



TESLA MOTORS

M E M O R A N D U M

TO: CONGRESSIONAL STAFF

FROM: DIARMUID O'CONNELL, TESLA MOTORS

SUBJECT: TESLA MOTORS PARTICIPATION IN DOE AUTO LOAN PROGRAM

This week, Tesla Motors filed with the Department of Energy its application for Federal financing through the Advanced Technology Vehicles Manufacturing Loan Program (also known as the "136 Program," for the provision that authorized it as part of the Energy Independence & Security Act of 2007). The loans, if granted, would leverage technology developed for Tesla's elite Roadster model, for use in new vehicle lines and battery applications.

In particular, Federal loans would help finance a domestic manufacturing facility for Tesla's Model S Sedan—a vehicle 871 percent more efficient than average cars in its class. The 136 Program funds would likewise be used to ramp-up production of Tesla's high-performance electric powertrain, for use in a variety of electric vehicle (EV) classes.

Given the broader strategic imperatives associated with the 136 Program, Tesla urges policymakers to resist calls to weaken the program's terms and/or repurpose the \$25 billion in loan funding currently available in support of vehicle technology innovation.

Tesla believes the 136 Program was designed to support strategic investment in the next-generation of advanced vehicle manufacturing—in a way that will bolster U.S. competitiveness and job creation in emerging clean technologies. Tesla's proposed manufacturing initiatives are consistent with these goals. Taken together, the projects would create an estimated **1,650 green-collar manufacturing jobs**, and inject some **400 construction jobs** into the economy. All told, it's estimated that emissions-free vehicles powered by Tesla technology would save **at least 23.7 million gallons of motor fuel per year**, with potential for significantly greater savings spurred by additional industry partners' adoption of the Tesla drivetrain. This investment will also help scale the technology in a way that lowers the price-point for future EV models, making them accessible to a broader cross-section of consumers.



PROJECT FINANCING: To date, Tesla has invested \$57 million in development of its Model S facility, and another \$50 million in the powertrain manufacturing project. Likewise, the State of California and local governments have provided financial support. Federal financing through the DOE 136 Program would allow Tesla to accelerate these projects, the total costs for which are estimated at \$435 million (Model S) and \$150 million (powertrain). If granted, Tesla projects paying back the Federal loans within 15 years of issuance.

DEEP BACKGROUND ON THE DOE 136 PROGRAM: The Advanced Technology Vehicles Manufacturing Incentive Program was established in Section 136 of the Energy Independence & Security Act of 2007 (EISA; P.L. 110-140). The measure authorizes up to \$25 billion in direct loans, for purposes of establishing, expanding or reequipping U.S. manufacturing facilities that produce advanced technology vehicles and components.

As part of the FY2009 Continuing Resolution enacted in September 2008, Congress appropriated \$7.5 billion in funding to support the cost of \$25 billion in 136 Program loans. In advance of the statutory deadline contained in the CR, DOE on November 5 issued an Interim Final Rule establishing the program's parameters, effective upon its publication in the Federal Register. Under the Interim Final Rule, DOE is considering a first round of loan applications on a rolling basis until December 31, 2008. Tesla filed its application for loans in support of the Model S and powertrain manufacturing projects on November 17.

DOE is also accepting comments on the Interim Final Rule until approximately December 5 (thirty days from its initial publication). At the conclusion of the public comment period, DOE has said it will evaluate when to issue a Final Rule governing the 136 loan program.