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Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

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Opening Statement
Rep. Elijah E. Cummings, Ranking Member

Subcommittee on Regulatory Affairs, Stimulus Oversight and Government Spending
Hearing on "The Administration's Bet on Abound Solar:
Assessing the Costs to the American Taxpayers"

July 18, 2012

Thank you Mr. Chairman. I look forward to hearing from our witnesses today about the challenges faced by Abound Solar, which recently filed for bankruptcy.

I want to emphasize one point, which is that one of the most significant struggles Abound faced involved the alleged dumping of Chinese solar panels into the U.S. market. I want to highlight what this allegation actually means. It means that China is accused of selling solar panels into the United States at prices lower than their actual costs to make them.

Why would they do that? They would do that to undermine United States businesses. And in my opinion, this is the main issue we should be focusing on today instead of turning this into an election-year campaign issue.

One argument used to attack the Department's loan guarantee program has been that it "exposed taxpayers to excessive risk as a result of DOE's bias toward approving loans without regard to warning signs." These conclusions are contrary to the facts.

Today, we will hear from an industry expert who will explain why, despite the failure of some projects like Abound, the risks in the Department's loan guarantee program are substantially lower than Congress expected when it created the program. Current and former employees will testify about the Department's efforts to minimize these risks, both in the overall portfolio and in individual transactions.

The Department structured its program to protect the taxpayers. For example, Abound's loan guarantee was structured to require the company to achieve certain milestones before it could draw down funds in allotted amounts. When it could not meet some of these milestones, it was prohibited from receiving additional taxpayer funds. As a result, Abound's draws were limited to about $70 million on a loan guarantee of $400 million.

As indicated in the chart behind me, the total value of the loan program Congress created was about $16 billion. Recognizing that there were risks involved in this program, Congress set aside about $2.5 billion to cover any potential losses in the portfolio. To date, however, losses have been only a small fraction of that amount. They have been $648 million, or about one-quarter of the amount Congress anticipated.

Contrary to the majority's repeated claims, the Committee has identified no evidence of political cronyism within the Department's loan program. Abound's project received support from the entire Indiana Congressional Delegation, including Democrats and Republicans alike. And the majority has not invited Indiana Governor Mitch Daniels to testify today regarding his personal support for Abound, including his offer to provide tax credits so Abound would house the manufacturing plant in his state.

The failure of Abound is a disappointing reality, but a close look at the program reveals that applicants received wide bipartisan support, that very little taxpayer money has been lost, and that the program has resulted in some of the largest renewable energy projects in the world.

Thank you.

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