Ener1 bites the dust

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In the future, White House speechwriters might want to check the financial statuses of the businesses the president plans to tout as clean-energy success stories. In his 2010 State of the Union address, President Obama praised Solyndra as a "true engine of economic growth." Not long after, the solar panel maker went belly up. In his most recent State of the Union address, the president extolled the success of subsidies for manufacturers of electric car batteries. Two days later, battery maker Ener1 filed for Chapter 11 bankruptcy protection.

Ener1's bankruptcy is a blow to taxpayers — the company received a grant of $118 million from the Department of Energy's $2.4 billion stash to jump-start the electric car industry — but it isn't a surprise. A recent Scientific American article questioned whether U.S. battery makers would survive the early months of 2012: "In the short term, the world-wide capacity for making batteries far outruns the demand for electric cars. Market analysts expect a multi-year cull starting as early as 2012." Although automakers have committed to producing over 800,000 electric vehicles in the next few years, battery makers worldwide already have the capacity to supply twice that amount. The Scientific American article singled out Ener1 as the U.S. battery maker most likely to fail. Ener1 had trouble securing customers beyond a single contract with a small upstart automaker that filed for bankruptcy in June 2011. With $90 million in debt, $74 million in assets, withering demand and strong competition from Japan, Korea and China, Ener1 hit the skids.

The obvious impasse for the electric car dreamers is the dearth of customers who want them. Demand is far below the Obama administration's optimistic predictions. Total U.S. sales of the Chevy Volt and Nissan Leaf in 2011 reached 17,345 vehicles out of over 12 million new light-duty cars and trucks sold. Conventional hybrids like the Prius still amount to only 2-3 percent of U.S. sales. And those hybrids do not depend upon a yet-to-be-built nationwide infrastructure of charging stations.

Electric vehicles are likely to remain a small niche market for the affluent, even with the $7,500 federal rebate and many other subsidies for car buyers. On the other hand, don't put it past the social engineers in the current administration to devise an electric car individual mandate.

Solyndra and Ener1 may end up costing taxpayers a combined $650 million, but that is just a small portion of the taxpayer money the Obama administration has "invested" in clean energy — which means that taxpayers could end up losing far more. For example, General Electric has secured $1 billion in Treasury grants and $2 billion in loan guarantees from the Department of Energy. Utility giant NRG has garnered $5.2 billion in loan guarantees for solar generation projects. In the last two months of FY 2011 alone, the Department of Energy awarded $10 billion to green projects.

These "public investments" not only gamble billions of taxpayer dollars on energy projects too risky for the private market, they also erode the fundamental dynamics of the private market. In a recent article in The Weekly Standard, Matthew Continetti described the president's economic policy as "a set of interlocking relationships by which interchangeable government and financial elites use politics to direct favors and investment to their friends. And these relationships make a parody of the ethic of individual responsibility, entrepreneurial risk-taking and free enterprise we should want our society and culture to embody."

The president recently rejected $7 billion of private investment in the Keystone XL Pipeline, a project that, if built, is expected to generate thousands of jobs and millions in state and federal revenues. Keystone is low-risk, but if it bites the dust, only private investors loose. But when the likes of Solyndra and Ener1 fail, victims of the same distorting subsidies that sustained them, we all lose.

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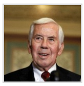
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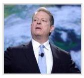
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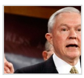
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