RECOMMENDATIONS FOR SUSTAINABLE ENERGY PROGRAM PRIORITIES AND FUNDING LEVELS IN THE U.S. DEPARTMENT OF ENERGY'S FISCAL YEAR 2007 BUDGET

December 27, 2006

Dear Representative/Senator:

We, the 103 undersigned business, environmental, consumer, energy policy, and other organizations, are writing to offer our recommendations for funding levels in key federal energy programs as you develop the final Fiscal Year 2007 (FY'07) appropriations legislation.

We believe that it is essential to sustain funding at or above historic levels (i.e., FY'06 and earlier) for the core renewable energy and energy efficiency programs in the U.S. Department of Energy (DOE) as well as in other federal agencies.

Therefore, in general, we support what we understand to be Congress' intent to fund programs in FY'07 at the FY'06 level and view that as a good starting point for DOE's sustainable energy programs.

We also note that as work progressed during this past year on the FY'07 appropriations bills, consensus was reached between the Congress and the White House to expand a number of sustainable energy programs as well as launch several new energy efficiency and/or renewable energy initiatives.

We believe these programs and funding levels should be a part of the final FY'07 appropriations bill.

However, we recognize - and fully support - Congress' desire to not increase overall spending limits and, in fact, to move towards significantly reducing the size of the federal budget deficit.

Therefore, we recommend that any increases in the funding levels for the federal energy efficiency and renewable energy programs be offset by commensurate, or greater, reductions in selected fossil fuel and commercial nuclear power program accounts.

We believe that a shift in federal funding from mature and/or polluting technologies to cleaner, safer, and sustainable energy sources offers the best option for curbing greenhouse gas emissions, reducing oil imports, and addressing the nation's other pressing energy and deficit-reduction needs within the constraints of a very tight federal budget.

Our specific recommendations include the following:

* Fund all core DOE renewable energy and energy efficiency programs at no less than the FY'06 appropriated levels unless otherwise indicated below;

* Restore the DOE geothermal research program to at least its historic level of $27.5 million;

* Restore the DOE advanced and incremental hydropower research program to at least its historic level of $5.0 million;

* Restore and maintain policy, research, development and demonstration funding for the DOE Distributed Energy program at the FY'06 level of $60 million;

* Fund the DOE State Energy Program at the at the U.S. Senate FY'07 level of $49.5 million;

* Fund the DOE Buildings Technologies program at the U.S. Senate FY'07 level of $95.3 million; and

* Fund the DOE Solar Energy Technologies Program at the House and Senate FY'07 level of $148 million.

We further recommend that these proposed budget figures be viewed as the starting point for higher funding levels in the FY'08 budget for DOE's energy efficiency and renewable energy programs.

Some DOE programs have been identified by non-partisan groups as wasteful and unjustified federal expenditures. We believe these can be cut to more than offset the very modest increases in the sustainable energy accounts we are proposing as well as to reduce the size of the federal budget deficit. These programs include, but are not necessarily limited to, the following:

Nuclear Power R&D:

* Advanced Fuel Cycle Initiative (FY'06 budget was $60 million)

* Nuclear Power 2010 (FY'06 budget was $66 million)

* Generation IV (FY'06 budget was $55 million)

* Nuclear Hydrogen Initiative (FY'06 budget was $25 million)

Fossil Fuel R&D:

* Clean Coal Initiative (FY'06 budget was $50 million)

* FutureGen program (FY'06 budget was $18 million)

* Oil Technology Research and Development Program (FY'06 budget was $65 million)

* Ultra-deepwater Drilling Research and Development Fund (FY'06 budget was $50 million)

Finally, it is important that Congress include clear language restricting the DOE's ability to reprogram funds in a manner that would thwart Congress' intent.

Enclosed with this letter is some supplementary information providing a bit more detail on each of these recommendations.

We would welcome the opportunity to discuss these recommendations with you in greater detail and we appreciate your consideration of these views.

Sincerely,

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SUPPLEMENTAL DETAILS ON RECOMMENDED INCREASES IN FEDERAL RENEWABLE ENERGY AND ENERGY EFFICIENCY PROGRAMS AND PROPOSED OFFSETS

GEOTHERMAL RESEARCH PROGRAM:

While the President's FY07 Budget proposed to terminate the DOE Geothermal Research Program, both the House and Senate supported restoration of funding but at different levels. DOE research could produce significant breakthroughs and provide much needed improvements in technology, information, and efficiencies. Restoration of the DOE Geothermal Research Program should be a policy priority for the 110th Congress.

The Department's own internal planning has shown that increasing the DOE Geothermal Research Program would produce substantial benefits. According to DOE reports, a geothermal program funded at $50 million annually "would produce…a substantial acceleration in the adoption of geothermal energy" achieving 40,000 MW of economical resource availability by 2020.

By achieving this level of production some 20 years earlier than would be possible under a business-as-usual approach, cumulative program costs would be reduced by $100 million. The increased program funding would also "allow new technologies to be adopted even more quickly and enable the Program to pursue a wider range of technology options." (Geothermal Technologies Program, Strategic Plan, August 2004).

