

## Testimony of Zoe Lipman

### U.S. House of Representatives Committee on Oversight & Government Reform Subcommittee on Economic Growth, Job Creation & Regulatory Affairs

#### “Green Energy Oversight: Examining the Department of Energy’s Bad Bet on Fisker Automotive”

April 24, 2013

Good morning, Chairman Jordan, Ranking Member Cartwright. Thank you for inviting me to give some background on the Advanced Technology Vehicle Manufacturing Loan program.

I am Zoe Lipman, a consultant focusing on policy and projects that connect clean energy and transportation innovation with economic recovery. Previously I spent ten years with the National Wildlife Federation where I led NWF’s work on fuel economy and advanced and electric vehicles, and before that NWF’s climate policy program in the Midwest. In all of these areas, determining how we meet our energy and climate challenges, innovate in core industries, and rebuild our economy at the same time is a central question.

The ATVM was born out of just this kind of understanding – and out of pragmatic bipartisan compromise. The ATVM is not new – it was created as s136 of the bipartisan 2007 Energy Independence and Security Act – the 2007 Energy Bill - signed into law by President Bush. That bill did two major things in that affect the auto industry: It required the first major increase in fuel economy in decades, and did so under a new attribute-based structure that put full-line manufactures like Ford, General Motors and Toyota on a more competitively equal and consumer friendly footing

And it recognized that retooling factories to meet this challenge was a significant undertaking, and one that it was critical to do in this country if we were going to capture the full economic benefits of a new generation of vehicles. The engineering and retooling costs associated with meeting the new fuel-economy standards and consumers desire for more efficiency run to the tens of billions of dollars year across the entire industry. This money might be invested anywhere.

Today, not just companies, but countries, are competing aggressively to lead in the next generation of advanced energy and transportation technology. In a global economy we don’t need to be the only player in these rapidly growing industries but we need to be one of the leaders if our economy is to

remain strong into the future. Effective, market based, public private partnerships like the ATVM which make it less expensive to invest in U.S. facilities, and spur and attract business innovation are critical.

Section 136 authorized up to \$7.5B in potential spending to enable up to \$25B in loans. These loans were to retool or build factories in the US to manufacture vehicles that achieved greater than 25% higher fuel economy than a like vehicle.

These are loans. Where companies are successful (and the vast majority are) those funds will be paid back to the treasury. The \$7.5B authorized presumed a significant default rate – far higher than what has been experienced even with the current problems faced by Fisker.

Second, the program does NOT pick technologies – it sets a performance target and the portfolio of loans support the full range of fuel saving technologies – from advanced internal combustion engines that are transforming fuel economy – without sacrificing horsepower! – in the new Ford F150 pickup, to US made electric vehicles and batteries manufactured by Nissan in Tennessee.

Starting in 2009, EPA and DOT, working together, extended these fuel-economy and carbon pollution standards, providing a clear globally competitive regulatory framework through 2025. This framework not only provides the certainty companies need for large scale investment but facilitates cost effective investment across global markets.

At the same time – in the midst of a downturn in which few in the private sector were aggressively investing -- Congress appropriated the funds to implement the s136 or ATVM loans and made \$8B in loans to five companies across the full advanced vehicle technology spectrum. In addition to Fisker, which received \$193M of a potential \$529M loan, these include loans to major automakers and start-ups, across technologies and the nation. They include:

- \$5.9B to Ford which received loans to innovate, upgrade, and retool to build far more efficient gasoline, hybrid and electric vehicles and their powertrains in 11 plants across the country:
  - engine plants in Dearborn, Michigan; Cleveland, Ohio; and Lima, Ohio
  - transmission plants in Livonia, Michigan; Sterling Heights, Michigan; and Sharonville, Ohio
  - assembly plants in Chicago, Illinois; Louisville, Kentucky; Dearborn, Michigan; Wayne, Michigan; and Kansas City, Missouri
- \$1.45B to Nissan to retool their factory in Smyrna, Tennessee to bring production of their electric vehicle - and at an adjacent facility, its battery - to the United States.
- \$465M to Tesla– who has said it will repay its loans early - to retool the former NUMMI facility in Fremont, CA to build its second generation all electric sedan
- \$50M to the Vehicle Production Group to produce a 6 passenger, wheelchair accessible vehicle in Indiana that runs on Compressed Natural Gas

As this committee has heard before, the success rate of DOE's larger loan portfolio is extremely high, but even the ATVM portfolio with a much smaller number of projects looks very good. Even if the full \$193M to Fisker must be written off, that loss is less than 2.4% of the funds loaned and less than 3% of the budget authority for this program. The taxpayer is doing well, and communities and businesses are doing even better.

