

## **Investing in America's Energy Future**

By Jordan Cafritz

On Thursday, November 17<sup>th</sup>, Department of Energy Secretary Steven Chu testified before the House Energy and Commerce Committee regarding his agency's role in providing \$535 million in government-sponsored loans to the now-bankrupt solar panel manufacturer, Solyndra. While his opening remarks can be found on the [Department of Energy's website](#), it was his answers to nearly [five-hours of congressional questioning](#) that occupied most of the country's attention.

Regrettably, none of the questions put forward by Congress discussed the key issue brought to light by Solyndra's failure. With the bankruptcy of Solyndra in August and Beacon Power Company in [October](#), two of the three recent "shovel-ready" alternative energy projects sponsored by the government are outright failures. The agency's long term goal of creating economically viable energy alternatives is worthwhile, but with such a damaging track record, the question should be asked: is the Department of Energy funding its alternative energy goals the right way?

The agency's current loan program was created in 2005 and expanded in 2009 after the stimulus act. The program has been responsible for around \$40 billion worth of loans to energy companies and energy initiatives. Under the program, federal funds are not loaned out directly. Instead, the government acts as the guarantor for the loans granted to the corporation. Should the company ever default on their loan, the government is left with the bill. According to Department of Energy, the default rate for this system is estimated at roughly 10%, and the agency maintains [a contingency fund of?] over \$2.4 billion to account for such occurrences. When put into perspective, the failures of Beacon Power Company and Solyndra are well within the expected default rate of the Department of Energy's investment program. Furthermore, they are by no means the largest failed projects in the agency's thirty-four year history, as pointed out by the Washington Post's [Steven](#)

[Mufson](#). However, the question still remains: are these “shovel-ready” investments compatible with the agency’s alternative energy goals?

In defense of Solyndra, Secretary Chu cited the transcontinental railroad and semi-conductors as just two of the many positive breakthroughs brought to fruition by government investment. Secretary Chu is quite right in alluding to the fact that government investment has, in the past, led to significant breakthroughs in this country. For example, the Internet originated out of a Defense Department desire for a worldwide military communications network in the 1950’s. Additionally, word-processing software and the computer-mouse emerged out of a jointly funded effort by NASA and the Air Force to improve human-computer interaction in the 1960’s. However, this analogy is loose at best because the Department of Energy’s goal has not been to fund an energy breakthrough, but instead to invest in “shovel-ready” alternative energy projects that are immediately profitable and economically viable.

The personal computer and the Internet did not emerge onto the consumer market until decades after their creation. To expect the Department of Energy’s loan program to produce breakthroughs in alternative energy that are also immediately economically viable is, in the words of Forbes contributor's Jerry Taylor and Peter Van Doren, [akin to the Apollo project attempting to put a man on the moon at a profit](#). Government investment has led to significant technological breakthroughs in the past, but rarely have these breakthroughs been concerned with producing an economically viable product. By funding a company like Solyndra, the Department of Energy is focusing not on technological breakthroughs for the future, but instead on economically profitable energy alternatives for the present.

The failures of Solyndra and Beacon Power Company have put Secretary Chu and his agency in the public spotlight. Under his watch, two agency-sponsored projects have failed since 2009. If America is to have an energy future less reliant on fossil fuels, it is likely that a focus on the long-

term goals of energy independence will be more compatible than investment in “shovel-ready” companies for the short-term.

Sources Used:

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