



Written by [Michael Tennant](#) on April 4, 2012

Solar Firm That Turned Down Gov't Loan Fails — But Are Taxpayers Really Off the Hook?

The Blythe Solar Power Project, which was supposed to generate 1,000 megawatts of electricity — enough to power 300,000 homes — was highly touted by the Obama administration. Interior Secretary Ken Salazar — who, along with Bureau of Land Management Director Bob Abbey and California Gov. Jerry Brown, attended the groundbreaking ceremony for the project — [called](#) the event “a historic moment in America’s new energy frontier.”



President Barack Obama’s Department of Energy (DOE) had also extended \$2.1 billion in loan guarantees to the project — “the largest amount ever offered to a solar project through ... the Department’s Loan Programs Office,” according to Energy Secretary Steven Chu’s [announcement](#) of the offer, and the [second largest loan in DOE history](#). Chu was proud of the department’s involvement in the project, saying it would help meet the President’s goal of “doubling the amount of electricity we generate from clean energy sources by 2035 ... while creating jobs and positioning the U.S. to lead in the solar industry.”

Based on reports from several reputable sources, *The New American* reported in an earlier version of this article, that Solar Trust had accepted the loan guarantees and that, therefore, taxpayers were on the hook for the \$2.1 billion that the company would now be unable to repay. However, further research indicates that the company effectively turned down the loan in August by switching from solar troughs to photovoltaic cells, thereby failing to meet the conditions set by the DOE. Solar Trust’s German parent company, Solar Millennium, “indicated it would be easier and more profitable to obtain commercial financing for the photovoltaic portion of the Blythe project rather than try to attract equity investors for a solar thermal project underwritten by the federal government,” [Forbes](#) reported at the time.

Two months later, Solar Millennium announced that it had a tentative deal to sell the Blythe project and other U.S. projects to Solarhybrid, another German company. That deal fell through, and Solar Millennium filed for bankruptcy in December, making it “the second German solar company to file for insolvency” that month, according to [Reuters](#). In early February Solar Millennium again announced a deal with Solarhybrid, but this time the deal was final. Seven weeks later, Solarhybrid, too, went bankrupt.



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Add in other notable solar company bankruptcies such as [Solyndra](#) (which did accept \$535 million in federal loan guarantees) and [Energy Conversion Devices](#) (which got \$13.3 million in investment tax credits), and it's clear that the solar industry is in trouble. Yet Solar Trust CEO Uwe T. Schmidt [wrote](#) in the *Huffington Post* in September that "despite the posturing and finger pointing [about the Solyndra debacle], the American solar energy industry is alive and well."

The market for [gigantic, expensive, unreliable solar power plants](#) simply doesn't exist, which is why, in Reuters' words, "the industry still depends" on government subsidies. Only government, which is spending other people's money, can afford to waste it on such boondoggles; and the Obama administration, top-heavy with environmentalist true believers, has wasted plenty. The only reason taxpayers aren't yet left holding the bag for Solar Trust's failure is that the company itself chose to forgo the billions the administration wanted to hand it.

Nevertheless, the possibility that taxpayers could end up paying for it still exists. Zero Hedge's [Tyler Durden](#) points out that "as part of its first day filings, the company was prompt [to] announce the procurement of DIP [[Debtor-in-Possession](#)] funding ... courtesy of NextEra Energy Resource, LLC." NextEra is itself the recipient of \$935 million in government-guaranteed loans for solar energy projects, which means that if the Solar Trust bailout sinks NextEra as well, taxpayers may find themselves kissing another (almost) billion dollars goodbye.

To prevent such perverse outcomes, the framers of the Constitution did not endow the federal government with the authority to engage in "public-private partnerships." For far too long Americans and their elected officials have ignored the clear intent of that document and encouraged these unholy alliances, always to taxpayers' detriment.

It's time the government started abiding by "the supreme law of the land." A good place to start would be terminating the DOE's loan program — and all the rest of Uncle Sam's handouts to cronies — before the entire U.S. economy goes the way of Solar Trust.



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