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Car company says Obama team steered stimulus funds to political favorites

By [Carol D. Leonnig](#), Thursday, January 10, 8:10 AM

An electric car start-up and its sister company sued the U.S. Department of Energy Thursday, claiming Secretary Steven Chu and his federal agency awarded money to politically-favored firms and strung along their firms and others in a “fixed” race for federal funds.

The two lawsuits filed in federal court by the fledgling San Francisco companies echo what has become a familiar complaint since 2010 and throughout the presidential campaign: that the Obama administration’s signature investment of tens of billions of dollars in the clean energy industry frequently benefited companies who were backed by the president’s campaign donors and political allies.

In addition to complaints of cronyism, XP Vehicles and its sister company, Limnia, said they have evidence suggesting the Department of Energy improperly shared their patented technology with competing companies who won federal funding.

XP Vehicles had sought a \$40 million federal loan in 2009, proposing to make a lightweight sports utility vehicle of space-age materials, and was ultimately rejected. Limnia had devised a rechargeable energy storage system that would power the car.

The two firms made their complaints of unfair treatment in two separate lawsuits in Washington, in the U.S. District Court and the federal claims court.

XP and Limnia are fighting against the Department of Energy’s lack of fairness in favor of politics as well as its flagrant abuse of taxpayer dollars to harm small business and benefit political cronies, said Dan Epstein, executive director of Cause of Action, a nonprofit watchdog group that helped the company file its suits. XP and Limnia are now turning to the court for the accountability the DOE failed to administer.

The White House and the Department of Energy say all clean energy loan and grants were decided on the merits, and copious records turned over to Congressional investigators found no evidence of political steering of funds to benefit the president’s campaign contributors.

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While the Department does not comment on pending or potential litigation, multiple investigations spanning almost two years and involving millions of pages of documents show that decisions made on the Department's loan program were made solely on the merits after careful review by the Department's technical experts," said Department spokesman Damien LaVera.

XP's suits center on the \$25 billion Alternative Technology Vehicle Manufacturing Loan Program, a Bush-era initiative given new life by the Obama administration in early 2009 after the financial markets' collapse. The program, which is run by the Department of Energy, invited "green" car makers to compete for huge, low-interest government loans that they could use to ramp up production, inside the United States, of electric and alternative vehicles that would reduce fuel emissions.

XP alleges that agency leaders repeatedly discriminated against car companies that lacked a history of large campaign contributions and political patrons, and essentially had two sets of rules: one for its favorites, and one for everyone else.

So far the program has loaned only \$8.5 billion of its authorized funds [to five companies](#), with the lion's share going to Ford Motor Co. to help it produce more fuel-efficient cars. Two companies that won \$1 billion in loans, Tesla Motor and [Fisker Automotive](#), have [come under scrutiny](#) because their investors or advisers were prominent Obama political donors and supporters. Also, [Fisker last year halted](#) its plans to manufacture in the United States, after the department froze its funding due to missed deadlines. The company's fate, and whether taxpayers will recover the \$193 million it spent in federal funds, remains in question.

Defendants Chu and [other agency personnel] skewed, manipulated and fixed DOE's ATVM Loan Program review to protect and advance the business and political interests of government cronies at XPV's and Limnia's expense," the suit alleges. Defendants made ATVM loans only to companies with political clout, contributions and influence-peddling patrons."

XP isn't the first to complain. [Bright Automotive](#), another applicant, made similar allegations early in 2012, saying in interviews that it was declaring bankruptcy after the energy department repeatedly encouraged the company about its chances of winning a loan for three years and then rejected it.

Two separate Congressional investigations into a related clean-energy loan program found politics were often a consideration in the timing of decisions and in handling applications, and that some staff felt political pressure to rush decisions on funding particular companies. Records obtained in the probe show staff discussing how the president's most senior advisers, including Vice President Biden, expressed keen interest in specific applicants. But they uncovered no proof that funding decisions were made specifically to benefit a campaign donor.

XP was proposing construction of electric cars with foam bodies mounted on rigid frames, which would weigh less than half as much as existing electric cars, use rechargeable battery packs and cost \$20,000, half the price of other electric vehicles.

XP said that the Department of Energy staff repeatedly assured the company in 2009 that its application was well done and in good shape. In August of 2009, the suit says, department leaders gave conflicting and questionable explanations for rejecting XP's request. The written reasons for rejecting the loan cited XP's failure to use a fuel-efficient gasoline. But the XP SUV would run on an electric battery and use no gasoline, as was the case with several companies that won significant funding.

XP leaders say they had shared some of their energy storage technology with the Department of Energy under agreement it would not be disclosed. Later, officials with the company say, they saw their unique work duplicated in presentations by General Motors and Ford Motor Co.

Through spokespeople, GM and Ford said they wanted to review the complaint before deciding whether to comment.

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