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Since Solyndra downfall, \$80B program looking like a political liability

By JOE STEPHENS and CAROL D. LEONNIG The Washington Post

Obama administration scrambled to limit Solyndra political damage

Linda Sterio remembers the excitement when President Obama arrived at Solyndra last year and described how his administration's financial support for the plant was helping create hundreds of jobs. The company's prospects appeared unlimited as Solyndra executives described the backlog of orders for its solar panels.

Then came the August morning when Sterio heard a newscaster announce that more than a thousand Solyndra employees were out of work. Only recently did she learn that within the Obama administration officials had long discussed the company's potential collapse.

"It's not about the people; it's politics," said Sterio, who remains jobless and at risk of losing her home. "We all feel betrayed."

Since the failure of the company, Obama's entire \$80 billion clean-technology program has begun to look like a political liability for an administration about to enter a bruising re-election campaign.

Meant to create jobs and cut reliance on foreign oil, politics infused Obama's green-technology program at every level, The Washington Post found in an analysis of thousands of memos, company records and internal e-mails. That analysis also shows company investors, Energy Department bureaucrats and White House officials raised political considerations repeatedly.

The records, some previously unreported, show that when warned that financial disaster might lie ahead, the administration remained steadfast in its support for Solyndra.

The documents reviewed by The Post, which began examining the clean-technology program a year ago, provide a detailed look inside the day-to-day workings of the upper levels of the Obama administration. They also give an unprecedented glimpse into high-level maneuvering by politically connected clean-technology investors.

They show that as Solyndra tottered, officials discussed the political fallout from its troubles, the "optics" in Washington and the impact that the company's failure could have on the president's prospects for a second term. Rarely, if ever, was there discussion of the impact that Solyndra's collapse would have on laid-off workers or on the development of clean-energy technology.

"What's so troubling is that politics seems to be the dominant factor," said Ryan Alexander, president of Taxpayers for Common Sense, a nonpartisan watchdog group. "They're not talking about what the taxpayers are losing; they're not talking about the failure of the technology, whether we bet on the wrong horse. What they are talking about is 'How are we going to manage this politically?'"

Political push

The administration, which excluded lobbyists from policymaking positions, gave easy access to venture capitalists with stakes in some of the companies backed by the administration, the records show. Many of those investors had given to Obama's 2008 campaign. Some took jobs in

the administration and helped manage the clean-energy program.

Documents show that senior officials pushed career bureaucrats to rush their decision on the loan, so Vice President Joe Biden could announce it during a trip to California. The records do not establish that anyone pressured the Energy Department to approve the Solyndra loan to benefit political contributors, but they suggest that there was an unwavering focus on promoting Solyndra and clean energy. Officials with the company and the administration have insisted that the government granted the loan on its merits.

Most of the documents made public in connection with a congressional investigation relate to the period after the granting of the loan. The process began in the George W. Bush administration but resulted in the granting of the first loan in the program under Obama. As a result, many factors that led to Solyndra winning a half-billion-dollar federal loan remain unknown.

White House officials said the administration has released all key records regarding Solyndra's loan approval.

Officials acknowledged that some of the records provide an unvarnished view that they might have preferred to keep private - such as a senior energy adviser's reference to a conference call about Solyndra as a "(expletive) show," or a company investor writing that when Solyndra was mentioned in a meeting, Biden's office "about had an orgasm."

Officials said those unflattering disclosures reinforce their position that they are not hiding their actions and that, despite the blemishes, nothing suggests political considerations affected the original decision to extend the loan to Solyndra. They stressed that the administration disregarded advice to avoid political problems by replacing senior Energy Department managers and moving to abort Obama's visit to Solyndra.

"Everything disclosed . . . affirms what we said on day one: This was a merit-based decision made by expert staffers at the Department of Energy," White House spokesman Eric Schultz said in a statement.

Officials said that reflecting its concern for workers was the administration's decision to allow Solyndra employees to receive aid under a program for workers displaced by foreign competition.

"When Solyndra's liquidity crisis became clear, the Department of Energy underwent a robust effort to find a viable path forward for the company," the White House's prepared statement said. "This administration is one that will fiercely fight to protect jobs even when it's not the popular thing to do."

Show time

Like most presidential appearances, Obama's May 2010 stop at Solyndra's headquarters was closely managed political theater.