Geothermal research was specifically authorized by the Energy Policy Act of 2005 in Subtitle C, Section 931(a)(C), and is authorized by the Geothermal Energy Research, Development and Demonstration Act at 30 USC 24, Section 1101 et seq. Increased funding for geothermal research has been recommended by both the National Research Council's review of DOE's renewable energy programs and the recent report of the Geothermal Task Force of the Western Governor's Association's Clean and Diversified Energy Advisory Committee.

Historically, the program has been funded at an average of $27.7 million annually (between 2002 and 2005). We strongly recommend that DOE's geothermal research program be restored in FY2007 to this level or higher.

For More Information: Karl Gawell, Geothermal Energy Association , 202-454-5264; karl@geo-energy.org

ADVANCED AND INCREMENTAL HYDROPOWER PROGRAM:

Background: Hydropower is a domestic, clean, renewable energy resource that is a solution to reducing U.S. dependence on foreign energy sources and national greenhouse gas emissions. Hydropower R&D also promotes U.S. competitiveness in the global market for these new technologies.

In order for hydropower to achieve its full potential, support is needed to encourage the development and deployment of new emerging hydropower technologies – ocean wave, tidal and in-stream hydrokinetic, and to increase capacity at existing facilities through the development and installation of the "next generation" of hydropower equipment.

Congress recognized the need for research, development and deployment of new advanced technologies when it included Title IX, Section 931 in the Energy Policy Act of 2005 directing the Secretary of Energy to:

"conduct a program of research, development, demonstration and commercial application for cost competitive technologies that enable the development of new and incremental hydropower capacity, adding diversity of the energy supply of the United States, including:

- Fish-friendly large turbines.
- Advanced technologies to enhance environmental performance and yield
greater energy efficiencies.
The Secretary shall conduct research, development, demonstration, and commercial application programs for ocean energy, including wave energy and kinetic hydro turbines."

Hydropower R&D provides a benefit, not only for the industry, but for the federal hydropower system (which accounts for half of the hydropower generation in the U.S. and where new advancements could also be deployed), as well as for the American electric consumer.

Request: $5 million for the purposes of funding a program to promote research and development of new advanced hydropower technologies and incremental hydropower capacity.

Proposed Language: For inclusion in any FY '07 Energy & Water Appropriations bill, omnibus appropriations bill or continuing resolution:

"A sum of $5,000,000 for FY 2007 is appropriated under Title IX, Section 931 of the Energy Policy Act of 2005 to fund research and development of new advanced hydropower technologies, such as wave and tidal and conduit power and in-stream hydrokinetic, and to increase incremental hydropower capacity through new technology advancements."

For More Information: Linda Church Ciocci, National Hydropower Association, 202-682-1700, ext.22; linda@hydro.org

SOLAR ENERGY TECHNOLOGIES PROGRAM:

The Department of Energy's own studies have found that, with federal R&D investment, solar power could be broadly competitive on a simple economic basis with fossil fuels by 2015. However, the federal solar R&D budget has steadily declined over the past decade, from $120 million in FY 1995 to $84 million in FY 2006. In particular, the solar water-heating budget has sustained heavy cuts and received less than $3 million in funding in FY 2006.

The loss of funding for America's world-class research facilities and cost-sharing initiatives has set back our nation's competitiveness in the global marketplace for clean energy.

In 1998, the US lost market leadership of the solar industry to Europe and Japan, and now manufactures just 8% of global demand. Japan funds solar research at levels four to five times higher than does the US, while Germany more than triples US funding.

To reverse this trend and position the US as the global leader in solar energy development, the House and Senate both passed FY 2007 appropriations bills that would have increased the DOE Solar Energy Technologies program budget to $148 million. We strongly urge the 110th Congress to adopt this level of funding for federal solar research.

For More Information: Rhone Resch, Solar Energy Industries Association, 202-682-0556, ext.4; rresch@seia.org

OTHER RENEWABLE ENERGY PROGRAM RECOMMENDATIONS:

Biomass:

For BioPower, maintain programmatic areas for Biopower RD&D which includes modular electric and thermal systems, co-firing technology validation, and resource mapping. For Biofuels, retain focus on cellulosic conversion and process technologies for alcohols and biodiesels.

Wind:

Insure that the small wind RD&D program is retained in the overall Wind RD&D Program and honor commitments on cost-shared RD&D with industry.

For More Information: Scott Sklar, The Stella Group, Ltd., 202-347-2214; solarsklar@aol.com

DISTRIBUTED ENERGY:

Clean, efficient Distributed Energy and Combined Heat and Power (DE/CHP) mitigate climate change and foster energy independence. Our request is simple: restore and maintain policy, research, development and demonstration funding for the Department of Energy's Distributed Energy program at the FY 2006 level of $60 million.

$35 M to be appropriated for the Distributed Energy Technology Research program. The Distributed Energy Technology Research program improves the energy and environmental performance of distributed technologies (turbines, microturbines, engines, desiccants, chillers, and heat exchangers) so that the Nation can have more energy choices to achieve a more flexible and smarter energy system.

