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Statement of Ranking Member Elijah E. Cummings Subcommittee on Regulatory Affairs, Stimulus Oversight and Government Spending

Hearing on "The Obama Administration's Green Energy Gamble: What Have All the Taxpayer Subsidies Achieved?"

May 16, 2012

I welcome the opportunity to participate in today's hearing because the American people deserve the facts about the Department of Energy's (DOE) loan guarantee program.

The most significant fact is that DOE's 1705 loan guarantee program is performing better than Congress expected when the program was created in 2009. When Congress passed the Recovery Act, we recognized the inherent risk in investing in these cutting-edge technologies. We authorized a set-aside of \$2.47 billion for potential losses, estimating a potential default rate of 15.54%.

According to a recent report by Bloomberg, however, the current default rate is "less than 3.6 percent." According to this report, the set-aside fund that Congress created "could cover the defaults of all eight of the remaining high-risk projects and have money in reserve."

This success is due in no small part to the unprecedented levels of due diligence performed by DOE staff in reviewing loan guarantee applications.

In March, the Government Accountability Office issued a report concluding that the procedures used by DOE's loan guarantee program "may equal or exceed those used by the private lenders to assess and mitigate project risk."

This conclusion is confirmed by the testimony of the witnesses here today. For example, according to Mr. Witsoe from Abound Solar, his company spent nearly two years in discussions with DOE before the government approved its loan.

My staff has boxes of these loan applications piled up in their offices, so I know just how painstaking a process it must have been for the Department to review materials for all of the companies that applied to the program.

DOE's process was so extensive that it received complaints from companies and utilities waiting to confirm that they would have funding for their projects. In fact, Members of Congress

from both parties sent nearly 500 letters to DOE in support of projects in their districts. Despite these endorsements, DOE's due diligence process took years for most companies to complete.

Some Members of this Committee have chosen to disregard the overall success of this program and focus instead on companies that have failed, even though such failures were always anticipated.

We need to remember that these companies are creating the energy technologies of the future. They are struggling to succeed in an increasingly competitive global market against foreign forces that are putting the weight of their entire countries behind their efforts. We should be supporting these companies, not only because they hire U.S. workers, but because they are developing technologies today that will fuel our entire economy in the future.

Unfortunately, our own Chairman, Congressman Issa, has made reckless accusations against these companies, calling their participation in the DOE loan program a "broad scandal." He claims that their loans were "driven by political favoritism and accusations of pay-to-play relationships." Although the Committee has uncovered not one shred of evidence to support these claims, they are repeated over and over.

At some point, these false accusations start affecting these companies' bottom lines, the willingness of their investors to participate, and the ability of these companies to succeed. At some point, these irresponsible actions cross the line from merely rooting for failure to actually contributing to it.

Today, I hope we will have a constructive hearing to explore ways that our Committee and Congress as a whole can help these American companies compete, and succeed, in our common goal of achieving energy independence.

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