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Loans for Green Car Plants are in Limbo

POSTED BY [ALEX FERRERAS](#) ON [MARCH 16, 2012](#) IN [BUSINESS LOANS](#)

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(Source: Tim Logan [St. Louis Post-Dispatch \(MCT\)](#) — The company that wants to build hybrid electric delivery vans here says its plans are rolling forward, but a crucial piece of its [financing](#) appears to be stalled.

Emerald Automotive's [plans to build a new \\$160 million auto plant in Hazelwood](#) – and an estimated 1,000 jobs it would create in the region – hinge largely on its application for a \$120 million federal [loan](#) from a U.S. Department of Energy program designed to spur green [auto](#) manufacturing. Yet that [loan](#) program hasn't issued a loan that size in nearly two years and appears to be mired in election

year politics that have analysts skeptical that any loans will be approved any time soon.

Emerald says it remains confident. But in recent weeks, other green car-makers have thrown up their hands in frustration with the Advanced Technology Vehicle Manufacturing Program, a \$25 billion loan fund that has two-thirds of its money still in the [bank](#).

Last month, Chrysler withdrew a \$3.5 billion loan application after negotiating for three years with the Department of Energy. Bright Automotive recently shut its doors after failing to reach a deal on a \$450 million package. Last week, diesel-police-car maker Carbon Motors was turned down for a \$310 million loan. All three criticized federal officials for repeatedly changing loan terms and dragging out the process.

"We are outraged by the actions of the (Energy Department)," Carbon wrote in a statement. "It is clear that this was a political decision in a highly charged, election-year environment."

Emerald filed its application for a \$120 million ATVM loan last April and said it continues to talk frequently with the energy department. It's still in a preliminary phase of the process, and has been given no timeline on closing a loan, but says it hopes to do so this year.

"Our experience has been nothing but positive," said Gary Marble, Emerald's communications director. "So far, everything seems to be going forward in a very positive manner. That's all we can go on."

The company, which recently began testing two prototypes of its lightweight, low-emission delivery van, continues to try and raise private financing, too. For now it is funding operations through \$7 million in private capital, a \$5 million grant from the British government and \$5 million in loans issued last year by the city of Hazelwood and the Missouri Technology Corp. It has hired a handful of employees here and has an option to purchase a site for its factory in Hazelwood, said general counsel Sharon Heaton. Emerald hopes to start making the vans – [and hire about 600 workers](#) – by 2014, and its plans have been hailed as a sign of revival in the St. Louis auto industry.

But any new plant will almost certainly require closing on the federal loan – and closing those loans is where Emerald's peers have run into trouble. Of the ATVM fund's \$25 billion, less than \$8.5 billion has been loaned out, with just \$50 million approved since April 2010. And the energy department has halted payments on its \$529 million loan to Fisker Automotive after delays stalled a new plant

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in Delaware.

The energy department says it remains committed to the ATVM program, but that it also wants to make sure taxpayers aren't left holding the bag on risky start-ups.

"We would like to see private equity invested in these companies," Energy Secretary Steven Chu told a Senate hearing on the program Tuesday, according to [the Detroit News](#). "We are very focused on the driving the cost (of electric vehicles) down."

Industry analysts trace the program's slowdown to Solyndra LLC. The California solar-panel maker received \$535 million from a similar energy department program in 2009, then [filed bankruptcy](#) and shut its doors last year, becoming a political firestorm. The controversy set off extra layers of scrutiny on all federal energy loans, said David Hurst, an analyst with Pike Research, an alternative-energy research firm in Colorado.

"The politics of the loan program have gotten pretty complicated," he said. "I think it's fairly unlikely that Emerald is going to see \$120 million. If I were those guys I'd be scrambling for other funding sources."

It appears the ATVM program's focus is changing, said Aaron Bragman, senior auto analyst for forecasting firm IHS Global Insight. It was created in 2007 under President George W. Bush, largely to help existing automakers retool plants to make more fuel-efficient cars. Its two biggest loans – a combined \$7.4 billion to Ford Motor Co. and Nissan North America – paid to do just that. But then came loans to smaller – and far riskier – start-ups, which triggered more applications from more start-ups.

"After they decided to do Tesla and Fisker, people said 'Hey, now it's a (venture capital) start-up fund,'" Bragman said. "But really it's not."

Emerald sees it differently. Their T-100, a lightweight vehicle intended for export to Europe, is exactly what the ATVM program is meant to fund, Marble said.

"Emerald Automotive is right in the wheelhouse of what that program was set up for," he said. "We definitely meet what they say they're looking for."

Meanwhile, Emerald is "making real progress" in talks with private investors, said general counsel Sharon Heaton, though nothing is finalized yet. The company is nearing a spring deadline – set in its loan agreements with Hazelwood and the Missouri Technology Corp. – to raise \$30 million in private funds. The contract allows that date to be moved if necessary.

Hazelwood, which added a special sales tax to fund its \$3 million loan to Emerald, is in regular talks with the automaker and hears good reports, said Economic Development Director David Cox. But at this point, there is not much officials there can do but watch, and wait.

"We'll all keep our fingers crossed," he said.

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