



DOE Loan Guarantees:  
*Status & Trends*

# \$60 Billion Loan Guarantee Program



- DOE has new authority provided by the recently enacted economic stimulus package to guarantee ~\$60 billion in qualifying loans for renewable energy, electric transmission and “leading edge” biofuels projects
- Guarantees are available for projects that will use “commercially available” technology
- Likely that the project owner will NOT be required to pay the “subsidy cost” of the guarantee
- Loan guarantee can cover 100% of project debt up to 80% of total project cost using Federal Financing Bank
- Projects must “break ground” by September 30, 2011

# Current Uncertainties about the New Program



- Department of Energy Loan Guarantee office will administer program – understaffed and overwhelmed?
- First solicitations perhaps as early as this summer, 2009
- Questions exist re: loan guarantee program execution
  - DOE must submit an “implementation plan” to Congress for approval
  - OMB must review & sign off on all loan guarantees
- Mechanisms to accelerate the process (e.g. federal EIS?)

# Application Process



## ■ Extensive application process

- Includes technical, financial, environmental analyses; applications could exceed 1000 pages with appended documentation
- Submitted applications undergo DOE review for technical and financial merit
- Upon approval, term sheet, with estimated credit subsidy cost is provided, subject to review/approval by Credit Review Board (CRB)

## ■ Challenges

- DOE officials who serve on CRB have not been nominated/confirmed
- Credit subsidy cost uncertainty; formulaic determination of likelihood of project default– could be up to 30% of guarantee
- Guarantees available only during distinct time periods unless the program is altered to a “rolling solicitation”

# Possible Timeline for Implementation



- Stimulus loan guarantee authority is expected to be opened sometime in early summer 2009.
- DOE has not yet issued a single loan guarantee, making predictions about timeframes for decisions difficult to estimate.
- If history can be a guide then –
  - 60 days from submission of application to DOE's confirmation that project is eligible
  - If a project application is judged acceptable then DOE conducts multifaceted financial and technical review
  - Projects that are successfully reviewed are invited to negotiate and offered a term sheet approved by DOE's Credit Review Board
  - Successful negotiation of term sheet, DOE offers a conditional commitment
  - All conditions successfully met a final loan guarantee is approved

# Proposed Reforms



- Secretary Chu has committed to improving process, but has not indicated when reforms will be implemented
  - Reduced paperwork
  - Allow fees to be rolled into financing
  - Provide guarantees on a rolling basis
- Clean Energy Bank
  - DOE's implementation of the loan guarantee program has led to calls for an independent entity
  - Legislation introduced in the last Congress to create an OPIC-like entity for clean energy financing
  - Similar legislation could be considered this year

# Background Information on Loan Guarantees



- Authorized in Title XVII of the Energy Policy Act of 2005, August 2005
  - Two statutory eligibility criteria
    - New or substantially improved technology
    - Avoid, reduce or sequester anthropogenic greenhouse gases
  
- First opportunity to apply: August 2006
  - Program has faced heavy criticism from Congress, GAO and DOE's IG related to program speed, operations, and management

# Current Program Scope before Stimulus



- Current Authorizations, with self-pay obligation
  - \$4 billion for renewables, fossil, efficiency (Aug. 2006)
    - 143 “pre-applicants”
    - 16 invited to submit full application
    - To date: no loan guarantees issued; 11 applicants remaining
    - Sec. Chu has expressed a desire to begin issuing guarantees for these projects by May 2009; some applicants may not be completed until the end of 2010
  - \$38.5 billion provided in FY08 appropriations bill
    - \$10 billion for renewables and transmission
      - Solicitation closed on 2/26/09
    - \$18.5 billion for nuclear power facilities
    - \$2 billion for nuclear facilities for the “front-end” of the nuclear fuel cycle, including uranium enrichment
    - \$8 billion for advanced fossil energy projects



For more information

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