SPIN METER: Romney Championed Green Energy Fund

ANDREW MIGA & STEVE LeBLANC, Associated Press

EDITOR'S NOTE: An occasional look behind the rhetoric of political candidates.

BOSTON (AP) — Mitt Romney slams President Barack Obama for using taxpayer dollars to pick "winners and losers" among green energy firms rather than allowing them to rise or fall in the free market. Yet as governor of Massachusetts, Romney backed a state program that targeted investments to individual green startup companies in hopes of boosting jobs and the state's revenues.

"There is nothing fair about a government that favors political connections over honest competition and takes away your right to earn your own success," Romney said in a campaign speech last week in St. Louis. And in Washington on Wednesday, he told the Business Roundtable, "I don't think the government should be investing in individual companies," adding, "I don't believe in the government picking winners."

It's an attack line the Republican presidential challenger fires at Obama over Solyndra, a solar firm that got a half-billion-dollar federal loan and was touted by the Obama administration before the company declared bankruptcy last year.

Romney mocks Solyndra as a symbol of Obama's failed economic policies.

"When government rather than the market routinely selects the winners and losers, enterprises cannot predict their prospects and free enterprise is replaced with crony capitalism," Romney said in March during a speech at the University of Chicago.

As governor, however, Romney did much the same thing. He championed a $24 million green energy fund that used public money for equity capital and loans to renewable energy firms in the state. He said he hoped it would be a "major economic springboard" for the state.

Not every bet paid off. Some of the companies that received public backing under Romney, who amassed a fortune as a venture capitalist before entering politics, have since folded or have been sold at a loss.

The most recent was Konarka Technologies Inc., a Lowell, Mass.-based company that makes thin, flexible solar panels. The company, which received a $1.5 million public investment during Romney's first year as governor, in 2003, announced June 1 that it filed for bankruptcy protection, as it laid off about 80 workers.

The Konarka announcement came a day after a Romney campaign appearance at the former headquarters of Solyndra in Fremont, Calif., to portray it as a prime example of government waste and favoritism.

Ryan Williams, a Romney spokesman, said the decision to assist Konarka was made by an independent board about a month before Romney became governor.

"Gov. Romney has never believed that the government should play venture capitalist," Williams said. "President Obama has a lot of questions to answer about why he used taxpayer dollars to reward wealthy campaign donors for bad ideas like Solyndra."

Williams said since the green fund was established before he became governor, Romney's hands were largely tied.

Romney later vetoed $12.5 million from an emerging technology fund, designed to boost manufacturing in Massachusetts, because it would have let public officials pick and choose which firms to aid, Williams said. His veto was overturned by the Democratic-run Legislature.

Some of the green fund investments Romney touted as governor were made through complex financial arrangements to funnel money collected from a surcharge on electricity bills paid by utility consumers into a private venture capital fund to support local green energy companies.

The surcharges, which predated Romney's governorship, were first imposed in 1998, with the money going toward the state's Renewable Energy Trust Fund.

In January 2003, Romney announced a plan to use $15 million from the fund — by

then it had collected about $160 million — to provide equity capital and loans to Massachusetts-based renewable energy businesses. He pushed to make sure that financial professionals rather than bureaucrats were given the power to decide which firms would get assistance, Williams said.

"The trust fund has been growing for years, and I believe now is the time to refocus its assets in such a manner that it can become a major economic springboard for the commonwealth by focusing on job creation in the renewable energy sector," Romney said during an event outside the Konarka plant during his first weeks in office.

The state invested the $15 million into the Massachusetts Green Energy Fund LP, a private venture capital fund. Other backers invested an additional $2 million, meaning the state retained a majority stake in the fund.

While the managers of the fund were free to pick which companies to invest in, the state placed two restrictions on their choices: The companies had to be based in Massachusetts and have a renewable energy focus.

William Osborn, a general partner at the Green Energy Fund, said the fund ended up investing in about a dozen companies. While most continue to thrive, Konarka and two others have either gone under or been sold at a loss.

"The idea was a private venture capital fund was best but the state wanted some control on where to direct investment," Osborn said. "That was the big idea of the fund."

Osborn said the loss of three companies out of a dozen isn't unusual in the venture capital world, which inherently involves some risk. He defended the decision to invest in Konarka, saying that in 2003 it was impossible to foresee the scale of investment that China would place on solar manufacturing — the same pressure that officials at Solyndra cited as a key reason for its failure.

Osborn said it's disingenuous for Romney to say he opposes government investment in targeted companies since Massachusetts engaged in a similar practice when he was governor.

During Romney's tenure, Massachusetts also doled out more than $31 million in loans to dozens of companies from two funds created before he took office — the Emerging Technology Fund and the Brownfields Redevelopment Fund, designed to help rehab abandoned urban areas.

Romney in 2004 vetoed $12.5 million for the emerging technology fund, but the Legislature overrode the veto. The brownfields fund is managed by the state's quasi-public economic development agency, MassDevelopment.

"What bothers me about Romney on this issue is that he is pretending he has always had this position when it is not the case," said Osborn, who voted for Obama in 2008 and says he'll probably support him again.

"He supported this kind of thing, he put it in place and suddenly he's trying to walk away from it and saying government should not investing in technology companies," Osborn added. "It's like we've stepped through the mirror."

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Miga reported from Washington.

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http://www.chem.info/news/2012/06/spin-meter-romney-championed-green-energy-fund