Rolling up the projects I mentioned, the program has spurred and speeded reinvestment in hard-hit manufacturing communities across the nation and retained, brought back and/or added more than 35,000 direct jobs. These loans have gone primarily to major automaker facilities, which in turn support dozens or hundreds of supplier locations. Each of these plants depends on an ecosystem of suppliers of not just parts, but also of machine tools, steel, glass, rubber, advanced materials and electronics just to name a few. As the assemblers reinvest, it means new markets, innovation and investment in suppliers as well. And, importantly, all these things mean jobs for American workers.

Back in 2010 the UAW, NRDC and others authored a report that found that increasing fuel economy to 40mpg by 2020 would add up to 150,000 jobs above business as usual - but with a significantly greater proportion of those jobs in the US if fuel economy improvement was coupled with programs like the ATVM. A year later another study, Supplying Ingenuity found 150,000 workers in 47 states currently building components that improve fuel efficiency. It is these hundreds of companies that also stand to gain where policies like the ATVM encourage local advanced manufacturing investment. Building a robust, innovative supply base not only makes it easier for companies to manufacture here for global platforms, but more attractive for foreign companies to reinvest here to supply the American market.

In other words, innovation to improve fuel economy means added content on every vehicle, and added content means more jobs. Programs that encourage investment in domestic manufacturing like ATVM mean more of those jobs HERE.

Investing in manufacturing the next generation of vehicle technology in America is not just about more jobs today - it's about the competitiveness of our economy for tomorrow. Manufacturing is a critical component of our innovation policy.

Domestic advanced manufacturing is essential to ensure that investments in science and R&D here don't end up building new companies abroad but provide the engine of business and job growth at home in the critical emerging industries. What's more, we increasingly see that if we do not continue to manufacture advanced technology we fail to generate the critical next generation innovation.

Is it the ATVM perfect? No, but many have suggested that there should be more of it, not less. For example, several legislators, as well as labor and environmental organizations have urged that the program be broadened to make it easier for automotive suppliers and for medium and heavy duty and transit vehicle manufacturers be able to access the loans. Others have raised concerns that the program has become so cautious that valuable projects in the pipeline could not be funded. Some additional risk is inevitable in order for our economy to move faster, further and over the long term to lead.

Now clearly, when we are dealing with taxpayer money we need to have sound oversight and be mindful of risk, but we need to balance the risk in individual projects with the bigger risk for our economy if we fail to move quickly to compete with other nations in the next generation of clean energy and fuel saving technology.

It's important to note that the transformation in automotive technology we're talking about here, isn't just building jobs and businesses. New more fuel efficient vehicles are also achieving the biggest single step forward in energy security and in cutting carbon pollution that we have ever made as nation, while saving consumers hundreds of billions of dollars and bringing them great new products. It underscores that aggressively inventing and making next generation advanced energy and transportation products and sustaining growth in a competitive global economy naturally run together.

The ATVM has helped do that, it has done that by setting leading performance standards, leveraging the ingenuity of the private sector to take diverse business and technological approaches to meeting that challenge. It has done that in states and communities across the nation. There is nothing wrong with making it easier to create jobs building advanced technology in America, and there is a lot right with it. The ATVM program is one example of what it takes to keep the United States competitive with other nations that have set their sights on capturing the next generation of auto-industry jobs and all the economic benefits that go with those jobs. Taking a step back, that is a success.

I thank the committee for this opportunity to testify and I'm happy to answer any questions.

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Zoe Lipman is a consultant specializing in policy and projects that connect clean energy and transportation innovation with economic recovery.

Most recently, Zoe spent ten years at the National Wildlife Federation where, as Senior Manager, New Energy Solutions, she led NWF's policy and advocacy on fuel economy standards and advanced and electric vehicles. She has also written and advocated on advanced vehicle supply chains, utility sector innovation, smart grid and other technology and policy that engages Americans to rapidly adopt climate and energy solutions while rebuilding America's economy, communities, jobs, and competitiveness.

She previously headed NWF's Midwest climate policy program out of NWF's Great Lakes Regional office in Michigan, and been a member, with business and government, of energy, transportation and climate policy forums at a state, regional and federal level.

Prior to joining NWF in 2002, Zoe worked in management consulting, and as a trade union official. Zoe has a BA from Yale University and a Masters in Public Administration from Harvard's John F Kennedy School of Government, where she focused on topics related to industrial innovation.

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