

GAO Highlights

Highlights of [GAO-15-438](#), a report to congressional committees

Why GAO Did This Study

DOE's Loan Programs Office administers the LGP and the ATVM loan program to support certain renewable or innovative energy technologies. Both programs can expose the government and taxpayers to substantial financial risks if borrowers default. DOE accounts for two types of program costs: credit subsidy costs and administrative costs. The Energy Policy Act of 2005 requires LGP to charge and collect fees to cover applicable administrative expenses.

GAO has an ongoing mandate to review the LGP. Because DOE administers the LGP and ATVM loan program through one office, GAO included both programs in this review. This report (1) describes DOE's loan portfolio and the portfolio's current status, (2) describes the current estimated credit subsidy costs of the loan programs and the extent to which credit subsidy cost estimates changed, and (3) examines DOE's administrative costs for the loan programs and the extent to which fees have covered LGP's administrative costs. GAO analyzed regulations and guidance, prior audits, and DOE data on credit subsidy estimates and administrative costs for all loans and guarantees originated under these loan programs. GAO also interviewed DOE officials.

What GAO Recommends

GAO is making no recommendations in this report. In written comments, DOE generally agreed with GAO's findings.

View [GAO-15-438](#). For more information, contact Frank Rusco at (202) 512-3841 or ruscof@gao.gov.

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DOE LOAN PROGRAMS

Current Estimated Net Costs Include \$2.2 Billion in Credit Subsidy, Plus Administrative Expenses

What GAO Found

The Department of Energy's (DOE) loan programs portfolio consists of 34 loans and loan guarantees totaling about \$28 billion in support of 30 projects in a diverse array of technologies. DOE's Loan Guarantee Program (LGP) encourages certain types of energy projects by agreeing to reimburse lenders for the guaranteed amount of loans if the borrowers default. These guarantees have been for nuclear, solar, and wind generation; solar manufacturing; and other energy projects. The Advanced Technology Vehicles Manufacturing (ATVM) loan program has made direct loans for projects aiming to produce more fuel-efficient vehicles. Most LGP and ATVM loan program projects have completed construction and are in operation—producing power or automobiles, for example. However, borrowers have defaulted on loans for 5 projects, including 2 solar manufacturing projects, 2 advanced automotive manufacturing projects, and 1 energy storage project.

As of November 2014, DOE estimates the credit subsidy cost of the loans and loan guarantees in its portfolio—that is, the total expected net cost over the life of the loans—to be \$2.21 billion, including \$807 million for loans that have defaulted. The credit subsidy cost for each loan made or guaranteed is the net present value of the difference between projected cash flows to and from the government over the life of the loan (excluding administrative costs). To account for changes over time, DOE is required to reestimate credit subsidy costs annually. As part of estimating and reestimating credit subsidy costs, DOE adjusts the projected cash flows for default risk and other factors. Changes in these estimates have varied by program and technology. The credit subsidy cost estimate for LGP's portfolio increased from an estimated \$1.33 billion when the loan guarantees were issued to \$1.81 billion as of November 2014, mainly because of loan guarantee defaults. The credit subsidy cost estimate for the ATVM loan program's portfolio decreased from \$3.16 billion to \$404 million. Even though two ATVM loans defaulted, the overall estimate for the ATVM loan program portfolio decreased, mostly because the credit rating of one loan improved significantly.

Since 2008, administrative costs have totaled about \$312 million—\$251.6 million for LGP and \$60.6 million for the ATVM loan program—and, for LGP, borrower fees partially offset these costs. Support services such as contractors constitute more than 70 percent of the administrative costs for both programs. LGP fee collections have totaled approximately \$196 million, or about 78 percent of LGP's administrative costs for fiscal years 2008 through 2014. DOE has revised its fee structure in new solicitations to allow increases in certain borrower fees, potentially addressing the gap between administrative costs and fee collections. At this time, it is too early to tell whether DOE's actions will result in sufficient funds to offset LGP's future administrative costs.