

**U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON SCIENCE, SPACE, AND TECHNOLOGY
SUBCOMMITTEE ON ENERGY & ENVIRONMENT**

***Review of DOE Vehicle Technologies Program Management and Activities:
Assuring Appropriate and Effective Use of Taxpayer Funding***

Thursday, July 26, 2012

Chairman Andy Harris
Opening Statement

Good morning and welcome to today's hearing entitled "*Review of DOE Vehicle Technologies Program Management and Activities: Assuring Appropriate and Effective Use of Taxpayer Funding.*"

Since President Obama took office in January 2009, aggressive spending on green energy programs has been a centerpiece of his domestic policy agenda.

His Stimulus legislation spent \$33 billion at the Department of Energy mostly devoted to green energy, and his budget requests to Congress have repeatedly called for massive increases in these same areas. For example, the President's current budget calls for over \$1.5 billion in new spending¹ at the Office of Energy Efficiency and Renewable Energy—an 84 percent year-over-year increase. The bulk of this proposed increase—about \$1.1 billion—is for vehicle technology development and deployment activities that we will focus on today.

I would like to state at the outset that I am strongly supportive of advanced vehicle technologies if the government role is carefully limited, and the market matures through free enterprise and American innovation, not through the vast spending, mandates, and special tax treatment that we have today.

These role-of-government concerns are magnified further by the Department of Energy's poor track record in administering such programs. As we will hear from the Inspector General's office today, DOE's Vehicle Technologies Program has been the subject of numerous concerns identified by the IG. These include: approving cost-share contributions without supporting documentation; failing to identify conflicts of interest in the Clean Cities program; failing to obtain and

¹ FY13 EERE budget includes \$527 million increase in discretionary request and \$1 billion in new mandatory spending

review recipient audit reports to ensure appropriate accounting of taxpayer funds; and, in one instance, agency inspectors were unable to locate \$500,000 worth of equipment purchased by one grant recipient.

These are all serious matters that must be addressed, and I look forward to hearing more about them today. We also hope to gain insight into DOE's management of this program through an examination of DOE's oversight of a \$115 million award to an electric vehicle charging company called Ecotality.

The questions surrounding DOE judgment and decision-making associated with this award are numerous and complex. Over the course of the last four months, I have been working to gather more information on the details of the award and its execution.

Although first requested March 26, last Friday, DOE finally began to provide the Subcommittee basic documentation associated with this award, such as the original application and assistance agreement with DOE. While much more is needed—and I would note DOE provided additional documents yesterday afternoon that we are still reviewing—the limited information we do have on DOE grants to this company is troubling and raises a number of areas of concern. These issues have been summarized in a memo, which was provided to DOE and the minority Tuesday evening, and to the company yesterday for feedback. At this point, we will not make any conclusions, or comment on the status and potential future of EV-related technologies and markets. However, the examples we have heard from the Inspector General and have found in our research raise numerous questions and concerns regarding the effectiveness of the oversight of Federal efforts to deploy EVs, as well as DOE's management and decision-making in administering these taxpayer-funded deployment initiatives.

Nonetheless, the high level concerns associated with this project exemplify my concerns about the overall program including: (1) substantial project underperformance and schedule delays; (2) troubling audit findings; (3) unusual cost-sharing arrangements in which required recipient matching funds are met by questionable in-kind data valuations from consumers that have purchased EVs for their personal use; and (4) placing other companies at a significant competitive disadvantage through the subsidization of charging stations purchases and installation as well as new product development.

{ On top of these problems, the company's financial and political activities add another layer of concern to this issue. Ecotality was nearly bankrupt before the

stimulus grant money was awarded by DOE. However, the company disclosed in SEC filings that it was bailed out by Chinese investors that entered into a joint venture with the company to set up a manufacturing subsidiary in China. The same Chinese investors agreed to pay Ecotality executives \$1 million in “performance bonuses” if they secured certain amounts of Stimulus funding.

The company hired lobbyists to engage the White House on DOE projects, went on to be awarded \$100 million in Stimulus funding, and the Chinese-funded performance bonuses were awarded. Within a few months of the award, the company’s President was an honored guest of the First Lady at the 2010 State of the Union. About nine months after that, the SEC initiated an investigation into potential insider trading by company executives associated with the award. During the time period of this investigation, DOE continued to expand the scope of Ecotality’s award and even awarded a new \$26 million grant to the company in July 2011.}

I hope today that DOE can provide its response to Vehicle Technologies Program-related management concerns. I do not expect we will resolve these questions today, and after we hear from DOE and receive additional outstanding documents and materials, we will likely have to revisit this issue later this year.

Last, I want to emphasize that this hearing is not just a matter of oversight of current spending; its importance and timeliness is magnified significantly by the fact that the President has proposed a new \$1 billion mandatory program called the “National Community Deployment Challenge” that would dramatically increase spending in the very areas of concern that we are examining today.

I now yield to Ranking Member Miller for an opening statement.