Opening Statement of the Honorable Tim Murphy
Subcommittee on Oversight and Investigations
Hearing on "Department of Energy Oversight: Status of Loan Programs"
May 30, 2014

(As Prepared for Delivery)

Today's hearing will examine the status of the Department of Energy's loan programs. It will focus in particular on the Department's efforts to manage nearly a $30 billion portfolio of 30 loans and loan guarantees, while the Department at the same time launches new initiatives to expand that portfolio with additional loans. These new initiatives will tap into existing loan authority that, at present, amounts to another $40 billion.

Add to this the fact that the terms of these loans and guarantees are as long as 20 or 30 years, and it is clear that DOE will be accountable for managing these programs, and protecting taxpayer interests, for a long time.

Has DOE implemented the structure, policies, and practices to meet its responsibilities? Is it doing so rapidly and effectively? Should it do more? And how will the agency sustain effective oversight over this program for the long term?

It has been evident since this Committee first commenced oversight of these loan programs more than three years ago that protecting taxpayer interests is no easy task for DOE. Created under Title 17 of the Energy Policy Act of 2005, the Department's advanced energy technology loans authorized by Congress did not really take off until the stimulus funding of 2009. The stimulus created a category of loan guarantees that were fully subsidized by the taxpayer.

In the ensuing go-go years of stimulus spending, DOE's Loan Programs Office focused on soliciting, reviewing, and closing a flood of applications under what was known as the section 1705 program. The agency's preoccupation with closing loan applications under the stimulus came at the expense of establishing a strong back-end program necessary to manage the risks of the loan portfolio.

The result, exhibited most prominently by DOE's handling of the Solyndra loan guarantee, were unnecessary taxpayer losses in the hundreds of millions of dollars. Today, half of the funds and a majority of projects in DOE's loan portfolio are comprised of these stimulus-funded loan guarantees.

In some respects, DOE is in a different place now than it was three years ago. The agency has issued only two loan guarantees since late 2011. It has put more attention to developing portfolio management capabilities and implementing other reform measures.

So today, we will take a measure of what DOE has accomplished, and what more it should do to protect taxpayer interests. This oversight is particularly important because, as the agency transitions focus to portfolio management, it has in recent months launched new initiatives to generate more loans and loan guarantees.

In February, the agency announced a new solicitation to tap into $8 billion dollars in loan authority for advanced fossil energy projects. It has proposed a second solicitation to tap into $4 billion in loan authority for renewable energy projects. And it has reminded the automotive manufacturing industry that some $16 billion in authority is available for loans for advanced vehicle technologies and manufacturing.

The status of these new initiatives remain an open question, but it is important to understand whether the agency can manage these new solicitations while ensuring appropriate stewardship of its existing portfolio. And if these new initiatives expand the loan portfolio, can DOE manage it?

This past month, both the Government Accountability Office and the DOE Inspector General issued reports that evaluated certain elements of DOE's management and monitoring of loans. While both reports found DOE had made progress strengthening oversight, both also identified continued concerns.

For example, GAO found that DOE has not fully developed or consistently adhered to loan monitoring policies. And this inconsistent adherence means that we cannot be sure the agency is completing activities important to protecting taxpayer interests.

The Inspector General showed the impact of poor loan monitoring in its examination of Abound Solar Manufacturing, which defaulted on its DOE loan terms in September 2011 and declared bankruptcy in July 2012. The lessons from the Abound case, the IG noted, underscored the need for the Department to accelerate loan oversight improvements in light of the amount of loans in the portfolio. The IG noted that progress has been made, but more needs to be done.

Frank Rusco of the GAO and Deputy Inspector General Rickey Hass will discuss these perspectives today.

Most important, of course, are DOE's answers to our questions. We have the benefit of hearing directly from the head of the Loan Program Office, Mr. Peter Davidson.

Welcome Mr. Davidson. I look forward to your perspective on the recommendations made by GAO and the IG and your view of the status of the agency's operations, and loan program goals and challenges.

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