

Federal funds flow to clean-energy firms with Obama administration ties while their competitors are sabotaged by Obama officials

WASHINGTON POST:

By Carol D. Leonnig and Joe Stephens, Published: February 14

Sanjay Wagle was a venture capitalist and Barack Obama fundraiser in 2008, rallying support through a group he headed known as Clean Tech for Obama.

Shortly after Obama's election, he left his California firm to join the Energy Department, just as the administration embarked on a massive program to stimulate the economy with federal investments in clean-technology firms.

Following an enduring Washington tradition, Wagle shifted from the private sector, where his firm hoped to profit from federal

investments, to **an insider's seat** in the administration's \$80 billion clean-energy investment program.

He was one of several players in venture capital, which was providing financial backing to start-up clean-tech companies, who moved into the Energy Department at a time when the agency was seeking outside expertise in the field. At the same time, their industry had a huge stake in decisions about which companies would receive government loans, grants and support.

During the next three years, the department provided \$2.4 billion in public funding to clean-energy companies in which Wagle's former firm, **Vantage Point Venture Partners**, had invested, a Washington Post analysis found. Overall, the Post found that \$3.9 billion in federal grants and financing flowed to 21 companies backed by firms with connections to five Obama administration staffers and advisers.

Obama's program to invest federal funds in start-up companies — and the failure of some of those companies — is **becoming a rallying cry** for opponents in the presidential race. Mitt Romney has promised to focus on Obama's "record" as a "venture capitalist." And in ads and speeches, conservative groups and the Republican candidates are zeroing in on the administration's decision to extend \$535 million to the now-shuttered **solar firm Solyndra** and billions of dollars more to clean-tech start-ups backed by the president's political allies.

White House officials stress that staffers and advisers with venture capital ties did not make funding decisions related to these companies. But e-mails released in a congressional probe of Obama's clean-tech program show that staff and advisers with links to venture firms informally advocated for some of those companies.

David Gold, a venture capitalist and critic of Obama's investments in clean tech, said that even if staffers had been removed from the final decision-making, they had the kind of inside access to exert subtle influence.

"To believe those quiet conversations don't happen in the hallways — about a project being in a certain congressman's district or being associated with a significant presidential donor, is naive," said Gold, who once worked at the Office of Management and Budget. "When you're putting this kind of pressure on an organization to make decisions on very big dollars, there's increased likelihood that political connections will influence things."

Energy Department spokesman Damien LaVera said the companies won awards based on merit, not political connections. He said the staffers and advisory board members reviewed by the Post had no role in funding decisions, nor did they have any personal financial stake in the companies. One of

those administration advisers had first been appointed to his position by the Bush administration, LaVera said.

“As is evident from the **10-month long congressional investigation** into Solyndra, Energy Department loans and grants are decided on the merits,” White House spokesman Eric Schultz said. “What’s more, these are all professionals with expertise in clean-energy science, finance or both — but none of them play a decisional role in DOE awards and none of them are in positions of regulating the industry.”

Venture capitalists arrive

During the 2008 campaign, the **venture capital industry lined up behind Obama** as he vowed to spur clean-technology development. Obama raised more than twice the venture capital contributions of his opponent, Republican candidate John McCain.

Known for making billions of dollars in the 1990s on Internet startups, venture firms in 2006 were rapidly switching to invest in clean tech. Legendary venture partner John Doerr, a leading early investor in Google and Amazon, that year called the clean-energy sector the next great profit center, “**the mother of all markets.**”

With the 2008 economic crisis, new private investment in fledgling clean-tech companies withered. But passage of the

\$787 billion **stimulus package offered new opportunities** to launch and grow those firms, with \$80 billion set aside for clean energy and energy-efficiency efforts.

Suddenly flush with cash, the Energy Department was under orders to ramp up quickly and get money out to promising companies. The administration **tapped industry players** to take on key Energy Department roles, both as agency staffers and outside advisers on agency boards.

Wagle, then 38, **took a job** as a stimulus adviser in the agency's recovery act office. Officials say his role did not involve making funding decisions for companies tied to Vantage Point.

Private investors cheered the administration for hiring industry colleagues. In a 2009 article, venture firm leader Jim Matheson said Wagle, along with another Washington-bound venture capitalist, **David Danielson**, would help ensure commercial successes from "the steady flow of dollars coming out of D.C."

