Statement of Secretary Steven Chu
U.S. Department of Energy
Before the
Subcommittee on Oversight and Investigations
Committee on Energy and Commerce
U.S. House of Representatives

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Thank you Chairman Stearns, Ranking Member DeGette, and members of the Subcommittee for the opportunity to speak with you today.

Investments in clean energy reached a record $243 billion last year. Solar photovoltaic systems alone represent a global market worth more than $80 billion today. In the coming decades, the clean energy sector is expected to grow by hundreds of billions of dollars. We are in a fierce global race to capture this market.

In the past year and a half, the China Development Bank has offered more than $34 billion in credit lines to China's solar companies. China is not alone: To strengthen their countries' competitiveness, governments around the world are providing strong support to their clean energy industries. Germany and Canada operate government-backed clean energy lending programs, and more than 50 countries offer some type of public financing for clean energy projects.[i]

In the United States, Congress established the Section 1703 and 1705 loan guarantee programs as well as the Advanced Technology Vehicles Manufacturing Program — all of which provide support to cutting-edge clean energy industries that involve technology and market risks. In doing so, Congress appropriated nearly $10 billion to cover potential losses in our total loan portfolio, thereby acknowledging and ensuring that the inherent risks of funding new and innovative technologies were recognized and accounted for in the budget. We appreciate the support the loan programs have received from many members of Congress — including nearly 500 letters to the Department — who have urged us to accelerate our efforts and to fund worthy projects in their states.

Through the loan programs, the Energy Department is supporting 38 clean energy projects that are expected to employ more than 60,000 Americans, generate enough clean electricity to power nearly 3 million homes and displace more than 300 million gallons of gasoline annually. These important investments are helping to make America more competitive in the global clean energy economy.

Today, we are here to specifically discuss the Solyndra loan guarantee. The Department takes our obligation to the taxpayer seriously, and welcomes the opportunity to discuss this matter.

As you know, the Department has consistently cooperated with the Committee's investigation, providing more than 186,000 pages of documents, appearing at hearings, and briefing or being interviewed by Committee staff eight times.

As this extensive record has made clear, the loan guarantee to Solyndra was subject to proper, rigorous scrutiny and healthy debate during every phase of the process.

As the Secretary of Energy, the final decisions on Solyndra were mine, and I made them with the best interest of the taxpayer in mind. I want to be clear: over the course of Solyndra's loan guarantee, I did not make any decision based on political considerations.

My decision to guarantee a loan to Solyndra was based on the analysis of experienced professionals and on the strength of the information they had available to them at the time.

The Solyndra transaction went through more than two years of rigorous technical, financial and legal due diligence, spanning two Administrations, before a loan guarantee was issued. Based on thorough internal and external analysis of both the market and the technology, and extensive review of information provided by Solyndra and others, the Department concluded that Solyndra was poised to compete in the marketplace and had a good prospect of repaying the government's loan.

Solyndra's potential was widely recognized outside the Department. Highly sophisticated, professional private investors, after conducting their own reviews, had collectively invested nearly a billion dollars in the company, which was named as one of the world's "50 Most Innovative Companies" by MIT's Technology Review in February of 2010.

It is common for it to take some time for start-up companies, especially manufacturing companies, to turn a profit. And in the two years since the Department issued the loan guarantee, Solyndra faced deteriorating market conditions.

Solar PV production has expanded at the same time that demand has softened due to the global economic downturn and a decline in subsidies in countries including Spain, Italy and Germany. The result has been an acute drop in the price of solar cells, which has taken a toll on many solar companies in Europe, Asia and the United States. Meanwhile, countries like China are playing to win in the solar industry. China has invested aggressively to support its companies, and in recent years, China has seen its market share in solar cell and solar module production grow significantly, to roughly half the market today.

Facing a liquidity crisis near the end of 2010, Solyndra informed us that it needed emergency financing from its existing investors to complete scale-up of its operations and reach profitability.

The Department faced a difficult decision: force the company into immediate bankruptcy or restructure the loan guarantee to allow the company to accept emergency financing that would be paid back first if the company was still unable to recover.

Immediate bankruptcy meant a 100 percent certainty of default, with an unfinished plant as collateral. Restructuring improved the chance of recovering taxpayer money by giving the company a fighting chance at success, with a completed plant as collateral. Although both options involved significant uncertainty for the value of the company, our judgment was that restructuring was the better option to recover the maximum amount of the government's loan. It also meant continued employment for the company's approximately 1,000 workers. I approved restructuring of the loan guarantee to give the taxpayers the best chance at recovery. It is worth noting that the nearly $1 billion of original equity investment from Solyndra's investors remains subordinate to the debt owed to the government.

In August of 2011, Solyndra faced another liquidity crisis and the Department again faced a tough choice. We asked some of the smartest financial analysts to look at the health of the company. We reviewed a number of options, and ultimately, we concluded that providing additional support to this company was not in the taxpayer's best interests.

While we are disappointed in the outcome of this particular loan, we support Congress' mandate to finance the deployment of innovative technologies, and believe that our portfolio of loans does so responsibly. The President has asked for a review of the Department's loan portfolio. We support that review, and I look forward to the results. The Energy Department is committed to continually improving and applying lessons learned in everything we do, because the stakes could not be higher for our country.

When it comes to the clean energy race, America faces a simple choice: compete or accept defeat. I believe we can and must compete.

Thank you, and I welcome your questions.

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[i] REN21, "Renewables 2011 Status Report," http://www.ren21.net/Portals/97/documents/GSR/REN21_GSR2011.pdf