.S. Government Accountability Office report, rekindle questions over how effectively the Energy Department picks winners and losers for its lucrative green energy portfolio.

The audit focuses on DOE loan programs, including one known as ATVM — the Advanced Technology Vehicles Manufacturing program.

That program was pitched as part of a broader government campaign to spur innovative, clean technologies that would both rev up the economy and clean the environment. Under ATVM, the government would help bankroll electric cars and other fuel-saving initiatives; this seed money would, in turn, trigger a domino effect for industry and consumers.

Yet the last loan closed in March 2011, and just $8.4 billion has been spent so far in five projects.

The money, records show, helped stalwarts Ford Motor Co. and Nissan North America transform factories to build fuel-efficient vehicles, and cutting-edge upstarts Tesla Motors and Fisker Automotive develop electric cars and plug-in hybrids. A smaller loan went to a Miami company to develop wheelchair-accessible vehicles to run on compressed natural gas.

Yet not all the projects have found success.

An investigation by The Center for Public Integrity and ABC News, published in October 2011, revealed that DOE made a $1 billion bet on two politically connected California car companies — Tesla and Fisker — despite questions from analysts and others about how well their electric cars would fare in the market.

Both companies said the government investment ultimately would pay off. Yet Fisker's CEO stepped down this week, as the company seeks new investors to jump-start its production.

The ATVM program was infused with another $7.5 billion to cover credit subsidy costs, yet $4.2 billion remains in that pool of money, the GAO report said.

The Energy Department does not expect to issue any more loans under a program once pitched with promise.

As of January 29, 2013, "DOE was not actively considering any applications for using the remaining $16.6 billion in loan authority or $4.2 billion in credit subsidy appropriations available under the ATVM loan program," the GAO's Frank Rusco wrote.

The Energy Department told auditors it had seven ATVM applications on file, totaling $1.48 billion. But those applications were "inactive," DOE said, "for reasons including insufficient equity or technology that is not ready."

“DOE is not likely to use the remaining ATVM loan program authority given the current eligibility requirements,” the GAO said.

Some potential applicants said they were hesitant to seek Energy Department funding. One factor: The ghost of DOE’s Solyndra debacle continues to hover over the program.

Solyndra, the first green energy loan guarantee unveiled by the Obama administration, was announced with fanfare in early 2009. Yet the Center and ABC reported in May 2011 that DOE initially green-lighted the $535 million loan without all due diligence in hand, putting taxpayers at risk. Later in 2011, Solyndra shuttered its California headquarters and filed for bankruptcy.

The FBI and the Energy Department’s Inspector General have been conducting a joint investigation of the Solyndra project since 2011. No charges have been filed. “It’s still an ongoing, joint investigation,” an FBI spokeswoman told the Center January 31.

“Most applicants and manufacturers noted that public problems with the Solyndra default and other DOE programs have also tarnished the ATVM loan program, contributing to the challenges,” the GAO wrote. “They believed the negative publicity makes DOE more risk-averse or makes companies wary of being associated with government support.”

Applicants and manufacturers said the loan program is needed to help advance technology. Yet several told auditors the cost of participating “outweigh the benefits.” Some cited a “lengthy and burdensome application and review processes.”

This is not the first time auditors have questioned the ATVM program. An earlier GAO audit, released in 2011, warned that the $25 billion may never fully be spent in a program lacking clear benchmarks to ensure taxpayer dollars were properly spent.

An Energy Department spokesman did not respond to an interview request Friday.

The agency, in a written response to auditors, acknowledged it “is not likely to use the remaining Advanced Technical Vehicles Manufacturing loan program authority under the current eligibility requirements.”

The loan office “would be pleased to share our lessons learned in implementing the program and discuss options for program modifications to improve implementation of the original legislation,” wrote David G. Frantz, the Loan Programs Office’s acting executive director.