Cleantech News and Analysis

- Events
- GigaOM.tv
- Research

- Home
- Apple
- Broadband
- Cleantech
- Cloud
- Collaboration
- Mobile
- Video

Cleantech

Instant search

A note
to our readers
GigaOM has updated its Privacy Policy and Terms of Service. Review the updates here. By continuing to use the site, you are agreeing to our updated Privacy Policy and Terms of Service.

This notice should appear only the first time you visit this site.

Close x

Opinion: The problems with the DOE green car startup loans

By Katie Fehrenbacher Mar. 8, 2012, 12:26pm PT 2 Comments

- Tweet 45
- Share 19
- Like
- 0

Over the past year I've seen a recurring scenario with the Department of Energy's green car loans, and it's not a pretty sight. Here's the picture: a young, sometimes promising — sometimes not promising — electric car or alternative vehicle startup moves to the late stages of the DOE's green car loan award process. The startup seems to be so sure they will get the loan that they manage their business around it, and then the DOE either places the company in award purgatory — a permanent holding pattern — or ends up denying the loan. A lot of times, the result of this situation has been that a company closes shop or desperately struggles to look for other sources of funding.

Over the past couple of years, this type of scenario has happened for electric car maker Think Automotive's U.S. arm (which went bankrupt), electric car company Coda Automotive, Aptera (which shut down), plug-in hybrid van maker Bright Automotive (which shut down) and energy-efficient plastic car company Next Autoworks (formerly V-Vehicle, which shuttered its planned factory). Electric vehicle maker Fisker Automotive was awarded a loan, but was only able to draw down part of the loan after its first car was delayed significantly.


The latest example of this situation is when diesel car company called Carbon Motors was denied a $310 million DOE loan this week. Carbon Motors was more vocal in its unhappiness with the process than most of the other companies. Carbon Motors CEO William Santana Li said in a statement:

> We are outraged by the actions of the DOE and it is clear that this was a political decision in a highly-charged, election year environment.

Santana writes that the companies that engaged in the DOE green car loan process have "been caught for several years in a costly and extensive DOE due diligence process. Carbon Motors simply appears to be the last victim of this political gamesmanship." Santana points to GM, Chrysler, Next Auto, Aptera, Bright Automotive and Carbon Motors as examples of companies that have "suffered through the horrendous DOE process."

Bright Automotive was also pretty vocal about its unhappiness with the DOE loan process. Bright, which was developing its business around getting a $450 million loan from the DOE, sent a letter to the media last month slamming the DOE for leading it down a road where it spent three years and $15 million on pursuing a loan that was never delivered.

Why is this happening?

Created under Section 136 of the Energy Independence and Security Act of 2007, the DOE's Advanced Technology Vehicles Manufacturing program, or ATVM (which I'm calling the green car loans), holds authority to award up to $25 billion in direct loans. Projects can include re-equipping or expanding existing manufacturing facilities, establishing new plants in the U.S. or dealing with the engineering integration associated with these types of projects. Under the program rules, ATVM-funded vehicle projects from new companies have to deliver fuel economy improvements of at least 25 percent compared to the average for that vehicle class in 2005.

By 2010 the ATVM program had finalized more than $2 billion in loan agreements for three car companies and awarded a nearly $50 million conditional loan commitment to one more. The DOE awarded loans to electric car startup Tesla Motors, Ford and Nissan North America in its first round of awards (on a conditional basis), back in June 2009. Plug-in hybrid vehicle developer Fisker Automotive scored a $528.7 million conditional commitment in September 2009. But in the follow year and a half, while the program had much more money to allocate, the DOE has mostly held off on awarding the rest of the ATVM loans save for a few small loans to companies.

