



Obama's Green Energy Losses Mount

Green Investments Obama Said Would Take The Country Forward Are Going Belly Up, Taking Jobs And Taxpayer Cash With Them

ELECTRIC CAR BATTERY MAKER A123 SYSTEMS HAS FILED FOR BANKRUPTCY AFTER \$249 MILLION IN TAXPAYER SUPPORT

Today, Taxpayer-Backed A123 Systems, A Maker Of Rechargeable Lithium-Ion Batteries For Electric Cars, Filed For Bankruptcy. "A123 Systems Inc. (AONE), a maker of rechargeable lithium-ion batteries for electric cars, filed for bankruptcy after failing to make a debt payment that was due yesterday. The company listed assets of \$459.8 million and debt of \$376 million as of Aug. 31 in Chapter 11 documents filed today in U.S. Bankruptcy Court in Wilmington, Delaware. Chapter 11 is the section of the Bankruptcy Code used by companies to reorganize." (Dawn McCarty and Craig Trudell, "Electric Car Battery Maker A123 Systems Files Bankruptcy Papers," [Bloomberg Businessweek](#), 10/16/12)

- **A123 Systems Has Posted At Least 14 Straight Quarterly Losses With Shares Falling 85 Percent This Year.** "A123 has posted at least 14 straight quarterly losses. Its shares have fallen 85 percent this year to 24 cents at yesterday's close in New York and traded at 16 cents at 8:29 a.m. before the start of regular trading." (Dawn McCarty and Craig Trudell, "Electric Car Battery Maker A123 Systems Files Bankruptcy Papers," [Bloomberg Businessweek](#), 10/16/12)
- **FLASHBACK: In July 2011, President Obama Touted A123 Systems As A Job-Creating Company With Soaring Demand For Its Vehicle Components.** OBAMA: "There's A123, a clean-energy manufacturer in Michigan that just hired its 1,000th worker as demand has soared for its vehicle components. Companies like these are taking root and putting people to work in every corner of the country." (President Barack Obama, [Remarks By The President On Fuel Efficiency Standards](#), Washington, DC, 7/29/11)

After A \$249.1 Million Federal Grant And Struggling With Costs Of Recalled Batteries, A123 Systems Is Looking To Make A "Deal With Wanxiang Group Corp., China's Largest Auto-Parts Maker, For Financing In Exchange For A Majority Ownership Stake." "A123, which received a \$249.1 million federal grant in 2009 to build a U.S. factory, needed a financial lifeline after struggling with costs from a recall of batteries supplied to Fisker, the plug-in hybrid luxury carmaker. A123 announced in August that it was working on a deal with Wanxiang Group Corp., China's largest auto-parts maker, for financing in exchange for a majority ownership stake." (Dawn McCarty and Craig Trudell, "Electric Car Battery Maker A123 Systems Files Bankruptcy Papers," [Bloomberg Businessweek](#), 10/16/12)

- **With Wanxiang's Large Stake, Obama's "Made In America" Dream Is Unlikely To Come True For Electric Vehicles And Batteries.** "President Barack Obama called A123 Chief Executive Officer David Vieau and then-Michigan Governor Jennifer Granholm during a September 2010 event celebrating the opening of the plant in Livonia, Michigan, that the company received the U.S. grant to help build. "This is about the birth of an entire new industry in America -- an industry that's going to be central to the next generation of cars," Obama said in the phone call, according to a transcript provided by the White House. "When folks lift up their hoods on the cars of the future, I want them to see engines and batteries that are stamped: Made in America.'" (Dawn McCarty and Craig Trudell, "Electric Car Battery Maker A123 Systems Files Bankruptcy Papers," [Bloomberg Businessweek](#), 10/16/12)

A123 Is Saddled With A Costly Recall Due To Faulty Batteries Supplied To Fisker Automotive – Another Obama Green Energy Boondoggle

A123 Incurred Heavy Losses Due To A Recall Of Defective Battery Packs It Supplied To Fisker Automotive. "The losses stem from A123's recall of defective batteries built at its Livonia, Michigan, plant. The flaw came to light earlier this year when a Fisker Karma plug-in hybrid with an A123 battery failed during a test by Consumer Reports magazine. The repairs will cost nearly \$67 million and force A123 to rebuild its inventory. A123 makes the battery for the Fisker Karma, the BMW hybrid 3- and 5-Series cars and GM's all-electric Chevy Spark due in 2013." (Deepa Seetharaman, "A123 Sees 'Going Concern' Risk Due To Steep Losses," [Reuters](#), 5/30/12)

