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Solyndra Not the Only Questionable Obama Loan to 'Green' Energy

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The very public failure of energy company Solyndra has focused a lot of attention on the Department of Energy's loan guarantee programs. Beyond Solyndra's failure, it's interesting to take a closer look at these programs. The economic justification for any government-sponsored lending or loan guarantee program must rest on a well established failure of the private sector to allocate loans efficiently, meaning that deserving recipients could not have obtained capital on their own. Absent such a private sector deficiency, the Department of Energy's activities would simply be a wasteful at best, politically motivated at worst, subsidy to this sector of the economy.



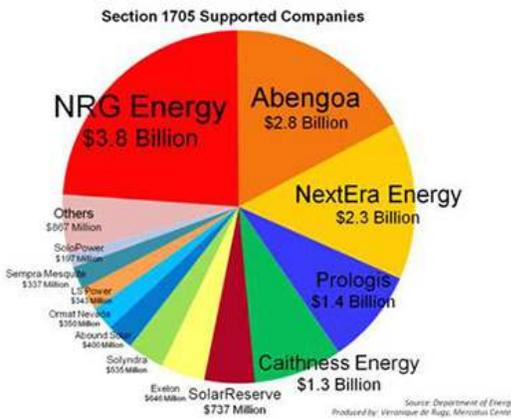
To measure the Department of Energy results, I looked at the flow of Department of Energy credits to evaluate who receives them and whether the department is meeting its stated policy objectives, such as promoting new start-ups or companies that have a hard time accessing capital, and encouraging the creation of green jobs.

Since 2009, Department of Energy has guaranteed \$34.7 billion in loans, 46 percent through the 1705 loan program, 30 percent through the 1703 program, and 14 percent through the Advanced Technology Vehicles Manufacturing loan program.

[See a collection of political cartoons on energy policy.]

The 1705 program (under which Solyndra received funding) deserves particular attention. This program is a product of the economic stimulus bill of 2009. The data shows that:

- 26 projects were funded under the 1705, and guaranteed roughly \$16 billion in total.
- Some 2,378 permanent jobs were claimed to be created under the program. This works out to a potential cost per job of \$6.7 million.
- The recipient of the most 1705 loans is NRG Energy Inc.
- NRG Energy Inc. received \$3.8 billion (23.7 percent of the overall amount guaranteed under the 1705).
- Four companies received 64 percent, or \$10.3 billion, of the total amount guaranteed under the 1705 program.



So what does this mean? First, very few permanent green jobs were created under the 1705 loan program (or any of the other loan programs). To the extent that permanent "green jobs" were created, the \$6.7 million cost per job is quite spectacular. This trend and number also dismisses this particular loan program as a job program.

[See a collection of political cartoons on the economy.]

Second, nearly 90 percent of the 1705 loans guaranteed by the federal government since 2009 went to subsidize lower risk power plants, which in many cases were backed by big companies with vast resources. This includes loans such as the \$90 million guarantee granted to Cogentrix, a subsidiary of Goldman Sachs—a company that ranks [number 80](#) on the list of America's Fortune 500 companies. It's hard to imagine that these big companies, or Goldman Sachs, wouldn't have access to capital, if the project was worth it.

Environmentalists are right to be outraged by the large amount of subsidies or special treatments provided to energy forms they deem dangerous for the planet. Yet they are wrong to think that the answer to subsidies they dislike is more subsidies to energy they approve of, especially considering that the subsidies are not going to the type of companies that the Department of Energy claimed its loan guarantees would help.

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