



Written by [Brian Koenig](#) on October 27, 2011

Rep. Issa Probes DOE's \$730 Million Loan to Russian Steelmaker

The North American division of the company has struggled to penetrate the U.S. steel market, and it sold three of its U.S. mills in March. Consequently, Severstal North America received a conditional loan approval from the U.S. Energy Department in July to help retool and expand its factory in Dearborn.



Severstal is owned and controlled by Alexei Mordashov, who is worth \$18.5 billion and is one of the wealthiest people in the world, [according](#) to *Forbes* magazine. In Issa's letter, he [asked](#) Secretary Chu why taxpayer money is needed when "announcements made by Severstal during the loan consideration process indicated that the company had ample means to carry out the project."

Issa contended that the company already had plans to expand production "with apparently no need for federal financing." In fact, Severstal had already sold plants in Ohio, Maryland, and West Virginia, as part of a plan to shift operations to its Michigan facilities. "Given the immense wealth and power of Severstal's CEO and the fact that the corporation had already made significant investments in the project, it is surprising that DOE would choose Severstal for a loan meant to spark new businesses and technologies within the automotive industry," Issa wrote.

Indeed, Mordashov has already announced he will begin building new units at the company's remaining plants by the end of the year. The project, topping \$1.3 billion, will increase capacity in the United States to 5.2 million tons a year. "Steel is a long-term business, and we believe that the U.S. economy has many reasons to prosper," [said](#) Mordashov, and the size and scope of the U.S. economy will benefit immensely, despite the country's looming debt crisis, he asserted.

The California Congressman also questioned whether the project is even eligible for the Advanced Technology Vehicle Manufacturing (ATVM) program, a \$25-billion federal loan plan aimed at [providing](#) debt capital to the U.S. automotive industry for the purpose of helping manufacturers meet higher fuel economy standards.

However, a representative for Severstal assured skeptics that the project does indeed meet ATVM standards. "Severstal North America has met all the requirements of the ATVM loan program during the nearly two-year due diligence process," said Katya Preuett, spokesperson for the Russian steelmaker. "The next-generation advanced high-strength steel technology we are putting in place with this project is ... critical for advanced-technology vehicle manufacturers to meet the future fuel efficiency goals." The company [claims](#) its advanced steel technology is "absolutely critical" for U.S. auto



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manufacturers to meet government fuel efficiency regulations and the Obama administration's ambitious goal to double average fuel economy of U.S. vehicles to 54.5 miles per gallon by 2025.

Rep. Issa's letter to Secretary Chu questions the urgency for advanced steel production capacity in the American market, contending that the project's financing seems "to be a waste of taxpayer funds," especially when production capacity for steel is already being met. Issa requests that the Energy Department release documents and information pertaining to the loan by November 3.

The Energy Department argues that the investment would generate more than 2,500 temporary construction jobs and 260 permanent manufacturing jobs for the state of Michigan, as well as assisting U.S. companies in meeting public demand for lighter, fuel-efficient vehicles. Press Secretary Damien LaVera told Fox News, "This project has received bipartisan support because producing the next generation of automotive advanced high strength steel is vital to helping American workers remain competitive."

But Issa remains skeptical, considering the department's lousy track record in recent years, most notably the Solyndra scandal that left American taxpayers on the hook for \$535 million from a miscarried loan guarantee. "The Department of Energy has a number of problems, and under this secretary, these problems have either blossomed or certainly not been fixed," asserted Issa. "The government is taking the risk, but getting the short end of the reward." Of course, when the Congressman says "government," in reality, he really means the American taxpayer.



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