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Obama's focus on visiting clean-tech companies raises questions

By Carol D. Leonnig, [Joe Stephens](#) and Alice Crites, Saturday, June 25, 5:32 PM

With trips that began two months after he took office, President Obama has devoted more than half of his out-of-town private-business visits to promoting a single industry: clean technology, which the president says will lead the nation back to economic prosperity.

His praise for renewable-energy projects has been effusive. A day after this year's State of the Union address, he stood among workers at a small [Wisconsin lighting company](#) and dubbed it a "model for the future," helped by government incentives offering a "leg up to renewable-energy companies."

He praised workers for "helping to point the way" to a cleaner future [while visiting](#) a Charlotte company that makes an electric-car battery component. In Reno, Nev., in April, he lauded a start-up for "growing by leaps and bounds" as it markets a machine that converts waste heat into electricity.

He used similar words a few weeks ago at [a Durham, N.C., company](#) that makes energy-efficient lighting, saying it is "helping to lead a clean-energy revolution."

In all, Obama has visited 22 clean-tech projects on 19 separate trips, all emphasizing economic recovery and a \$90 billion stimulus program to promote energy independence. The president has underscored his support by singling out specific companies in speeches and White House radio addresses.

Obama's unwavering focus has helped him fulfill a campaign pledge to push clean tech, from solar energy and wind power to electric vehicles. But it also has come with political exposure: By emphasizing a sector in which the risks are high, the president has prompted questions on Capitol Hill and from industry about the wisdom of his singular strategy and his political ties to some of the companies chosen for federal attention.

The oil and gas industry, for example, has invested billions in energy innovation and job creation and could benefit from similar presidential attention, said Martin J. Durbin, executive vice president of the American Petroleum Institute.

"He's missing an incredible opportunity he has to join with us to make a difference in economic growth, job creation, national security and clean technology," Durbin said. "If you went and added up the number of jobs at these clean-tech companies he visited, in all honesty, I think you're going to find a very modest number of jobs."

This month, a congressional energy subcommittee chairman accused the administration of picking clean-tech “winners and losers” by pouring government money into a sector best determined by free-market forces.

Republicans and outside critics also have honed in on the political connections of some companies that have received federal help. The most attention has focused on Solyndra, a Silicon Valley solar company that ran into financial trouble after receiving [a \\$535 million federal loan guarantee](#) commitment. Last week, Republicans on the House Energy and Commerce Committee pressed the Office of Management and Budget to account for its role in the selection. Obama visited Solyndra's factory in May 2010, only weeks after it became public that independent auditors had questioned whether it could remain a “going concern.”

Some of the biggest investors in Solyndra, which makes easy-to-install solar panels, were venture capital funds associated with Tulsa billionaire George Kaiser, a key Obama fundraiser. Rep. Cliff Stearns (R-Fla.), chairman of the Energy and Commerce Committee's subcommittee on oversight and investigations, said he is “concerned that there was a hurry to get this money out of the door and that companies and individuals that supported the president were among the beneficiaries.”

A spokesperson said Kaiser would not comment for this article.

A White House spokesman, Clark Stevens, said Obama believes that renewable-energy innovations will break U.S. dependence on foreign oil and provide thousands of new jobs. The clean-tech sector is filled with success stories, he said.

“The president will continue to support these initiatives and highlight the American ingenuity, the people and the private-sector companies that are helping to generate jobs and foster our nation's 21st-century clean-energy economy,” Stevens said.

A gusher of cash

In the 2008 presidential race, Obama promised to invest at least \$150 billion over 10 years in innovative energy projects, and he corralled extensive support from energy start-ups and venture capitalists. As a candidate, he was the “first that got the importance of emerging-growth companies in creating jobs,” said Mark Heesen, president of the National Venture Capital Association.

Obama collected twice as much campaign money from this group as did his Republican rival, Sen. John McCain (Ariz.). Numerous green-energy investors raised money for Obama and later won jobs or advisory roles in his administration.

The president laid out his agenda in his [first State of the Union](#) address, saying that a recession-strapped government must invest in clean energy to “build a new foundation for lasting prosperity.”

There was intense competition for clean-tech stimulus dollars. Energy Secretary Steven Chu said his agency reviewed 50,000 applicants and chose 5,000, a 90 percent rejection rate.

For the winners, there was an added bonus when Obama or his Cabinet secretaries dropped by to tout progress. “You couldn't get that kind of publicity if you devoted all your advertising budget to it,” said Brendan Doherty, an assistant professor at the U.S. Naval Academy who has studied and written about presidential travel.

