

Opening Statement: Full Committee Hearing on DOE Loan Programs Audit
March 13, 2012
Senator Lisa Murkowski

Mr. Chairman, thank you for scheduling this very important hearing.

I believe it is vital for our committee to conduct regular and intensive oversight of the programs and agencies under our jurisdiction, especially when serious or unexpected problems begin to surface.

Secretary Chu, thank you for being here today – it will be helpful to hear directly from you about what’s gone on in this area. And Mr. Allison, thank you for agreeing to take on an audit of the Department’s loan programs.

This is one of the more complicated topics that our committee will tackle. These loan-related authorities – and the Energy Department’s use of them – span different Administrations, different Congresses, and include three separate programs, each with their own unique attributes.

I want to say that I found the independent audit to be quite useful. It disaggregates projects based on risk profiles, rather than programmatic origin. It discusses transparency and reporting shortcomings, and reveals the concentration risk in the current portfolio. The audit highlights the portfolio’s reliance on state and federal mandates to force the creation of markets for certain projects and products. And it makes some valuable recommendations that we and the Secretary need to consider.

If there is one shortcoming, it’s that the audit doesn’t delve deeply into the history of these programs, which is essential to understanding how we’ve gotten into some difficulties with them. Again, we are talking about three different programs: Section 1703 from the 2005 energy bill, ATVM from the 2007 energy bill, and Section 1705 from the 2009 stimulus. There are some similarities, but also very important differences between these three programs, so I’d like to take just a moment to review them.

Section 1703 was created by a Republican Congress, relied heavily upon credit subsidy costs being self-paid by applicants, made any project using “new or significantly improved” technologies eligible, and has not closed on a single loan guarantee.

Section 1705, on the other hand, was created by a Democratic Congress, accompanied by \$6 billion to pay for applicants’ credit subsidy costs, narrowly limited eligibility to renewable and transmission projects, and has closed on 27 loan guarantees worth approximately \$16 billion.

And ATVM, of course, was designed to offer direct loans to automakers. Over \$7 billion was appropriated to cover credit subsidy costs, but just five loans have been issued. The last was in March 2011, and April 2010 before that. Many of the remaining applicants are withdrawing and expressing frustration over DOE’s apparent inability to make yes-and-no decisions. More than half of ATVM’s lending authority remains unused, and the program is virtually dormant.

Both the 1705 and ATVM programs are now dogged by questions about political influence, compliance with the underlying statutes and sometimes poor investment decisions. I think everyone here is aware of that fact, and some may think that we have called for this hearing simply to add on to those criticisms.

But I don't want to add to the narrative of scandal and controversy that the Department is already confronting. Instead, I will just say this: hard questions need to be asked and responded to in full. These programs should be examined and improved. That's an appropriate role for Congress and, more specifically, our committee. We didn't expect every single project the Department supported to be a roaring success, but we also didn't expect an accumulation of failures so quickly. There are clearly problems that need to be sorted through and worked out. Mr. Allison's audit is a good first step, and this hearing again moves us in the right direction.

The Department of Energy's loan programs can serve a valuable purpose, but right now we need to know if the loans and loan guarantees that have been issued through them are as effective as we hoped they would be. We will have some tough decisions to make, going forward, and I hope we learn enough this morning to make sure those decisions are fully informed.

I'd like to thank the Secretary and Mr. Allison in advance for their contribution to that objective – and again, Mr. Chairman, thank you for scheduling this hearing.