- **One Of Fisker's Karmas Broke Down In The Middle Of A Consumer Reports Test, Spawning A Battery Recall.** "Earlier this year, one of the Karmas stopped working in the middle of a Consumer Reports road test -- an embarrassing breakdown that Fisker later blamed on a faulty battery. The lithium-ion batteries became the subject of a recall, including for a defect that raised the risk of fires." (Matthew Mosk, "Fisker May Never Build Electric Cars In US," [ABC News](#), 5/30/12)

Consumer Reports Calls Government-Financed, Luxury-Hybrid Fisker Automotive's Karma An "Ergonomic Disaster" That "Does Not Fare Well Against Most Other Luxury Vehicles" Where "The Karma's Problems Outweighed The Good." "An influential consumer magazine said Fisker Automotive's Karma plug-in hybrid has a variety of flaws, from limited visibility to a poorly designed touch-screen system that amounts to an 'ergonomic disaster.' The less-than-glowing report from Consumer Reports magazine is the latest blow for Fisker, which is looking to raise funds after being denied access to more than half of a \$529 million government loan that was the cornerstone of its business plan. Consumer Reports tested a \$107,850 Karma - the most expensive vehicle the magazine has tested - and said it does not fare well against most other luxury vehicles, due partly to its cramped interior and overly complex controls system. 'Although we found its ride, handling and braking performance sound and it has first-class interior materials, the Karma's problems outweighed the good,' said Jake Fisher, director of Consumer Reports' auto test center." (Deepa Seetharaman, "Fisker's Pricey Karma Car Plagued With Flaws: Consumer Reports," [Reuters](#), 9/25/12)

- **Fisker Drew Down \$193 Million From An Obama Administration Energy Loan Prior To The Funds Being Frozen.** "Fisker intends to build the Atlantic at a former General Motors Co. factory in Delaware, he said. The company had cast doubt on the future of the Delaware factory earlier this year after the Obama administration last year suspended payments on a \$529 million U.S. Department of Energy loan that was funding the Atlantic project. Fisker drew about \$193 million of the loan to engineer its hybrid before the funds were frozen." (Joseph White, "Fisker Held Funding Talks," [The Wall Street Journal](#), 10/1/12)

AFTER BILLIONS SPENT ON ELECTRIC VEHICLES AND BATTERIES, SALES ARE NOWHERE CLOSE TO OBAMA'S GOAL OF 1 MILLION CARS

"Electric-Vehicle Sales Since 2011 Totaled Fewer Than 50,000 Through September, Just 5 Percent Of The President's Target." "Whether the technology itself is a loser or consumers are merely slow to adapt to new things, car buyers so far haven't embraced electric vehicles in numbers close to Obama's goal. Electric-vehicle sales since 2011 totaled fewer than 50,000 through September, just 5 percent of the president's target." (Angela Greling Keane, "Obama's \$5 Billion Slow To Charge Electric Car Purchases," [Bloomberg](#), 10/16/12)

- **Brett Smith, Co-Director At The Center For Automotive Research: "The Reality Is: That Business Model Isn't There Yet ..."** "The reality is: that business model isn't there yet," said Brett Smith, co-director of manufacturing, engineering and technology at the Center for Automotive Research in Ann Arbor, Michigan. "It isn't there yet for volume. It isn't there yet for reaching the mass consumer. And it probably isn't going to be there for a while." (Angela Greling Keane, "Obama's \$5 Billion Slow To Charge Electric Car Purchases," [Bloomberg](#), 10/16/12)