Obama's handlers had lengthy e-mail discussions about how solar panels should be displayed (from a robotic arm, it was decided). They cautioned the company's chief executive against wearing a suit (he opted for an open-neck shirt and black slacks) and asked another executive to wear a hard hat and white smock. They instructed blue-collar employees to wear everyday work clothes, to preserve what they called "the construction-worker feel."

White House e-mails suggest that the original idea for "POTUS involvement" originated with then-Chief of Staff Rahm Emanuel. Emanuel, now mayor of Chicago, did not respond to a request for comment from The Post.

Well beyond the details of the factory photo op, raw political considerations surfaced repeatedly

in conversations among many in the administration.

Just two days before the visit, Obama fund-raiser Steve Westly warned senior presidential adviser Valerie Jarrett that an appearance could be problematic. Westly, an investment fund manager with stakes in green-energy companies, said he was speaking for a number of Obama supporters in asking the president to postpone the visit because Solyndra's financial prospects were dim and the company's failure could create negative media attention.

"The president should be careful about unrealistic/optimistic forecasts that could haunt him in the next 18 months if Solyndra hits the wall," Westly wrote. Westly did not respond to a request for comment from The Post.

Similar concerns arose repeatedly among officials inside the White House. One staffer at the Office of Management and Budget suggested to a colleague that the visit could "prove embarrassing to the administration in the not too distant future." Even Ron Klain, Biden's chief of staff, acknowledged "risk" in the trip.

But administration officials ultimately waved off the jitters, following assurances from Energy Department officials that their policy was sound and that Solyndra's troubles would be fleeting. After Obama's trip, the administration hung a photo of his visit on a wall in the West Wing, to underscore good things to come.

Crash landing

Solyndra's financial picture did not improve, however, and by year's end the company was crumbling. Its investors pitched bailout plans, seeking help from what a Solyndra executive referred to as the "Bank of Washington" - his apparent term for U.S. taxpayers. The Energy Department rebuffed the plans, at least initially.

In late 2010, Solyndra board member Steve Mitchell told his associates that Energy Department officials had conceded that additional financing was necessary, yet said in private meetings that they lacked the political muscle to deliver it. "The DOE really thinks politically before it thinks economically," Mitchell concluded. A spokesman for Mitchell said he would have no comment for this article. An Energy Department spokesman said the agency based all decisions regarding the loan on merit.

Solyndra eventually realized that it must lay off workers to stay afloat - no small step for a company that the president had backed to create jobs in a recession. But records indicate that the Energy Department urged company officials to delay the move until after the contentious November 2010 midterm elections that imperiled Democratic control of Congress. One e-mail among company investors ended the discussion by asserting: "No announcement till after elections at doe request." An Energy Department spokesman did not respond to requests for comment for this article.

More than once, investors wrote that the administration appeared to be making particular decisions to avoid looking "bad." A December 2010 e-mail between administration officials' staffers seemed to confirm the suspicions, concluding "a meltdown" at Solyndra "would likely be very embarrassing for DOE and the Administration."

An outside energy adviser foresaw serious political damage, writing to senior West Wing officials in February to warn that because federal loans went to companies linked to Obama donors, a wave of Republican attacks "are surely coming." He recommended that Obama consider replacing Energy Secretary Steven Chu and his deputies, perhaps with a bipartisan management team.

A Solyndra board member, in a memo, described at length mistakes he believed that company founder Christian Gronet had made, saying some of the stories about his actions "border on

moronic" and that Gronet's missteps had sparked an executive mutiny. Gronet survived, the board member suggested, only because of his close relationship with Energy Department leaders and because he had "star power in D.C."

Gronet's attorney, Miles Ehrlich, said in a statement last week that Gronet did his best but acknowledged that there had been internal debate about the business strategies he chose.

Political calculus was especially on display in an e-mail early this year between administration staffers who calibrated the damage that could result from pushing back Solyndra's collapse by a few months at a time.

"The optics of a Solyndra default will be bad whenever it occurs," an OMB staff member wrote to a colleague. "If Solyndra defaults down the road, the optics will arguably be worse later than they would be today. . . . In addition, the timing will likely coincide with the 2012 campaign season heating up."

Solyndra executives and investors were attuned to the value of playing politics. Memos from Solyndra's lobbying firm, McBee Strategic Consulting, stressed the need to "socialize" with leaders in Washington and to mobilize a lobbying effort described variously as quiet, surgical and aggressive.

Beyond the West Wing, the documents provide a vivid glimpse into high-level machinations inside the world of clean-energy entrepreneurs.

