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# Why We Can't Let Solyndra Failure Kill Support for Solar

By Andrew Holland

*Yes, one Obama-backed solar energy company that got a huge government loan went belly-up. But the sector still needs support or it will wither.*



The solar firm Solyndra [filed for bankruptcy](#) two weeks ago -- two years after it received a \$535 million loan from the U.S. government. Immediately, the firm's Chapter 11 filing became the major story in the clean energy community, and it continues to dominate talk this week. On Wednesday, the House Committee on Energy and Commerce held a hearing, "[Solyndra and the DOE Loan Guarantee Program](#)," where a number of members of Congress questioned whether the U.S. government should be subsidizing such "[speculative ventures](#)" at all.

Solyndra had [raised nearly \\$1 billion](#) in private capital, but the reason that everyone in Washington is following its collapse so closely is because the [\\$535 million](#) loan was [given](#) with stimulus funds through the Treasury's [Federal Financing Bank](#) -- and then guaranteed by an increasingly controversial program to support green technology run by the Department of Energy (DOE).

It [appears](#) that the process for approving and vetting this loan may have been short-changed due to pressure from the White House. Whether this makes the loan "[shady](#)," as some have said, will be determined by the investigations ongoing through the FBI and Congress.

Either way, policymakers should be careful not to besmirch the entire concept of clean energy subsidies because of this one bad experience.

The DOE's [loan guarantee program](#) is the most important of the government's clean energy subsidies. It was the centerpiece of [Title XVII of the Energy Policy Act of 2005](#). This was the section of the bill devoted to creating incentives for new technologies that reduced greenhouse gas emissions. It was offered as an amendment in the Senate, [supported by](#) both Republicans and Democrats, as the consensus method for mitigating climate change. The argument at the time, put forth by Republican senators like Chuck Hagel and Pete Domenici, was that we should fight climate change by investing in new technology, not by government mandates or a carbon price.

It shows how far the debate on climate has fallen that these arguments -- and voices -- are seldom heard anymore. Whereas six years ago it was a question of "how" government policy should address climate change and support the development of clean technology, today those who question the science dominate the climate debate in Congress. That means that the question has become "if" the government should create incentives for clean technology or not.

In this new context, the argument has taken hold that any spending and subsidies for clean energy are a "[boondoggle](#)" or just [throwing money down a rathole](#). There is a real danger that the short cuts that may have been taken on the Solyndra loan will poison this important subsidy program.

The solar industry is in a period of rapid flux right now. It is seeing drastically reduced prices; they have [dropped](#) from about \$2 per watt in 2009 to about \$1.40 today and are moving toward \$1 per watt in 2012. This rapid drop in prices will soon make installing new solar competitive with traditional electricity generation, like coal or natural gas. Firms such Solyndra, whose business models required a high price, will have a hard time staying in business under such intense competition.

An important comparison for the solar industry today is the auto industry a century ago. Have you ever heard of the [Lexington Motor Company](#), the [Kissel Kar](#), or the [Liberty Motor Car](#)? These were all auto manufactures that ceased to exist over the course of the Ford Model T's 19-year production run, between 1908 through 1927. They went bankrupt because they could not compete on price, quality, or capacity with the standard set by the Model T. You may, however, have heard of Pontiac, Cadillac, Oldsmobile, and Chevrolet -- they were all independent companies that were [acquired](#) by General Motors in this period. As an industry matures, we should expect to see a shakeout through bankruptcies and mergers that leads to fewer, but bigger and stronger, companies.

Today, we are seeing this consolidation in the solar industry. The U.S. [Solar Energy Industries Association](#) lists over 1000 member companies in the U.S. Around the world there are thousands more. That is surely far too many for an efficient industry. Already, the solar equipment industry has seen [\\$3.3 billion](#) in mergers and acquisitions activity this year. Solyndra is the most high-profile American solar bankruptcy this year, but not the only one: [Evergreen Solar](#) and [SpectraWatt](#) have also filed for bankruptcy this year.

This consolidation should lead to a more mature industry. As companies go bankrupt, their competitors will secure their factories and equipment. Production, management, and design will be standardized across the industry. Solar photovoltaic cells will become a commodity, where the only competition is based on price. All of this benefits consumers around the world.

And where American politicians are threatening to discontinue solar subsidies over the mispending of one loan, our competitors around the world are putting their thumbs on the scale to ensure that their businesses are the ones that survive the solar shakeout. The Chinese have announced plans to install 10 gigawatts of solar capacity by 2015, supported by a feed-in tariff and government mandates; this is **five times** the U.S.'s current installed capacity. **Japan** and European countries, too, are promoting domestic solar companies.

American consumers could still benefit -- by simply letting foreign governments subsidize their solar companies, who will then export the solar cells to the U.S. But if that is the choice that members of Congress make, then they shouldn't complain in five years that there are no American companies competing in the global solar energy marketplace.

If America wants a globally competitive solar industry, our government must make the choice to support innovative new technologies developed by American companies here in America. The solar industry has proved over the last five years that it should be an important part of America's energy future. We should be careful that this argument over Solyndra does not harm our long-term energy future.

*Image credit: REUTERS/Kevin Lamarque*

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