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## \$25 Billion to Promote Electric Cars Is Untouched

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Jodi Hilton for The New York Times

A123 Systems, a battery maker in Massachusetts, is seeking \$1.8 billion.

By **LESLIE WAYNE**

Published: February 26, 2009

WASHINGTON — The future of the American auto industry is getting off to a slow start.

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The Energy Department has \$25 billion to make loans to hasten the arrival of the next generation of automotive technology — electric-powered cars. But no money has been allocated so far, even though the Advanced Technology Vehicles

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Stephen Crowley/The New York Times  
Lachlan W. Seward, director of the loan program to encourage production of electric cars.

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In Hopkinton, Mass., an A123 worker assembled battery modules.

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A123 Systems is one of 75 companies that applied for loans. The first distribution of money is expected by late April.

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funded until September 2008. Then, the Bush administration considered using the Energy Department fund to help bail out [G.M.](#) and Chrysler, an idea that was later rejected. After that, President Obama had to name a new cabinet. As soon as [Steven Chu](#)

Manufacturing Loan program, established in 2007, has received applications from 75 companies, including start-ups as well as the three Detroit automakers.



With [General Motors](#) and [Chrysler](#) making repeat visits to Washington to ask for bailout money to stave off insolvency, some members of Congress are starting to ask why the Energy Department money is not flowing yet. The loans also are intended to help fulfill [President Obama's](#) campaign promise of putting one million electric cars on American roads by 2015.

"Politicians are breaking down the door asking why the money isn't being sent out," said Michael Carr, counsel to the Senate Energy Committee, which oversees the Energy Department.

It is a question that Lachlan W. Seward, director of the program, says he hears a lot these days. "We're moving with a sense of urgency," said Mr. Seward, who also oversaw the Chrysler Loan Guarantee Board from 1981 to 1984. "But at the same time we are trying to do this in a responsible way that reflects prudent credit policy and taxpayer protections."

Energy Department staff members said they were still sifting through loan applications, dozens of which arrived on the filing deadline of Dec. 31. On top of that, another \$2 billion is coming to the department from the \$787 billion [stimulus package](#). That money will be used to develop the advanced battery technology needed to power electric cars, batteries more durable, safer and cheaper than anything available today.

Until now, the program has gotten caught in the shifting priorities of two administrations. The program was not

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took office as energy secretary, some members of Congress started applying pressure on the fund.

Senator [Evan Bayh](#), Democrat of Indiana, wrote Secretary Chu on Jan. 23, two days after he was sworn in, to say the agency is "under an obligation to issue the loans as soon as possible."

Senators [Dianne Feinstein](#), Democrat of California, and [Olympia J. Snowe](#), Republican of Maine, who have led a bipartisan effort to increase fuel-mileage standards, followed with a letter calling for an "aggressive timeline" in issuing loans.

In response, Dr. Chu announced last week that the first loans would be made by late April or early May, adding that the program's paperwork would be simplified and more staff would be hired.

There are complicating factors. Money can be given only to companies and projects that are deemed "financially viable." G.M. and Chrysler, which have applied for a combined \$13 billion from the Energy Department, must wait until the end of March for the Obama administration to decide whether the companies' restructuring plans would make them viable.

The program's small staff — around a dozen part- and full-time employees — must also sort through complicated proposals, up to 1,000 pages long. Many of the applicants have lined up members of Congress to pressure the department. Meanwhile, smaller companies say they fear the bulk of the money will be directed to the Detroit automakers.

Still, with credit markets tight, the program represents a rare source of financing to develop electric-vehicle technology.

"No one else out there will take on this risk," said Mr. Seward. "It reminds me of the time at the dawn of the auto age when you had hundreds of companies making hundreds of kinds of cars and then they all coalesced. We are back in that era of invention again."

The Energy Department has whittled the initial 75 loan applications, which seek a total \$38 billion, down to 25 for a second round of reviews. General Motors is requesting \$8.3 billion, earmarking a portion for the Chevy Volt, a plug-in hybrid. [Ford Motor](#) is asking for \$5 billion for a variety of electric car retooling programs and Chrysler, a unit of Cerberus Capital Management, is asking for around \$5 billion. Even Nissan said it has submitted an application for one of its American plants that meet the program's criteria.

Other applications are coming from battery developers. A123 Systems has asked for \$1.8 billion to build a next-generation battery plant in Detroit, and Ener1, a maker of [lithium-ion](#) batteries, is asking for \$480 million.



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"Failure is not an option," said Charles Gassenheimer, chief executive of Ener1. "We are confident we would build batteries without government help. But government help is necessary to launching the business in a mass way in the United States."

Japan, Korea and China are currently the leaders in producing the batteries used in cellphones, computers and other portable electronics.

Advanced Mechanical Products, a Cincinnati company that converts [Saturn Sky](#) sports cars into electric vehicles, has asked for a \$20 million loan. Stephen Burns, the company's chief executive, even dropped off his application by driving one of the all-electric cars to the agency and giving members of Congress a ride.

"Getting the money would be a big step for us," said Mr. Burns. "We can function without it. But with it, we'd be on steroids."

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