Obama began his clean-tech travel in March 2009. At a number of companies the president visited, there were connections — not all of them close, to be sure — to his 2008 campaign. Over the months, Obama touted a Florida's utility's electric grid project (a company in an Obama fundraiser's portfolio was doing extensive business with the project) and a Nevada company that generates emission-free power from waste heat, the warmth radiated by machines or industrial processes (an Obama fundraiser is a partner in a venture

fund that has a small stake in the company).

A White House spokesman said these connections were purely coincidental. Numerous factors — including location, accessibility to airports and media accommodations — help decide where Obama will travel, the spokesman said. He said employees and investors in some companies visited by Obama also donated to Republicans and to the president's 2008 Democratic opponents.

Some of Obama's factory appearances have had a distinctly political feel. The trips have taken him to states where he did well in 2008 and where his message of a rebounding job market is helping set the stage for his reelection campaign.

A moment of glory

Obama was scheduled to visit California for a political event when Solyndra's communications director, David Miller, called the White House to ask that a factory tour be added to his itinerary.

The White House already knew about the ambitious start-up, which had won an Energy Department commitment for a \$535 million federal loan guarantee, the first awarded under the stimulus plan. Guarantees make it easier for companies to secure private financing at lower interest rates and assure lenders that a loan will be covered by taxpayers if a recipient defaults.

Energy Secretary Chu flew out for a Solyndra factory groundbreaking, and Vice President Biden's image was beamed to the ceremony through a video feed.

After [Obama's visit](#) was scheduled, waves of Secret Service agents, military communications crews and White House advance teams descended on Solyndra. When the president strode onto the factory floor, the mood was festive as the crowd listened to him praise what he said were Solyndra's plans "to hire a thousand workers."

"The future is here," Obama said.

Buoyed by government confidence, Solyndra planned an initial public stock offering expected to raise \$300 million. Its largest investors were venture capital funds associated with [Kaiser, the Tulsa oil executive](#) who served as a major Obama fundraiser in 2008 and who has been a frequent White House visitor.

But just weeks before Obama's arrival, the company released sobering news from independent auditors evaluating its public offering plan. PricewaterhouseCoopers said Solyndra's losses and negative cash flow raised "substantial doubt about its ability to continue as a going concern." The report, covered by financial media, added to doubts on Wall Street.

Solar analyst Ramesh Misra, who works for the investment firm Brigantine Advisors, was skeptical about Solyndra's signature product. Its solar panels are composed of an array of glass tubes that are expensive to produce, causing investment advisers to question whether the product could compete with less-expensive Chinese models. Misra, who has no financial interest in Solyndra or its rivals, questioned the administration's decision.

"To think they could compete on any basis, that took a very big leap of faith," Misra said.

"Solyndra stands out," agreed Robert Lahey, an analyst with Ardour Capital who added that he thinks the government took a substantial risk in backing Solyndra.

A month after Obama's visit, the company withdrew its public offering plans. A few weeks later, congressional auditors announced that Energy Department had given favorable treatment to some

loan-guarantee applicants. A Government Accountability Office report found that the department had bypassed required steps for funding awards to five applicants, including Solyndra. The GAO did not publicly identify those five in its report; the Energy Department asked that some information about companies be excluded as business sensitive.

“Contrary to the GAO report, the department met every requirement for the Solyndra transaction,” an Energy Department spokesperson said, adding that all reviews were completed before any taxpayer money was obligated.

Solyndra announced in November that it would close its older factory and reduce its workforce by 127 people. Plant expansion plans were put on hold.

This year, the Energy Department's inspector general criticized the agency for not maintaining e-mails discussing selections of loan-guarantee winners, and the House Energy and Commerce Committee, led by Rep. Fred Upton (R-Mich.), began investigating Solyndra's selection. At a hearing last week, Republicans criticized the Office of Management and Budget for not answering questions and suggested that they may resort to subpoenas.

Solyndra chief executive Brian Harrison said the loan guarantee led to unrealistic expectations. Company officials said they never intended to hire 1,000 additional workers, as Obama said, but believed that Solyndra could create that many jobs in the “related supply chain.” Since the loan, Solyndra said, it has added about 310 net positions in-house.

With cumulative sales of more than \$250 million, Solyndra “doubled our production from 2009 to 2010, and we'll double it again from 2010 to 2011,” Harrison said. “All in all, it's a good story. I don't focus on the political aspects of what happens in Washington. I'm focused on our business.”

While analysts remain skeptical, the federal government is increasing its bet. On June 10, the U.S. Export-Import Bank announced that it would provide \$10.3 million in financing to help Solyndra sell its solar panels to a supermarket distribution company in suburban Brussels.

