



Highlights of [GAO-10-627](#), a report to congressional committees

Why GAO Did This Study

Since the Department of Energy's (DOE) loan guarantee program (LGP) for innovative energy projects was established in Title XVII of the Energy Policy Act of 2005, its scope has expanded both in the types of projects it can support and in the amount of loan guarantee authority available. DOE currently has loan guarantee authority estimated at about \$77 billion and is seeking additional authority. As of April 2010, it had issued one loan guarantee for \$535 million and made nine conditional commitments. In response to Congress' mandate to review DOE's execution of the LGP, GAO assessed (1) the extent to which DOE has identified what it intends to achieve through the LGP and is positioned to evaluate progress and (2) how DOE has implemented the program for applicants. GAO analyzed relevant legislation, prior GAO work, and DOE guidance and regulations. GAO also interviewed DOE officials, LGP applicants, and trade association representatives.

What GAO Recommends

GAO recommends that DOE develop performance goals reflecting the LGP's policy goals and activities; revise the loan guarantee process to treat applicants consistently unless there are clear, compelling grounds not to do so; and develop mechanisms for administrative appeals and for systematically obtaining and addressing applicant feedback. DOE said it is taking steps to address GAO's concerns but did not explicitly agree or disagree with the recommendations.

View [GAO-10-627](#) or [key components](#). For more information, contact Frank Rusco at (202) 512-3841 or ruscof@gao.gov.

DEPARTMENT OF ENERGY

Further Actions Are Needed to Improve DOE's Ability to Evaluate and Implement the Loan Guarantee Program

What GAO Found

DOE has broadly indicated the program's direction but has not developed all the tools necessary to assess progress. DOE officials have identified a number of broad policy goals that the LGP is intended to support, including helping to mitigate climate change and create jobs. DOE has also explained, through agency documents, that the program is intended to support early commercial production and use of new or significantly improved technologies in energy projects that abate emissions of air pollutants or of greenhouse gases and have a reasonable prospect of repaying the loans. GAO has found that to help operationalize such policy goals efficiently and effectively, agencies should develop associated performance goals that are objective and quantifiable and cover all program activities. DOE has linked the LGP to two departmentwide performance goals, namely to (1) double renewable energy generating capacity by 2012 and (2) commit conditionally to loan guarantees for two nuclear power facilities to add a specified minimum amount of capacity in 2010. However, the two performance goals are too few to reflect the full range of policy goals for the LGP. For example, there is no performance goal for the number of jobs that should be created. The performance goals also do not reflect the full scope of program activities; in particular, although the program has made conditional commitments to issue loan guarantees for energy efficiency projects, there is no performance goal that relates to such projects. Without comprehensive performance goals, DOE lacks the foundation to assess the program's progress and, more specifically, to determine whether the projects selected for loan guarantees help achieve the desired results.

DOE has taken steps to implement the LGP for applicants but has treated applicants inconsistently and lacks mechanisms to identify and address their concerns. Among other things, DOE increased the LGP's staff, expedited procurement of external reviews, and developed procedures for deciding which projects should receive loan guarantees. However, GAO found:

- DOE's implementation of the LGP has treated applicants inconsistently, favoring some and disadvantaging others. For example, DOE conditionally committed to issuing loan guarantees for some projects prior to completion of external reviews required under DOE procedures. Because applicants must pay for such reviews, this procedural deviation has allowed some applicants to receive conditional commitments before incurring expenses that other applicants had to pay. It is unclear how DOE could have sufficient information to negotiate conditional commitments without such reviews.
- DOE lacks systematic mechanisms for LGP applicants to administratively appeal its decisions or to provide feedback to DOE on its process for issuing loan guarantees. Instead, DOE rereviews rejected applications on an ad hoc basis and gathers feedback through public forums and other outreach efforts that do not ensure the views obtained are representative.

Until DOE develops implementation processes it can adhere to consistently, along with systematic approaches for rereviewing applications and obtaining and addressing applicant feedback, it may not fully realize the benefits envisioned for the LGP.