By 2011 it became clear that the DOE had to be cautious about offering loans to risky green car and clean energy companies. The infamous bankruptcy of Solyndra, one of the DOE's first loans from another green program, was a major political firestorm for the Obama administration and is still being mentioned in campaign ads in this election year. Battery company Ener1 received a $118 million grant from a different DOE battery program in the summer of 2009 and declared bankruptcy this year. Flywheel maker Beacon Power also received a loan guarantee and declared bankruptcy (though it was able to pay off its loan and was bought by a private equity firm recently). Directly out of the ATVM program, the DOE decided to halt the allocation of the bulk of Fisker Automotive's loan after its first car was delayed.

As a result of some of these companies' struggles, it seems clear that the DOE pulled back from awarding and finalizing the result of the loans from the ATVM program. But about a dozen of these companies still got caught up in the mix.

The problems

So there are a few problems, as I see it, with this program and the events over the past couple of years:

Tesla logo on the Model X

1. Miscommunications: The DOE doesn't seem to have communicated clearly with the green car startups about their realistic chances of actually getting a loan from the program. Particularly for the companies that made it to the end stages of receiving the awards. The former loan chief Jonathan Silver said (before he resigned) several times that there were more companies that received DOE conditional loan commitments than there were companies that would receive the finalized loan. But still there have been almost a half dozen companies that seem utterly shocked when the loan doesn't actually go through, and end up closing shop and laying people off.

2. #WhatdoyoumeanIdontgetaloan!: The startups needed to be more realistic when working with the DOE and knowing how the DOE works. Of course the DOE makes moves based on politics in the run-up to an election year. Companies need a plan B on funding, and should also pay to work with execs experienced with working with public-private partnerships. Some of the companies do have plan B's — such as Coda and Fisker — and are still around today.

3. Early due diligence could have been better: It seems as though the DOE made some awards at the beginning of the ATVM loan process that weren't really that great. Electric car maker Fisker Automotive is a really interesting company with a gorgeous car, but I don't think they were in a good position to receive that sizable loan so far in advance of their first car being produced (almost two years). The DOE seems to have learned to be more cautious a while later, but by then it already had a bunch of loans for eager startups in its queue.

4. The whole premise of the program?: Should green car startups be in the position to receive such sizable loans from the DOE? Well, look at the sole green car startup that seems to be doing well with its loan: Tesla Motors. Does Tesla's success justify including startups in the program? Yeah, maybe. What do you think?

Related research and analysis from GigaOM Pro:
Subscriber content. Sign up for a free trial.

- Flash analysis: lessons from Solyndra's fall
- Smart Grid Apps: Six Trends That Will Shape Grid Evolution
- Report: An Open Source Smart Grid Primer

If you like this story, please share it

- Tweet 45

- Share 19
- Like
- 0

Trending on GigaOM Pro

Top Research And Analysis

- Cloud computing 2012: a pessimist's guide...
  Infrastructure
- The future of mobile: a segment analysis by GigaOM Pro...
  Mobile
- 12 tech leaders' resolutions for 2012...
  Connected Consumer

- Comments
  2

Feedback

-
-

Welcome, join the conversation

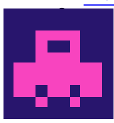
SUBMIT

Displaying 2 of 2 comments.

1. *LEAFican* Thursday, March 8 2012

Throwing money at start-ups, especially without doing due diligence to ensure a successful business model, is a recipe for failure. On the other hand loaning money to established companies to develop new technologies in a timely manner pays off. Loans to Ford and Nissan will be paid back and both will have US made EVs to show for it… even if Ford's has no cargo space.

Reply or
Share
- Facebook
- Tweet

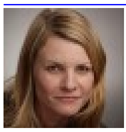
2. 
Rich Thursday, March 8 2012

I suspect a lot of people got caught up in the idea (perhaps inspired by the Leaf) that the market for EVs was driven by an inevitable technology shift, and therefore believed money would flow to EV producers rapidly. But Carlos Ghosn has said that EVs will experience growth gradually.

Reply or
Share
- Facebook
- Tweet

Displaying 2 of 2 comments.
Join the conversation

[Katie Fehrenbacher on Twitter](#) [RSS Feed for Katie Fehrenbacher](#) [Email Katie Fehrenbacher](#) [Katie Fehrenbacher](#)



Professor Tom Murphy goes rosy, lays out (slightly) more positive vision of life after fossil fuels: http://t.co/xkIsNem3

Katie's Posts

- My great hope for the energy future
- Using the web and data to create competition for green buildings

Sign up to get news!

