

DOE Secretary Chu Announces Changes to Expedite Economic Recovery Funding

Restructuring will lead to new investments in energy projects within months

WASHINGTON D.C. --- Two days after President Obama signed the historic American Recovery and Reinvestment Act into law, Energy Secretary Steven Chu announced a sweeping reorganization of the Department of Energy's dispersal of direct loans, loan guarantees and funding contained in the new recovery legislation. The goal of the restructuring is to expedite disbursement of money to begin investments in a new energy economy that will put Americans back to work and create millions of new jobs.

"These changes will bring a new urgency to investments that will put Americans back to work, reduce our dangerous dependence on foreign oil, and improve the environment." Secretary Chu said. "We need to start this work in a matter of months, not years – while insisting on the highest standard of accountability."

By cutting paperwork, processing applications on a rolling basis and drawing on lessons from the private sector and other agencies, the Department of Energy will be in a position to:

- Begin offering loan guarantees under the Department's previous loan guarantee program by late April or early May. These offers may still require recipients to secure their own share of the financing – similar to earnest money in a home mortgage – or meet other conditions prior to closing, but DOE will have completed its review.
- Begin offering loan guarantees under the new Recovery legislation by early summer. Again, these offers may still require recipients to secure their own share of the financing or meet other conditions prior to closing.
- Disperse 70 percent of the investment from the American Recovery and Reinvestment plan by the end of next year.

Since being sworn in, Secretary Chu has been personally reviewing the Department's process for issuing direct loans, loan guarantees and other funding to make it faster, simpler and more accountable.

Secretary Chu's reforms to the programs include:

- Rolling appraisals of applications – instead of delaying the consideration of an application until a far off deadline, the Department will review them when they are submitted so that decisions can be made more quickly.
- Streamlining and simplifying loan application forms and other paperwork.
- Accelerated loan underwriting by using outside partners.
- In cases where up-front fees may deter companies from applying, the Department will offer applicants the opportunity to pay the fees as part of the loan at closing.
- Further reduction of up front costs by restructuring credit subsidies so they are paid over the life of the loan.
- Additional staff and resources to process applications.
- Working with the industry to attract good projects into the loan guarantee program and helping them navigate the process.
- A website that will provide increased transparency in both process and results, as well as information to help applicants through the process.

Secretary Chu announced that he is naming Matt Rogers as Senior Advisor to implement these reforms and the investments in the President's American Recovery and Reinvestment Act. Rogers, formerly a senior partner of McKinsey and Company, has more than 20 years of experience in working with the energy industry and has done extensive work on the economics of addressing the global climate crisis. He served the Obama Presidential Transition Team in a special effort to develop opportunities to reduce the cost and increase the use of renewable energy in federal energy procurement.

The changes announced today by Secretary Chu will affect the Loan Guarantee Program established by the Energy Policy Act of 2005, the Advanced Technology Vehicles Manufacturing Loan Program and DOE funding contained within the President's American Recovery and Reinvestment Act.

Most of these changes are within the authority of the Secretary of Energy to make in consultation with the Director of the Office of Management and Budget. A few will require statutory changes, and the department will move quickly to work with the House and Senate to make the necessary adjustments.

Based on detailed analysis of the programs, Secretary Chu is confident the changes will not introduce additional risk to the loan process.



DOE Secretary Steven Chu