Wagle's former employer had invested in several companies that received federal money: **Brightsource**, which won a \$1.6 billion federal loan for a solar-generating plant; Tesla Motors, which won a \$465 million loan to build electric cars; and biofuels firm Mascoma, which in 2011 received \$80 million for a Michigan ethanol plant.

Wagle recently returned to the California venture capital industry to work as an investor and clean-tech adviser. Reached at his home, he declined to comment. Vantage Point Venture Partners, renamed Vantage Point Capital Partners, did not respond to requests for comment.

Danielson, formerly of **General Catalyst**, joined an Energy Department office whose mission was to fund breakthrough energy technologies. Officials say he had no role in arranging \$105 million in funding for three General Catalyst portfolio firms.

David Sandalow, a former Clinton administration official and Brookings Institution fellow, had been paid \$239,000 for consulting work for a venture capital firm, Good Energies, in 2008 before joining the Energy Department as assistant secretary for policy and international affairs, his disclosure form shows.

A Good Energies-backed firm, **SolarReserve**, won a \$737 million agency loan. Officials say Sandalow played no role in arranging it and LaVera, speaking on behalf of Sandalow, said the assistant secretary had no financial interest in Good Energies or SolarReserve.

The Energy Department came under criticism from Republicans earlier this year when agency e-mails raised questions about a possible conflict of interest involving Steven J. Spinner, a former

department loan adviser who disclosed that his wife worked for Wilson Sonsini, a Silicon Valley law firm that handled funding applications for several clean-tech companies.

Wilson Sonsini's clean-tech clients reaped \$2.75 billion in Department of Energy grants and financing, the Post analysis found.

One of the firm's clients was Solyndra. Republicans have accused the Obama administration of favoring the risky company because its leading investor was tied to a major Obama donor.

Wilson Sonsini had its own connection to the White House: the firm's chief executive, John Roos, was a top **bundler** for Obama's 2008 campaign.

Before joining the administration, Spinner, a venture investor and start-up adviser, also helped raise \$500,000 for Obama as a member of his national campaign finance committee. He has pledged to raise a half-million dollars or more for Obama's reelection effort.

Once inside the agency, Spinner agreed not to discuss loan matters involving Wilson Sonsini clients. But e-mails show he urged career officials to resolve delays in the Solyndra loan, and also **defended the financial prospects of Solyndra** to a White House deputy before its federal loan was approved.

Spinner left the Energy Department in the fall of 2010. He did not respond to requests for comment. The department said Spinner was not involved in the company's application review or loan approval.

A Wilson Sonsini spokesman said the firm does not believe its employment of Spinner's wife influenced Energy Department decisions.

I nvestors as advisers

Thousands of agency and White House e-mails released as part of the Solyndra investigation show that venture capitalists who held advisory roles with the Energy Department were given access to Obama's top advisers.

Steve Westly, an Obama fundraising bundler for both his 2008 and 2012 campaigns, is a founder of the venture firm Westly Group and served part time on Energy Secretary Steven Chu's advisory board.

The e-mails show that **Westly communicated with senior** White House officials, including Obama adviser Valerie Jarrett, voicing concerns about the president's planned appearance at Solyndra.

Westly's firm also fared well in the agency's distribution of loans and grants. Its portfolio companies received \$600 million in funding. LaVera said Westly had no role in the funding decisions.

David Prend also surfaces in the e-mails as a venture capital investor who had White House access.

His firm, **Rockport Capital** Partners in Boston, was among the investors in Solyndra, with a 7.5 percent stake. The **e-mails show** him asking a White House aide to “help get the word out” about Solyndra and asking for help on another Rockport portfolio company. They show he and a group of venture capital investors met with new White House climate czar **Carol Browner** before Solyndra’s loan was tentatively approved, and the White House confirmed that the subject of the company came up briefly.

Prend had worked closely with the Energy Department since the Bush administration, when he was first appointed to an advisory panel for the National Renewable Energy Laboratory. He continued to advise the Obama administration, while also chairing a panel that helps advise the department on solar technologies.

The agency provided \$550 million to several firms in which Rockport had invested at the time. The department gave an additional \$118 million grant to an electric-car battery company, Ener1, that was partnered with Rockport portfolio **car company Think**. (Rockport soon after invested in Ener1.) **Ener1 filed for bankruptcy** protection last month.

LaVera and Chad Kolton, a Rockport spokesman, said that Prend's advisory role was separate from stimulus programs and had no bearing on agency decisions about companies backed by Rockport.

Research editor Alice Crites contributed to this story.

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