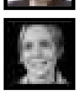
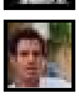
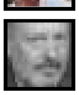
Your Email Address SUBSCRIBE

Like 19k

- Twitter
- Facebook
- RSS

GigaOM Pro Weekly Updates

Weekly Updates and Insight

-  Paul Sweeting in Connected Consumer Apple looks to the small screen
-  Jo Maitland in Infrastructure Big data budgets on the rise
-  Adam Lesser in Green IT AMD acquires SeaMicro and differentiates itself
-  David Card in NewNet New Facebook ad offerings fill some holes
-  Paul Sweeting in Connected Consumer How Wal-Mart could move ahead in the cloud-based storage race

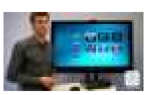
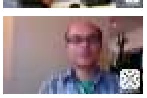
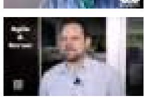
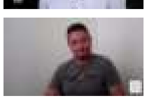
GigaOM TV

[More Video »]

Now Playing

[Wahoo Blue HR: using the Bluetooth 4.0 heart rate monitor]

This year is shaping up to be a good one for health-related …

- 
- 
- 
- 

Cord Cutters: Plex adds DLNA support

Check out our exclusive preview of the next version of Plex, which …

Why we should fight Iran's Internet censorship

Mehdi Yahyanejad, founder of the Persian Reddit Balatarin.com, explains how Iran is …

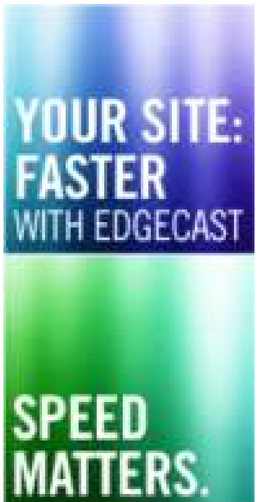
See Founders Run: Product Iteration

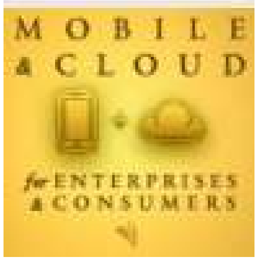
Jetpac and Dipity founder Derek Dukes shares his thoughts on successful product …

Interview with Chill co-founder Brian Norgard

Chill co-founder Brian Norgard tells us about the site's collections, and why …

- Texas Instruments Cuts First-Quarter Guidance
- The Highest Price Target for Apple Stock: $730 (Update 2)
- Dish Network's Broadband Network Plans Delayed
- 6 Stocks Hit 52-Week Highs: MO, EAT, LEN, SAP, CMCSK, STX





Across *the* Network

- [Open Source](#)

  [Linux Foundation's Collaboration Summit Coming in April](#)

- [Cloud](#)

  [Google expansion sparks turf war in Hub](#)

-

Apple

Live from SF (sorta): Why Apple events break publishers

- Collaboration

  Annual off-sites: Time to trade plane tickets for web cams?

- Broadband

  The iPad will deliver 73 Mbps LTE. Why not 72?

- Cleantech

  Using the web and data to create competition for green buildings

© 2012 GigaOM

- Privacy Policy
- Terms of Service
- About
- Editorial Team
- Media Kit
- Contact

WordPress.com VIP

Click to log in with:

- LinkedIn

- Twitter
- Facebook
- WordPress.com
- GigaOM Pro

Not you? Remember me
Comment as guest:
By continuing you are agreeing to our Terms of Service and Privacy Policy.
Submitting comment...
Click to log in with:

- LinkedIn
- Twitter
- Facebook
- WordPress.com
- GigaOM Pro

Read more in Cleantech

SunPower scores deal for Apple's huge solar farm