A concerted focus

Along with Capitol Hill fallout, the administration's attention to certain clean-tech companies has led to some industry concerns. Executives of some struggling start-ups ask whether the administration rigorously examines companies and their products before endorsing a favored few.

Charlotte-based Celgard, for example, already was considered a global industry leader in manufacturing a battery component used in consumer electronics, including electric vehicles. It applied for stimulus funding to help build a new factory, and in August 2009, the Energy Department awarded it a \$49 million stimulus grant. The company was one of 48 winners from among an estimated 240 applicants in the electric vehicle and battery sector.

[Chu came from Washington to announce the grant](#) at the Celgard factory, praising “innovators and entrepreneurs who are rebuilding this economy from the ground up.”

“These grants were chosen not to simply boost a few companies but to start an entire advanced battery industry in America,” he said.

Obama lauded an unnamed company fitting Celgard's description in his 2010 State of the Union address. And in early April 2010, he flew to Charlotte to spotlight Celgard's progress under the Recovery Act.

“We are proud of you,” the president told workers assembled in a flag-draped warehouse. “You're helping to

point the way . . . not just here in North Carolina, but all across the country.”

A few months later, Celgard won more praise. In July, Obama lauded its technology in a Kansas City speech, and days later, Labor Secretary Hilda L. Solis showed up at Celgard to signal more good news: Since Obama's visit, the company had added 40 workers.

Amid this flurry of White House interest, some competitors questioned why Celgard warranted so much attention.

During the official visits, federal regulators were pursuing a case against Celgard's parent company, Polypore. The Federal Trade Commission had charged the company with trying to monopolize several battery markets and control prices by buying one of its few U.S. competitors. Obama's visit came a month after an administrative judge agreed that Polypore's purchase created an illegal monopoly and that it must sell the competitor. The case is under appeal.

“Generally, we're concerned with what kind of due diligence the administration did before throwing out that kind of money and attention,” said Bryan Godber, vice president of Trojan Battery, which faced the prospect of higher prices for Polypore products. “They are giving some companies massive advantages over others.”

Meanwhile, Polypore [has seen its stock rise](#) more than tenfold during Obama's tenure — from \$4.15 a share in November 2008 to more than \$64 a share in May 2011 — largely because of the booming market for electric vehicles. Private-equity firm Warburg Pincus has seen its original \$300 million investment more than triple in value and recently has been locking in gains with stock sales. (More than \$253,000 was raised for Obama in 2008 from Warburg employees and their families, campaign finance records show.)

The chairman of Polypore's board, Warburg Pincus director Michael Graff, and his wife donated \$14,600 toward Obama's 2008 presidential bid, including \$10,000 given shortly before the election to an Obama committee geared to get out the vote in battleground states. Graff, a registered Republican, made no donations to Republicans in the 2008 cycle, records show.

Warburg spokesman Ed Trissel said political contributions by Graff or other members of the firm had “no connection with any interactions between the Obama administration and Polypore.”

Still, competitors question whether the administration could create a more level playing field.

Abbas Samii, chief executive of battery separator start-up Advanced Membrane Systems, tried to win several million dollars through the Energy Department to launch a North Carolina plant but was turned down.

“We could have achieved so much with just one-tenth of that money,” he said, referring to Celgard's \$49 million stimulus grant. “Now, not only are we struggling, our competitors got all the money.”

A sign of accomplishment

An image of Obama speaking from a factory floor brings global attention to companies trying to raise capital and best competitors. Celgard posted photos of the president's visit in its corporate hallways and cited it in presentations as evidence of “accomplishments and progress.”

Orion Energy Systems, a small Wisconsin lighting company, believed a presidential visit was so important to business that it worked political connections for two years to get Obama to its Manitowoc factory.

“With customers, it is huge credibility,” said Orion chief executive Neal Verfuert.

[Obama came to the plant](#) — and stopped by two neighboring companies — this January, the day after a State

of the Union address in which he declared that the nation faces a “Sputnik moment” in its quest for innovation.

Orion, a publicly traded company, counts among its largest institutional investors a firm run by John Rogers Jr., a longtime friend and Obama fundraiser. A spokesman for the fund said Rogers played no role in the Obama visit.

Some of Orion’s competitors said they could only wish for such a moment of glory.

Mark Eubanks, president of Cooper Lighting in Atlanta, estimated that his company sells six times more energy-efficient lighting than Orion, but it is based in a Republican stronghold.

“We’d be happy to host the president,” Eubanks said. He added that he’s not expecting the phone to ring anytime soon.

Staff writer T.W. Farnam contributed to this report.

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