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Why the Government Should Stay Out of Green Energy

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Posted 11/22/2010 ET

In the realm of solar power, there has never been more fanfare for a startup than in the case of Solyndra. Founded in 2005, the company's rooftop-mounted solar panels were immediately touted as "the next big thing" in alternative energy.

Headquartered in the San Francisco Bay Area, Solyndra has been a magnet for venture capital cash from the Silicon Valley.

However, just before Solyndra's promising glow of success began to fade, the last big investor stepped into the boardroom: The Obama Administration. And man, did the American taxpayer get played.

As a local I watched Solyndra successfully raise nearly a billion dollars in private equity financing between 2005 and 2009. Simultaneously, I witnessed the company go on a wild infrastructure spending spree, throwing hundreds of millions into an over-the-top, designer-rich, state-of-the-art manufacturing facility—which is not inexpensive to do in the Bay Area. Real estate prices remain the highest in the country there, and construction costs are exorbitant too. Simply constructing a shell to house a manufacturing plant costs at least \$300 per square foot (Solyndra's was likely much more); and that figure doesn't include the specialized manufacturing equipment needed to build Solyndra's proprietary solar panels. By locating the plant next door in Nevada they could have reduced their construction costs by at least 50 percent.

After Solyndra built the first phase of its plant, it began spending another \$733 million on phase two: a 600,000-square-foot addition. That's where Team Obama stepped in.

Solyndra received a government guaranteed loan procured from Stimulus funds for half a billion dollars. The money was to be plowed into the new construction.

In announcing the deal, on September 4, 2009, Vice-President Joe Biden told Solyndra employees and associates, “By investing in the infrastructure and technology of the future, we are not only creating jobs today, but laying the foundation for long-term growth in the 21st-century economy.”

Biden was joined by Secretary of Energy Steven Chu who said, “This investment is part of a broad, aggressive effort to spark a new industrial revolution that will put Americans to work.”

Yeah, right. Usually, before one enters into any investment, the risk of that venture must be identified and quantified. It’s called “due diligence.” The propeller-heads in the Administration—who have never worked in the real world—simply picked a feel-good, high-profile green company, and poured tons of taxpayer money into it.

As a guy who’s raised money for a startup in the Silicon Valley, my thought was, if Solyndra remains such a great investment, why aren’t the big fund managers jumping in to put up the additional half billion dollars? Additionally, as a conservative I saw this as another example of an overreaching federal government that chooses to ignore Article 1, Section 8 of the Constitution. Meantime, the smart financiers saw where Solyndra was headed—into trouble.

In May, Solyndra was visited by President Obama, who proclaimed that the Stimulus money spent on the new addition to the campus would be worth every penny. “When it’s completed in a few months,” Obama said, “Solyndra expects to hire 1,000 workers to manufacture solar panels and [to] sell them across America and around the world.”

An Initial Public Offering of stock had been planned for Solyndra in June, but those plans were suddenly scrapped. In July, its CEO and founder, Chris Gronet, quit.

Then, quite conveniently, on the day *after* the elections, we learned that Solyndra, the great green hope, was going to shutter its original manufacturing plant and scale back plans for those thousand jobs that Obama had heralded just a few months prior. The problem? Fierce competition from rival manufacturers in China and in states where the business climate is more agreeable.

“Solar has become incredibly competitive,” David Miller, a Solyndra spokesman, told *The Mercury News*.

So, instead of having the 1,000 extra workers Obama said it would hire, Solyndra is laying off 175 people and will cap its workforce at fewer than 1,000.

Some say Solyndra might eventually pull through, but not anytime soon; there is no guarantee that the company will be able to get its manufacturing costs down, and no one is sure when they will finally turn a profit.

And get this: rumors in the Silicon Valley are that Solyndra had been asking for a second government loan.

In order for the government loan guarantee program to properly work (i.e., to have the government paid back with interest), the Administration needs to pick winners. Thus far their track record is awful (GM and Chrysler immediately come to mind).

If Solyndra bombs out, you and I are on the hook.

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