September 09, 2021

The Honorable Joe Manchin
304 Dirksen Senate Building
Washington, D.C. 20510

The Honorable John Barrasso
304 Dirksen Senate Building
Washington, D.C. 20510

The Honorable Frank Pallone
2125 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Cathy McMorris Rodgers
2322 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairs Manchin, Pallone, and Johnson and Ranking Members Barrasso, McMorris Rodgers, and Lucas,

We write to urge you to consider including provisions to support the Department of Energy's Loan Programs Office (LPO) in forthcoming reconciliation instructions and legislation. By financing large-scale innovative energy development, LPO has successfully attracted private enterprises interested in clean technologies, bolstered the clean energy workforce, and kept the US competitive in new markets. Due to efforts by Congress and the Biden Administration to make LPO more efficient and accessible, the program is seeing record-setting interest from clean energy innovators. Congress must take full advantage of this groundswell of opportunity by providing LPO with a sensible increase in resources, satisfying the dual purpose of bolstering our economy and making progress on climate solutions.

The Loan Programs Office (LPO), through programs including its Title 17 Innovative Energy Loan Guarantee Program and the Advanced Technology Vehicles Manufacturing (ATVM) program, provides direct loans and loan guarantees to companies that wish to deploy innovative clean energy technologies and vehicle technologies. LPO plays a crucial role in shepherding high-tech companies and projects across the valley of death, allowing them to attract private capital and follow-on funds.[1] This helps businesses pilot and scale up innovative technologies, moving us closer to our clean energy goals. LPO's strong track record of successfully financing innovative projects indicates a return on investment for the public, a bigger clean energy workforce, and significant impact on greenhouse gas emissions.

In its sixteen-year history, and with a boost from the American Recovery and Reinvestment Act (ARRA), LPO has supported more than 30 projects, totaling over $30 billion in investment,[2] and corresponding to 37,000 jobs and 60 million tons of avoided greenhouse gas emissions. Most of these loans were made between 2009 and 2013. Title 17 has helped jumpstart budding industries, like wind energy in New Hampshire and Maine and solar energy in Colorado and Nevada. It has the capacity to support advanced nuclear energy, energy storage, transmission, and carbon capture as well. ATVM has supported projects in Georgia, Michigan, Tennessee, and California, with loans totaling more than $8 billion. LPO financing has benefitted a wide variety of businesses and innovators in geographically diverse communities. With over $3 billion in interest payments to date, the LPO portfolio as a whole has made money for the U.S. taxpayer, even accounting for the small minority of projects that have defaulted.

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[1] Prieto, Andres; Fitzpatrick, Ryan; and Montoni, Nicholas, "How to Unleash the LPO's True Potential," Third Way. July 27, 2021. https://www.thirdway.org/memo/how-to-unleash-the-lpos-true-potential
[2] Loan Programs Office Annual Portfolio Status Report Fiscal Year 2020, https://www.energy.gov/sites/default/files/2021-04/DOE-LPO_APSR_FY2020_Final.pdf.

With the passage of the Energy Act of 2020, and certain executive actions, Congress and the Biden Administration have helped LPO refine its application process, clarify and expand technology eligibility, and provide flexibility for loan financing and fees. The Infrastructure Investment and Jobs Act (IIJA) would also be a boon to LPO, providing a more flexible definition of how applicants repay loans, expanding loan eligibility to projects partially financed by states, and allowing ATVM to cover medium- and heavy-duty vehicles like trucks, trains, aircraft, ferries, and more. Thanks to these enacted and proposed improvements, LPO is currently seeing a surge of applications, averaging about $7 billion in loan requests each month of 2021.[3] As Undersecretary Turk put it, while they received three applications in all of 2020, LPO is receiving about three applications each week this year.[4] In contrast, Title 17 has authority to guarantee $23 billion in new loans, and ATVM has $17.7 billion in remaining loan authority. In order to bolster LPO's ability to meet this increased interest in its services, we ask that Congress:

Provide additional lending authority and credit subsidy for Title 17. As mentioned above, Title 17 currently has $23 billion in lending authority. Increasing the total level of loan authority would give Title 17 the ability to meet the scale of demand for innovative energy projects. Additionally, making a loan guarantee or direct loan has an associated cost, called the credit subsidy cost, which must be paid to the US Treasury as insurance against default on the loan. In the event that Title 17 applicants choose to pay this cost, the Congressional Budget Office historically has required Congress to appropriate 1% of the full loan authority to LPO. The program may also cover credit subsidy costs if Congress appropriates the necessary funds. Each loan has a different credit subsidy cost depending on the applicant's financial health and prospect of repayment, but a reasonable estimate of credit subsidy cost is about 10% of the total loan value. For larger loans, this could cost applicants millions of dollars, and is non-refundable. Increasing Title 17's appropriations for credit subsidy allows the program to make more loan guarantees. ***Congress should provide $250 million to enable up to $25 billion of additional self-pay lending authority, plus $2.6 billion in additional credit subsidy for use across Title 17 categories for projects in need of additional assistance.***

Provide credit subsidy for ATVM. This loan authority can be used for automobile manufacturers whose vehicles meet certain fuel economy standards, and for manufacturers of the components, charging infrastructure, and fueling technology that are used in these fuel-efficient vehicles. While Title 17 applicants have the option of paying the credit subsidy cost themselves, the law requires ATVM to use appropriated funds. ATVM authority is therefore useless unless Congress has provided sufficient funding for the credit subsidy. The IIJA makes new vehicle types eligible for ATVM loans, but doesn't allow ATVM to use previous appropriations for the new credit subsidy. This is why a new $2 billion for credit subsidy, correlating to an additional $6-8 billion in loan authority, must be appropriated to unlock the expanded eligibility for medium- and heavy-duty vehicles in the IIJA, in addition to continued or expanded support for existing authorities.[5] ***Congress should provide $2 billion to supplement credit subsidy cost for new ATVM eligibility categories.***

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[3] Clark, Lesley, "DOE Loan Chief on Renewables, CCS and the 'Wholly Unacceptable,'" E&E News, July 23, 2021.
[4] U.S. Chamber of Commerce, "Our Clean Energy Future Depends on Critical Minerals," June 24, 2021. https://www.uschamber.com/on-demand/energy/our-clean-energy-future-depends-on-critical-minerals
[5] Section 40401(b)(1) of the Infrastructure Investment and Jobs Act of 2021.

Provide credit subsidy to the Tribal Energy Loan Guarantee Program and enable it to make direct loans. The Tribal Energy Loan Guarantee Program (TELGP) is able to guarantee federally recognized Native American Tribes' non-federal loans for energy development. Since its creation, it has not been able to make any loan guarantees. The program has struggled due to lack of access to the Federal Financing Bank, which provides Treasury-backed loans to government agencies. Additionally, the program only has $8.5 million in appropriated funds, corresponding to roughly $85 million in loans. Appropriating more funds would allow the program to make loans up to its authorized limit of $2 billion. ***Congress should allow TELGP to make direct loans, give the program access to the Federal Financing Bank, and appropriate an additional $191 million in credit subsidy, giving it a total of $200 million.***

We appreciate your continued support for our nation's innovation ecosystem, and encourage you to ensure that any upcoming reconciliation package provides LPO with the resources necessary for it to help unleash the next generation of American breakthroughs.

Sincerely,
Third Way
Alliance to Save Energy
Alternative Fuels and Chemicals Coalition
American Clean Power Association
American Council for an Energy Efficient Economy
Center for Climate and Energy Solutions
Clean Air Task Force
Clean Energy Business Network
Data for Progress
E2 (Environmental Entrepreneurs)
Evergreen Action
Geothermal Rising
Good Energy Collective
Information Technology and Innovation Foundation
Natural Resources Defense Council
Nuclear Innovation Alliance
Renewable Energy Buyers Alliance
The Nature Conservancy
Zero Emission Transportation Association

Cc: Chairman Bernie Sanders, Chairman John Yarmuth, Ranking Member Lindsey Graham, Ranking Member Jason Smith