

Coburn Amendment 1874 - To require the Secretary of Energy to conduct a study to determine the number of companies that have received taxpayer assistance and subsequently filed for bankruptcy.

This amendment is straight forward; it requires the Department of Energy (DOE) to conduct a study that measures and assesses the number of companies that have received federal assistance —a grant, a loan, or a loan guarantee — under DOE’s Sections 1703 and 1705 loan programs.¹ Tax payers deserve a full account of DOE loan programs so Congress and the EPA can learn from past mistakes.

According to a 2012 CRS report, as of December 2011, the DOE’s Loan Programs Office (LPO) has finalized 27 programs under the **Section 1705 program**, which equates to approximately **\$16.15** billion of federal loan guarantees commitments. The same CRS report reveals that as of December 2011, under the **Section 1703 program**, DOE has issued four projects with a total “conditional” loan guarantee value of **\$10.6 billion**.²

Every Member of Congress should want to know the success rate of over \$26 billion dollars of investment in clean energy.

This amendment forces DOE to tell Americans how many companies received tax dollars through DOE and filed for bankruptcy. The federal government should not give politically-preferred subsidies and advantages to bad business plans that never had a real chance of surviving in the market.

Here are a few examples of companies that have taken federal funding and sought bankruptcy protection.

1. Solyndra

Solyndra, a California solar panel company, filed for Chapter 11 bankruptcy in September 2011 after receiving \$527 million in federal loan guarantees.³

¹ Section 1703: offers loan guarantees for so called “innovative” clean energy projects.

Section 1705: offers loan guarantees for renewable energy, biofuel and electric power transmission projects. Section 1705 program expired on September 30, 2011. Section 1705 was enacted in the Stimulus bill, (the Recovery Act of 2009).

According to a Heritage Foundation’s Foundry Blog:

“The DOE to date has not issued a loan guarantee under the 1703 program’s \$34 billion in loan authority, but is considering 13 applications totaling \$15.1 billion in loan guarantees as of January 29, 2013, according to the report. Four of the applications—worth a collective \$10.3 billion—have reached the “conditional commitment” stage—putting them one step away from receiving the money—but as of yet, no loans have been issued.”

² Loan Guarantees for Clean Energy Technologies: Goals, Concerns, and Policy Options. Authored by Phillip Brown, January 17, 2012 CRS report. Pg. 7.

³ <http://www.bloomberg.com/news/print/2011-09-08/solyndra-s-california-headquarters-raided-by-fbi-agency-spokeswoman-says.html>; <http://topics.nytimes.com/top/news/business/companies/solyndra/index.html?inline=nyt-org>;

In March 2009, DOE approved a loan to Solyndra for \$535 million with the intent of making the company the poster child of “green stimulus.” It has instead become the poster child of a failed government boondoggle.

In January, 2011, Solyndra executives confided to federal officials that the project was in serious financial trouble. Instead of pulling the plug on the failing project, the Administration instead refinanced the company’s \$535 million federal loan, thereby releasing another \$67 million to Solyndra.

The refinancing failed and on September 6, 2011, Solyndra filed for bankruptcy. Days before filing for bankruptcy, company executives were awarded hundreds of thousands of dollars in bonuses. Meanwhile the company’s 1,100 workers were abruptly laid off.

2. Abound Solar Manufacturing

Abound Solar, a Colorado solar panel manufacturing company was promised a \$400 million loan guarantee in December 2010 for the construction of two solar panel manufacturing plants.⁴ Abound then filed for bankruptcy in July 2012 citing tough competition from China for its collapse.⁵

According to a New York Times article, *“the company said it would have been profitable if it had had large-scale manufacturing underway, but aggressive pricing actions from Chinese solar panel companies have made it very difficult for an early stage start-up company like Abound to scale in current market conditions.”*⁶

DOE ultimately cut off their funding 9 months after authorizing the loan and after Abound received about \$68 million.⁷ The Abound Solar loan is troublesome because some suspect Abound Solar executives knew their solar panels were defective based on Abound’s own internal documents.⁸

3. Beacon Power Corp

Beacon Power received a \$43 million loan guarantee from the Department of Energy to help fund a \$69 million flywheel energy storage plant in New York.⁹

<http://abcnews.go.com/Blotter/fbi-raids-connected-energy-firm-solyndra/story?id=14473051> ;

<http://www.nationaljournal.com/energy/fbi-raids-bankrupt-solar-company-solyndra-20110908?print=true>

⁴ <http://www.foxnews.com/politics/2012/10/11/another-bankrupt-solar-firm-facing-scrutiny-from-lawmakers-investigators/>

⁵ <http://www.reuters.com/article/2012/07/02/us-aboundsolar-bankruptcy-idUSBRE86118020120702>

⁶ http://www.nytimes.com/2012/06/29/business/energy-environment/abound-solar-says-it-will-file-for-bankruptcy.html?_r=0&pagewanted=print

⁷ http://www.nytimes.com/2012/06/29/business/energy-environment/abound-solar-says-it-will-file-for-bankruptcy.html?_r=0&pagewanted=print

⁸ <http://dailycaller.com/2012/10/02/sources-beacon-documents-suggest-government-subsidized-abound-solar-was-selling-faulty-product/>

⁹ <http://www.moneynews.com/Economy/Beacon-Power-Bankrupt-Solyndra/2011/10/31/id/416267> ;

<http://www.thenewamerican.com/tech-mainmenu-30/environment/9595-another-doe-loan-guarantee-recipient-goes-bankrupt>

Beacon Power drew down \$39 million of the \$43 million loan, then filed for Chapter 11 Bankruptcy protection in October 2011.¹⁰ Although Beacon Power is still operating, the American tax payer is still out of \$39 million dollars¹¹

¹⁰ <http://www.reuters.com/assets/print?aid=USTRE79T39320111031>

¹¹ See id.