Getting the president's ear

Solyndra's strongest political connection was to George Kaiser, a Democratic fund-raiser and oil industry billionaire who had once hosted Obama at his home in Oklahoma. Kaiser's family foundation owned more than a third of the solar panel company, and Kaiser took a direct interest in its operations.

With the 2010 midterm elections just days away, Kaiser flew to Las Vegas to help the party cause. He was a guest at a private fundraising dinner for Senate Majority Leader Harry M. Reid, Nev., but the real attraction at the event was its headliner - Obama. Realizing he might have an opportunity to talk with the president, Kaiser's staff prepped him with talking points about Solyndra.

Kaiser did not have to angle for Obama's attention. Organizers seated him next to the world's most powerful man - for two hours.

"OK, I'll admit it. It was pretty intoxicating," Kaiser effused in an e-mail to an associate at 5:30 the next morning. "Charming and incisive as always. Casual conversation; not speechifying."

Kaiser did not squander his time. While he avoided the use of the word "Solyndra," according to the account he later gave to colleagues, he complained to the president about Chinese manufacturers dumping cheap solar panels on the U.S. market, and pressed Obama's deputy chief of staff about the need for a Buy American Act for federal agencies. The company was intent on making the federal government a major customer - part of what a Solyndra investment adviser called the "Uncle Sam" strategy - and the new act would give Solyndra an advantage.

Kaiser, who has declined interview requests, said through spokesman Renzi Stone that he has not discussed Solyndra's loan "with the U.S. government." Other e-mails show that he rejected requests to take a more forceful role in advocating for the company.

Nonetheless, records show that Kaiser, a frequent visitor to the White House, was in contact with officials at Solyndra and its biggest investors, and advised them on leveraging the power of the West Wing.

"Why don't you pursue your contacts with the WH?" Kaiser advised a Solyndra board member in October 2010.

Nonprofit law specialists said that Kaiser's focus on Solyndra was striking, since he had no official role at the company and had no personal investment in the corporation. After amassing a fortune in the oil and banking industries, Kaiser had endowed a nonprofit corporation that bore his name, but Kaiser did not sit on its board.

The nonprofit corporation, known as the George Kaiser Family Foundation, had its own investment fund, which owned a third of Solyndra. Mitchell, a Solyndra board member, was the fund's manager.

Despite those walls between Kaiser and Solyndra, e-mail exchanges show that Mitchell repeatedly sought Kaiser's counsel, and in one instance requested "authority" to make a major move.

Nonprofit experts stressed that once Kaiser donated his money to charity - and thereby qualified for millions of dollars in tax breaks - the money was no longer his under federal law.

Kaiser arrived in Las Vegas on the Friday night of the fundraiser, carrying a photo of himself and the president, which Obama signed for him. Over the evening, the oilman's conversation moved from social chatter to business.

"I talked in general about the Chinese and solar but didn't want to get too specific with him," Kaiser told associates. "I did talk to him about the Chinese subsidy over the past nine months and the effect it was having on U.S. solar and wind manufacturers. . . . I thought that a more aggressive trade policy with the Chinese was essential. . . . (Obama) said that these issues would be addressed aggressively at the G-20."

As for Majority Leader Reid, Kaiser confided in his e-mails: "Harry was mushy nice . . . Barack said privately that Harry would win by a small margin. I hope he's right."

Stone said last week that the dinner was only the second time Kaiser had met the president, and that there was nothing wrong with Kaiser taking an interest in the foundation and its investments. While the foundation's board respected Kaiser's advice, its members made all the financial decisions, he said.

The sign

Today, a handful of Solyndra employees remain at its Silicon Valley factory, helping wind down operations. Of the 1,100 workers who lost their jobs, an estimated 90 percent remain unemployed, such as Sterio. She's relying on help from relatives to make payments on her home, where she lives with her ailing husband and four grandchildren.

Solyndra so far has failed to attract a buyer who would keep the plant operating, so it is trying to unload its assets piecemeal to pay off its debts. The first \$75 million recovered is expected to go to Kaiser's nonprofit organization and other investors; it is unclear how much will be left for taxpayers.

Along with selling its microscopes and industrial robots, the company in November auctioned off the 30-foot-long blue banner that served as a backdrop for Obama's factory visit.

Winning bidder Scott Logsdon, a laid-off Solyndra worker who's been lucky enough to land a new job, snapped up the sign for \$400. He's hoping that with all of the political attention Solyndra's failure has received, the sign will appreciate by Election Day. It reads: "Solyndra . . . Made in the USA."

Post research director Alice Crites contributed to this report.