The Washington Post: "The American Taxpayer Has Gotten Precious Little For The Administration's Investment In Battery-Powered Vehicles, In Terms Of Permanent Jobs Or Lower Carbon Dioxide Emissions." "No matter how you slice it, the American taxpayer has gotten precious little for the administration's investment in battery-powered vehicles, in terms of permanent jobs or lower carbon dioxide emissions. There is no market, or not much of one, for vehicles that are less convenient and cost thousands of dollars more than similar-sized gas-powered alternatives — but do not save enough fuel to compensate. The basic theory of the Obama push for electric vehicles — if you build them, customers will come — was a myth. And an expensive one, at that." (Editorial, "GM's Vaunted Volt Is On The Road To Nowhere Fast," [The Washington Post](#), 9/14/12)

The Failures Of Subsidized Car Manufacturers Are Dragging U.S. Advanced-Battery Industry Down With Them, Leaving The Battery Companies Vulnerable For Foreign Purchase. "As these companies flail, they are taking the much-ballyhooed U.S. advanced-battery industry down with them. A Chinese company had to buy out distressed A123, to which the Energy Department has committed \$263 million in production aid and research money. Ener1, which ran through \$55 million of a \$118 million federal grant before going bankrupt, sold out to a Russian tycoon." (Editorial, "GM's Vaunted Volt Is On The Road To Nowhere Fast," [The Washington Post](#), 9/14/12)

Despite The Commitment Of Millions Of Taxpayer Dollars, It Is Increasingly Clear That Obama's Paltry Campaign Promise To Get 1 Million All-Electric and Plug-In Hybrid Vehicles Will Not Hit 2015 Target. "As a candidate for president in 2008, Barack Obama set a goal of getting 1 million all-electric and plug-in hybrid vehicles on the road by 2015. In February 2011, the Obama administration's Energy Department issued an analysis purporting to show that, with the help of subsidies and tax credits, 'the goal is achievable.' This was a paltry claim in the first place, since 1 million cars amount to less than 1 percent of the total U.S. fleet. Yet it is increasingly clear that, despite the commitment of many millions of taxpayer dollars, the United States will not hit Mr. Obama's target by 2015." (Editorial, "GM's Vaunted Volt Is On The Road To Nowhere Fast," [The Washington Post](#), 9/14/12)

- **"Analysis Suggest That We'll Be Lucky To Get A Third of The Way There."** "A recent CBS News analysis suggested that we'll be lucky to get a third of the way there. The Energy Department study assumed that General Motors would produce 120,000 plug-in hybrid Volts in 2012. GM never came close to that and recently suspended Volt production at its Hamtramck, Mich., plant, scene of a presidential photo-op. So far, GM has sold a little more than 21,000 Volts, even with the

help of a \$7,500 tax credit, recent dealer discounting and U.S. government purchases. When you factor in the \$1.2 billion cost of developing the Volt, GM loses tens of thousands of dollars on each model.” (Editorial, “GM’s Vaunted Volt Is On The Road To Nowhere Fast,” [The Washington Post](#), 9/14/12)

EVEN IN BANKRUPTCY, OBAMA’S FAILED INVESTMENTS HAUNT TAXPAYERS

Solyndra’s Investors Stand To Make Millions Off Of Tax Benefits The Energy Department Transferred To Them To Avoid Political Embarrassment

The Wall Street Journal: “In The Latest Twist, Solyndra’s Investors Could Be Rewarded For Their Failure, Thanks To A Tax Benefit The Administration Handed Out In A Bid To Evade Political Accountability.” “Perhaps you thought the Solyndra scandal amounted to a \$535 million government loan that will never be repaid. No such luck. In the latest twist, Solyndra’s investors could be rewarded for their failure, thanks to a tax benefit the Administration handed out in a bid to evade political accountability.” (Editorial, “The Solyndra Memorial Tax Break,” [The Wall Street Journal](#), 10/15/12)

- **Solyndra’s Investors Are Trying To Take Advantage Of \$350 Million In Tax Benefits They Received As Part Of The Company’s Bankruptcy.** “Having sold off its manufacturing plant, fired nearly 1,000 workers and proven the non-viability of its business model, Solyndra’s only real assets are what the IRS calls ‘tax attributes.’ These are between \$875 million and \$975 million in net operating losses that can reduce future taxable income, which the IRS values as high as \$350 million. Before it went toes up, Solyndra also accumulated \$12 million in solar tax credits that can reduce tax liabilities dollar for dollar.” (Editorial, “The Solyndra Memorial Tax Break,” [The Wall Street Journal](#), 10/15/12)
- ***The Wall Street Journal: “Energy Created The Tax Avoidance Problem In The First Place By Gifting Argonaut And Madrone The Net Operating Losses To Delay The Solyndra Crack-Up That Was Fast Becoming Inevitable.”*** “But this is little more than an ex post facto double-cross. Energy created the tax avoidance problem in the first place by gifting Argonaut and Madrone the net operating losses to delay the Solyndra crack-up that was fast becoming inevitable. That left taxpayers worse off than if they simply let Solyndra fail.” (Editorial, “The Solyndra Memorial Tax Break,” [The Wall Street Journal](#), 10/15/12)

