

Testimony of  
Acting Under Secretary  
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Before the  
Committee on Energy and Commerce  
Subcommittee on Energy and Air Quality  
U.S. House of Representatives

Regarding the Department of Energy's Implementation  
of the Loan Guarantee Program  
Under Title XVII of the Energy Policy Act of 2005

April 24, 2007

Chairman Boucher, Ranking Member Hastert, and members of the Subcommittee, I am pleased to be with you today to address the important steps underway at the Department of Energy to implement the Loan Guarantee Program contained in Title XVII of the Energy Policy Act of 2005.

Title XVII authorizes the Secretary of Energy, after consultation with the Secretary of the Treasury, to make loan guarantees for projects that “avoid, reduce, or sequester air pollutants or anthropogenic emissions of greenhouse gases; and employ new or significantly improved technologies as compared to commercial technologies in service in the United States at the time the guarantee is issued.” Under EPACT 2005, many types of energy-related projects, including renewable energy systems, efficient electric generation and transmission systems, coal gasification, carbon sequestration, advanced nuclear energy facilities, biomass projects such as waste to cellulosic ethanol, and refineries, among others, are eligible for loan guarantees under this Title.

A principal goal of Title XVII is to encourage commercial use in the United States of new or significantly improved energy-related technologies at an earlier date than the marketplace might otherwise support. DOE believes that accelerated commercial use of new and improved technologies will help to sustain economic growth, yield environmental benefits, enhance energy security, and produce a more stable and secure energy supply and economy for the United States.

We believe that consumers will also benefit from a carefully implemented Title XVII loan guarantee program which will provide access to advanced technologies. For example, such loan guarantees may provide the necessary assurance to the capital finance market to enable financing for new technologies and those not yet proven in U.S. markets (e.g., biorefineries or coal-to-liquids facilities) that would not otherwise be able to obtain financing at a rate competitive enough to undertake construction and operation.

Although Congress enacted Title XVII in August 2005, the Department received the first necessary funding and authorizations needed under the Federal Credit Reform Act of 1990 in the Continuing Resolution (CR) enacted February 15, 2007 (Public Law 110-5). Requests by the Department in 2006 for Congressional approval to reprogram funds in FY 2006 to fund a Loan Guarantee Office were unsuccessful. The CR provided \$7 million in funding for administrative expenses of a Loan Guarantee Program Office and the 2008 Budget requests \$8.4 million for these expenses. The CR also included authority to issue guarantees for up to \$4 billion in loans. The Department anticipates having authority available to guarantee \$9 billion in loans in FY 2008.

I want to assure you that the Department is moving aggressively to fully implement the Title XVII Loan Guarantee Program, as this program is a high priority for everyone at DOE from Secretary Bodman on down.

Indeed, even before the CR gave the Department the authorizations and funding needed to carry out the Title XVII Loan Guarantee Program, the Department was hard at work addressing the twin objectives underpinning Title XVII: advancing the early commercialization of new and improved energy technologies beneficial to the environment, and minimizing the financial exposure of the United States. Thus, to move the effort forward, and to gain needed experience with the statutory, regulatory and commercial concerns integral to the operation of a loan guarantee program, the Department, in August 2006, published Guidelines in the *Federal Register* that specified the process by which DOE would review and approve the first round of loan guarantee applications. At the same time, we issued a Solicitation under the Guidelines that invited project sponsors to submit Pre-Applications for projects in support of the President's Advanced Energy Initiative. These materials and other relevant documents are available at [www.lgprogram.energy.gov](http://www.lgprogram.energy.gov).

We received 143 Pre-Applications in response to the August 2006 Solicitation, and are now working to evaluate them. Invitations to submit full Applications will be issued to selected applicants as soon as possible. Under the CR, however, the issuance of loan guarantees, in response to the August 2006 Solicitation and pursuant to any future

solicitations, cannot occur until the Department issues final regulations for the Title XVII program. Section 20320(c) of the CR states that the final regulations must be issued within six months of the date of enactment, *i.e.* by August 15, 2007.

The August 2007 deadline for issuance of final regulations is a challenge for DOE. Nonetheless, in response to this requirement, the Administration is working very hard on a proposed rule which we hope to issue for public comment in the near future. The draft rule was transmitted by DOE to the Office of Management and Budget on March 16, 2007, and is currently in the interagency review process. While I cannot speak to the details of the draft notice of proposed rulemaking at this time, we will provide briefings to this Subcommittee and others in Congress as soon possible.

At the same time that we are reviewing the initial round of Pre-Applications under the August 2006 Guidelines and developing final regulations, the Department is also moving aggressively to staff its Loan Guarantee Program Office. The Secretary has issued a charter for a Credit Review Board (CRB), a requirement under the policies governing Federal credit programs in OMB Circular No. A-129, and the Secretary has designated officials within the Department to serve on the CRB. In addition, we are actively seeking to recruit a qualified individual to supervise the Office's operations now that funding has been appropriated for the Loan Guarantee Office. Moreover, for the interim period while we work through the process of hiring the appropriate technical experts to run this Office, the Department has secured the services of certain employees with subject matter expertise detailed from elsewhere in the Federal government.

This should give you a sense of the determination of the Department to fully implement the Title XVII Loan Guarantee Program as expeditiously as possible consistent with the requirements of the law. That concludes my prepared testimony. I would be happy to respond to any questions you may have.