

**STATEMENT OF**  
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**U.S. DEPARTMENT OF ENERGY**  
**BEFORE THE**  
**COMMITTEE ON ENERGY AND NATURAL RESOURCES**  
**UNITED STATES SENATE**  
**APRIL 28, 2009**

Chairman Bingaman, Senator Murkowski and members of the Committee, thank you for this opportunity to be before you today to discuss the Department of Energy's Loan Guarantee and Direct Loan Programs (or "Credit Programs") as well as the proposed legislation to establish the Clean Energy Deployment Administration under the "21<sup>st</sup> Century Energy Technology Deployment Act." We appreciate your personal leadership in setting up the Title XVII loan guarantee program and seeking conditions for success.

**INTRODUCTORY STATEMENT**

As you know, the Department of Energy's Credit Programs are an urgent priority for Secretary Chu. He is personally reviewing the programs, and has committed to giving the programs the attention, departmental resources and oversight they need to succeed while ensuring that taxpayer interests are protected. Delivering on this opportunity to help drive economic recovery and make a down payment on the Nation's energy and environmental future represents an essential leadership role for the Department.

The Credit Programs are comprised of a highly professional and rapidly growing group of people. The staff has been responsive to Secretary Chu's suggested changes to accelerate and streamline procedures where possible to make the program more user-friendly. Within the first 56 days of the Obama Administration, Secretary Chu entered into a conditional commitment to guarantee a \$535 million loan for Solyndra, Inc. to support the company's construction of a commercial-scale manufacturing plant for its proprietary cylindrical solar photovoltaic panels. The company expects to create new U.S. jobs during construction and operation of the plant, while it deploys its solar panels across the U.S. and in Europe.

The Credit Programs have an exceptionally strong set of applications from five Title XVII solicitations, and applications from the Advanced Technology Vehicles Manufacturing Incentive Program currently under consideration. We continue to greatly improve the processing of applications, and are looking to expedite evaluation and loan and loan guarantee awards under streamlined processes, while ensuring responsible stewardship of taxpayer funds, consistent with the goals of the American Recovery and

Reinvestment Act of 2009 (Recovery Act). We are also contemplating the development of new solicitations.

## 21<sup>ST</sup> CENTURY ENERGY TECHNOLOGY DEPLOYMENT ACT

I appreciate the opportunity to comment on the “21<sup>st</sup> Century Energy Technology Deployment Act” (the Act) as proposed by the U.S. Senate Energy and Natural Resources Committee. The Administration is still evaluating the proposal, and looks forward to working with the committee to ensure efficient and effective programs for providing assistance for energy infrastructure investment.

Our task is to allocate credit assistance where it is most effective, maximizes policy goals and to demonstrate to Congress and the American people that loan guarantee programs can provide good value for money. DOE is working to implement the Title XVII program in line with the intent of the Recovery Act, and consistent with the priorities outlined through Presidential Memoranda issued in February and March. DOE has received applications from previous Title XVII solicitations and expects the funds will be utilized consistent with these goals. I will highlight four principal reactions:

First, the experience from the first loans and guarantees made under the existing credit programs will provide tangible experience to inform program design to make the Credit Programs more effective. We want to make sure that any program changes support the Department’s ability to provide credit assistance, quickly, effectively, and transparently, while protecting the taxpayers.

Second, appropriations for credit subsidy and for operating expenses through the loan guarantee program under the Recovery Act was a positive step forward, enabling the institution to develop the appropriate scale organization and deliver a consistent loan guarantee pipeline. Ensuring any future loan programs have appropriate appropriations is an important design feature.

Third, we are committed to leveraging private capital, including maintaining the requirement for significant equity for credit assistance, and seeking to engage additional debt funding partners to bring private capital off the sidelines through our financing activities. The first conditional loan guarantees should show that sponsor equity is available for good projects. The program will be successful if and only if the federal government becomes a relatively secondary lender in these markets over time—where there is significant private sector lender involvement and strong credit markets take the place of Federal assistance. Right now, in these extreme market circumstances, we need to provide loans to mature renewable technology projects that the market was considering funding in full as recently as last summer. We will make these loans to spur rapid renewables capacity additions in the market. The goal should be to have the federal government focus on its unique role in accelerating market development for advanced technologies. Title XVII support should not be a long-term financing solution for troubled energy companies – nor should the Federal assistance crowd out private lenders who provide better commercial underwriting capabilities than the Federal government,

and ultimately a more efficient allocation of the nation's resources. The Department of Energy has a clear role to play, and we will provide strong returns to the American taxpayer if we remain focused on our unique role in filling a gap in advanced energy technology markets.

Fourth, the Administration believes that loan programs should conform to standard budget laws and controls, including the Federal Credit Reform Act of 1990, as amended, and with Federal credit policies. We would welcome discussions with the committee on these and any additional issues that come to light during our review, in order to ensure that any final legislation successfully addresses the Nation's energy needs efficiently and effectively.

#### CONCLUSION

Mr. Chairman, thank you for the opportunity to appear before you today. This concludes my testimony and I am happy to answer questions. Thank you.