The Wall Street Journal: “The Larger Problem Is Mr. Obama’s Economic Model That Seeks To Picks Winners And Losers And Misallocates Capital.” “The larger problem is Mr. Obama’s economic model that seeks to picks winners and losers and misallocates capital. That’s bad enough. But does he have to stick it to taxpayers twice for the same failed investment?” (Editorial, “The Solyndra Memorial Tax Break,” [The Wall Street Journal](#), 10/15/12)

Taxpayers Will Only Recover A Fraction Of The Money Invested In Solyndra Due To The Obama Administration’s Political Calculation

In February 2011, The Department Of Energy Agreed To “Waive Its Privilege As First Creditor In The Event Of A Bankruptcy.” “The political brawl over Solyndra, the solar array manufacturer that received \$528 million in government aid and then went bankrupt, shifted focus Friday to a decision by the Energy Department that allowed another lender to step in to help rescue the company. That decision in February gave Solyndra a temporary reprieve and a chance to survive, but it also forced the government to waive its privilege as first creditor in the event of a bankruptcy — which then occurred at the end of August. ... The Energy Department’s approval was required for Solyndra to borrow any new funds, because if the loan was consummated, the federal government would have to surrender its status

as the most senior lender, in favor of the new lender.” (Matthew L. Wald, “Questions Raised Over Letting Another Lender Help A Failing Solar Company,” [The New York Times](#), 9/16/11)

- **As A Result, Obama’s Department Of Energy Allowed Taxpayers To Take A Back Seat To George Kaiser’s Argonaut Investments.** “Complicating the politics of the situation for the Obama administration, part of the new loan came from Argonaut, the investment company backed by George Kaiser, an Oklahoma oil billionaire who is an Obama campaign contributor. Argonaut was already heavily invested in Solyndra, and provided another \$69 million in cash in exchange for taking over \$75 million that Solyndra was owed by its customers.” (Matthew L. Wald, “Questions Raised Over Letting Another Lender Help A Failing Solar Company,” [The New York Times](#), 9/16/11)
- **In 2008, George Kaiser Bundled Between \$50,000 And \$100,000 For Obama.** ([Center For Responsive Politics](#), Accessed 10/16/12)

Solyndra’s Private Equity Investors Are Expected To Recoup \$70 Million Through The Sale Of Solyndra Assets. “Documents filed Friday evening in a Delaware bankruptcy court say that private-equity firms, including one whose chief has ties to the Obama administration, will get back at least half of the \$70 million they put into Solyndra early last year as the company battled for survival.” (Peg Brickley, “Solyndra Outlines Its Bankruptcy Repayment Plans,” [Dow Jones Newswires](#), 7/31/12)

- **“Unsecured Creditors Owed \$50 Million To \$120 Million Will Recover 2.5 Percent To 6 Percent, According To Solyndra’s Chapter 11 Estimates.”** (Peg Brickley, “Solyndra Outlines Its Bankruptcy Repayment Plans,” [Dow Jones Newswires](#), 7/31/12)

Taxpayers Are Expected To Recover \$24 Million Of The Loan To Solyndra. “Court papers estimate that one piece of the U.S. loan, nearly \$143 million, could go unpaid, or it could receive as much as a 17 percent recovery. A second piece, \$385 million, is in for a recovery of ‘\$0 plus, depending on outcome of liquidation efforts,’ court papers say. ... \$24 million Amount predicted to be repaid under its Chapter 11 plan” (Peg Brickley, “Solyndra Outlines Its Bankruptcy Repayment Plans,” [Dow Jones Newswires](#), 7/31/12)