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Solyndra Is Blamed as Clean-Energy Loan Program Stalls

By BILL VLASIC and MATTHEW L. WALD

More than $16 billion in loans authorized five years ago by Congress to develop fuel-efficient vehicles has yet to be dispersed, with applicants for the money complaining that the Energy Department is crippling plans for greener cars and trucks at a time of rising gas prices.

Some companies contend that the loans, administered by energy officials, have dried up because of a political firestorm that followed the bankruptcy last year of the solar-panel company Solyndra, which had received a federal loan from a related program. The bankruptcy fed Republican criticism of the Obama administration's handling of clean-energy loans because one of the investors in Solyndra was a major fund-raiser for the president.

"Since Solyndra became politicized last fall, the Department of Energy has failed to make any other loans," said William Santana Li, chief executive of Carbon Motors, which on Wednesday dropped its $310 million application to build police cars with diesel engines that use 40 percent less fuel than current models.

Echoing other companies that were denied loans or have withdrawn their applications, Mr. Li said that in recent months federal officials had repeatedly altered the terms of the possible loans. Last month, Chrysler withdrew its application for $3.5 billion in loans — after three years of negotiations — because the government kept raising the amount of collateral required, company officials said.

"I don't want any favors," Sergio Marchionne, the Chrysler chief executive, said before the withdrawal. "I just don't want to be mistreated."

Energy Department officials declined to discuss specific loan requests because of confidentiality agreements, but they denied that the political fallout of Solyndra's bankruptcy was an issue.

"It's not unusual for terms to continually shift and change and evolve as a negotiation moves forward," said Damien LaVera, a department spokesman. "It's a constantly evolving process from the day they apply to the day they close their loans."

Supporters of the program have expressed disappointment with the rash of withdrawals.

"It's unfortunate that more companies have not been approved recently," said Senator Debbie Stabenow, Democrat of Michigan. "We are looking at options to ensure that the initiative will continue to help manufacturers create advanced technology jobs in America."

Applicants for the loans, big and small, said the department had inexplicably altered financial terms of pending loans with no earlier hint that the applications might be in jeopardy. The consequences have been dire for Bright Automotive, a start-up in Michigan that withdrew its application last month. It is shutting down operations to produce a plug-in hybrid delivery van after energy officials suddenly demanded the company raise $345 million in private funds for a project that needed a $314 million loan.

Company executives said that federal officials told them that they were impressed with the Bright van, but often talked about how the Energy Department could not risk "another Solyndra situation." Solyndra ceased operations last August but it was evident to the Energy Department some months earlier that the company was in trouble; in May, 2010, some White House officials were concerned that the company might not survive.

The auto-loan fund, known as the Advanced Technology Vehicle Manufacturing program, or ATVM, was created in 2007 in conjunction with new federal fuel-economy requirements. The intent was for loans to spur development of vehicles that would get 20 percent improvements in gas mileage over models they replaced. Since then, the program has become all the more relevant because fuel-efficiency rules were increased even further in 2011 to a target of 54 miles per gallon by 2025.

Even with President Obama's emphasis on promoting cleaner cars, only $8.4 billion of the $25 billion authorized by Congress for the ATVM program has been allocated, with just one small project of $50 million gaining approval in the last two years. With the recent withdrawals of applications, it is unclear whether any car-loan applications are still being considered.

The biggest loans so far went to Ford and Nissan for electric-car projects. When Chrysler tried to tap into some of the same money, the delays became so frustrating that its chief executive, Mr. Marchionne, went to Washington in January for an unusual one-on-one meeting with the energy secretary, Steven Chu.

"Can you just give us a decision, yes or no?" he asked Mr. Chu, according to company officials who spoke on the condition of anonymity because they were not authorized to comment on the talks.

But Mr. Chu refused to be pinned down, these people said, and last month, Chrysler withdrew its application. Mr. Marchionne said his company was being forced to meet stiffer requirements for loans. "The D.O.E.'s proposed terms were very restrictive," a Chrysler official said.

A senior adviser to Mr. Chu, Richard L. Kauffman, acknowledged that some applicants had lost patience with the government's scrutiny of their finances and business plans.

"It's a very extensive due diligence process, maybe to the point of irritation," Mr. Kauffman said. "We're trying to protect the taxpayer."

In fact, there has been some debate about at least one of the auto loan recipients, Fisker Automotive.

A high-end electric-car maker, Fisker stopped construction in February at a Delaware plant it bought from General Motors after the Energy Department blocked the company from using a portion of its $529 million loan. Fisker had missed certain deadlines it had agreed to when it was awarded its loan in April 2010. The company has drawn $193 million on its loan so far.

The Senate Committee on Energy and Natural Resources is expected on Tuesday to discuss the clean-energy loan efforts, including both the auto loan program and the related renewable energy loan program, which provided the money for Solyndra. A White House audit of the two programs, released last month, suggested they needed more rigorous financial oversight and stricter performance standards, but it did not find greater risk of losses or default than anticipated by Congress in 2007.

In the meantime, the 60 employees of one of the recent losers, Bright Automotive, have been packing up their offices in a former Chrysler customer call-center in suburban Detroit.

Bright's chief operating officer, Michael F. Donoughe, said investors had spent "upwards of $25 million" and almost three years trying to get the company started.

Their plan was to build hybrid gas-electric delivery vans that would get 85 m.p.g. The company had secured General Motors as an investor and parts supplier, and contracted to manufacture the vans in an Indiana factory owned by AM General, the maker of Humvee military vehicles.

Mr. Donoughe said his company planned to hire more than 600 production workers and eventually build 50,000 Bright "Idea" vans annually. "This vehicle can operate on two gallons of gas a day, versus 10 gallons for a conventional full-sized van," he said.

Bright lowered its loan request from $450 million to $314 million, and last summer agreed to raise private equity equal to 70 percent of the loan amount as assurance that the company would succeed.

When federal officials and consultants later wanted an equity commitment that was larger than the loan itself, Bright decided to pull the plug. "We got tired of waiting for heaven and earth to move," Mr. Donoughe said.

"Bright has not been explicitly rejected by the D.O.E.," the company's management said in a Feb.

28 letter to Mr. Chu, the energy secretary. "Rather, we have been forced to say 'uncle.' "

Last week, at a commercial truck show in Indiana, one of Bright's employees, Amy Dobrikova, asked Mr. Chu about the company's application.

The energy secretary, who was touring the event to promote energy-efficient vehicles, described Bright's technology as "good." But he told Ms. Dobrikova that his department had known the company's application would not succeed "for the last year and a half." He did not, according to an audio recording of the exchange, explain why.