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Carbon Motors CEO 'Stunned' By Department of Energy's Loan Rejection

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Carbon Motors wants to build a police car similar to this prototype.

Another automaker is crying foul, saying politics played into the Department of Energy's decision to reject its loan request to help it manufacture fuel-efficient police cars.

Carbon Motors is the seventh automaker to have Energy Department officials reject its application from the Advanced

Technology Vehicle Manufacturing loan program -- or to simply withdraw from the process. The department has allocated only \$8 billion of the \$25 billion available.

Critics say the slow disbursement of funds has followed last summer's controversy of solar panel maker Solyndra filing for bankruptcy just two years after receiving an Energy Department loan through another program.

"I'm furious," said William Santana Li, Carbon Motors' CEO, hours after receiving the rejection letter.

Carbon Motors, which has yet to build the high-powered fuel-efficient police car it hopes would grab a big chunk of the municipal police car market in the United States, asked for \$310 million through the advanced car technology program.

"This was a complete blind side," said Santana Li. "We've been working with them for 30 months," he said about Energy Department officials.

Republicans [are using the fate of](#) two high-profile Energy Department loan programs in their campaign speeches as evidence, they say, that the Obama administration is ineffective.

The administration has denied that politics play a role in handing out money through any of its green investment programs: "The department is committed to balancing our goal of supporting innovative projects that can promote the development of clean vehicles in the United States with our responsibility to be good stewards of the taxpayers' money," spokesman Damien LaVera said.

The Energy Department's Advanced Technology Vehicle Manufacturing program was initiated during the administration of President George Bush in the fall of 2007 and expanded under the Obama administration. The \$8 billion allocated has gone to just five companies: Ford, Nissan, Fisker Automotive, Tesla, and natural-gas van maker the Vehicle Production Group.

The political fallout for the Obama administration over its investment into green companies first arose with a grant to solar-panel maker Solyndra, through a Recovery Act program intended to create jobs. The company filed for bankruptcy in August 2011.

After a public rebuking of Energy Department officials from the House Committee on Oversight and Government Reform, [the head of the department's loan office resigned](#).

More controversy ensued after Energy Department officials agreed to give a \$730 million advanced car tech loan to profitable Russian steelmaker, Severstal, for the manufacturing of light, high-strength steel in Dearborn, Mich. Rep. Darrell Issa, head of the House oversight panel, argued that Severstal didn't need the loan because it was already planning to go ahead with construction and because it was successful and didn't need taxpayer money. [The Energy Department decided in January to not finalize the loan](#).

And there have been more public embarrassments for the Energy Department, as automakers have pulled out of the application process for the advanced car tech loans and declared the program ineffective: In February, Chrysler backed out of its application for \$3 billion in loans, saying the requirements were too onerous. General Motors backed out last year for the same reason.

Other executives simply gave up. Electric carmaker Aptera closed down in December after failing to get loans. Next Autoworks, which also had been waiting to hear about an Energy Department loan, said in December it was scaling back operations because it had not secured one.

Fisker Automotive, which makes the Fisker Karma electric sports car and plans to make an electric sedan called the Nina, has laid off workers while it renegotiates its loan with federal officials. The Energy Department granted Fisker \$527 million in loans; of that, it received \$193 million to help make the Karma and start work on the Nina. In early February, the Department of Energy suspended payment of its loans to Fisker, saying the company missed several business milestones.

The Energy Department has received hundreds of applications for its advanced car technology program, with some companies still waiting for a decision. Some loan applications never made it through the initial screening. One applicant asked for funding to make a parrot-powered car. Another wanted to make a three-wheeled car. And yet another asked for an investment to manufacture an inflatable car.

Santana Li said he was dismayed because he felt his company's loan was well received by Energy Department officials and was progressing through the process, albeit slowly. The Energy Department flew out some loan managers in November to Carbon's manufacturing site in November, which Santana Li said he took as a positive sign.

Although Santana Li is stunned by the Energy Department's decision, he said he is looking for new investors.

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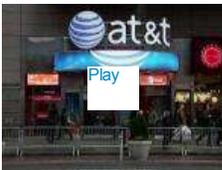
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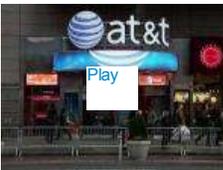
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