$25 M to be appropriated for the System Integration and Cooling, Heating and Power (CHP) program. The System Integration and Cooling, Heating, Power (CHP) activity develops highly-efficient integrated energy systems that can be replicated across end-use sectors which will help demonstrate an R&D objective or address a technical barrier. The activities integrate power producing prime movers that generate heat and utilize it for domestic hot water, steam, and/or thermally activated technologies that drive absorption chillers and/or desiccant units.

These systems will reduce energy costs and emissions by using energy resources more efficiently. Funding also supports the growing network of regional application centers and national research deployment activities.

In addition, advanced interconnection equipment needs to be validated that can receive inputs from a set of DG devices separately or in aggregate to feed into the electric grid.

These appropriations do not represent new program initiatives. They represent important demand side DE/CHP applications that are not present in the current FY 2007 budget.

It must be noted that they cannot be effective if they are subject to diversion or reprogramming for other priorities, so they should be made with adequate specific directions by Congress to insure they remain targeted at the DE programs specified in the FY 2006 budget. Note, too, that the Distributed Energy Program moved from EERE to OEDER in 2006.

For More Information: Paul Bautista, U.S. Combined Heat & Power Association, 301-320-2505; paul.bautista@comcast.net

STATE ENERGY PROGRAM:

The State Energy Program (SEP) is one of the few connections between the states and the federal government on energy matters. SEP provides funds to state energy offices to support energy efficiency and renewable energy projects in all sectors of the economy.

A recent study by Oak Ridge National Laboratory concluded that for every federal dollar invested in SEP, over $7 is saved in energy costs and almost $11 in non-federal funds are leveraged.

The President's request for FY'07 was $49.5 million, which was the level provided in the Senate Energy & Water Bill. The House-passed funding level was $25 million.

The FY'06 funding level was $36 million. We support funding at the Senate level of $49.5 million for FY'07.

For More Information: Jeff Genzer, National Association of State Energy Officials, JCG@dwgp.com

OTHER ENERGY EFFICIENCY PROGRAM RECOMMENDATIONS:

Given the slow attrition over the past several years in the energy efficiency areas such as Buildings, Transportation and Industrial R&D, we believe that the FY'06 levels (or the higher levels recommended elsewhere) should be the starting point for the 2008 budget for EERE.

The Buildings, Industrial and Transportation areas are, generally, in good stead with a continuing resolution at the FY06 level; however, there are some subprogram areas that are jeopardized. In Building Technologies, we recommend an additional $8.5 million specifically for building and appliance standards, building codes and standards and Energy Star.

In Industrial Programs, we recommend an additional $13 million split evenly between Industries of the Future crosscutting and Industries of the Future Specific.

In Transportation, we continue to be concerned about cuts in materials technology and Clean Cities, and urge an additional $13 million.

For More Information: Jennifer Schafer, Cascade Associates, 202-554-5828; jasca@bellatlantic.net

RECOMMENDED OPTIONS FOR BUDGETARY OFFSETS

ADVANCED FUEL CYCLE INITIATIVE:

The Global Nuclear Energy Partnership is the DOE's program to restart reprocessing in the United States. Despite first introducing this program ten months ago, DOE has yet to provide Congress with a coherent program plan and a comprehensive lifecycle analysis.

In its FY2007 Energy and Water Appropriations report, the House accurately stated that "the Department of Energy has failed to provide sufficient detailed information to enable Congress to understand fully all aspects of this initiative, including cost, schedule, technology development plan, and waste streams from GNEP."

Under the guise of a reprocessing research and development program, DOE received $80 million for the Advanced Fuel Cycle Initiative in FY2006.

Since FY 2001, reprocessing research has already received $466 million, with no appreciable results. In FY2007, DOE requested $250 million for AFCI to start the process for building demonstration reprocessing, fuel fabrication, and fast reactor facilities. DOE now wants to build a full-scale reprocessing plant and fast reactor instead.

For More Information: Michele Boyd, Public Citizen, 202-454-5134; mboyd@citizen.org

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NUCLEAR POWER 2010:

This is DOE's program to subsidize half the cost of new reactor license applications. Nuclear Power 2010 has received $186 million since FY2001, and the expenditure of these funds is highly questionable. In its FY2007 Energy and Water Appropriations report, the Senate expressed "significant concerns with the financial conduct of the industry consortium [NuStart]" and chided DOE "to instill fiscal discipline."

NuStart, which had a combined profit of more than $26.1 billion in 2005, received $260 million from DOE for only two applications, neither of which has been submitted to the NRC at this time. In comparison, the total budget for the National Renewable Energy Laboratory, the premier renewable research laboratory in the U.S., was only $209.6 million in FY2006.

The DOE received $66 million for the Nuclear Power 2010 in FY2006, and the Bush Administration requested $54 million in FY2007.

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GENERATION IV:

This is the DOE's program to subsidize half the cost of developing new reactor designs. A single design, depending on the type of reactor, is estimated to range from $610 million to $1 billion. None of the new commercial reactors currently being proposed in the United States are Generation IV technologies.

The DOE received $55 million for the Generation IV in FY2006, and President Bush requested $31.4 million in FY2007. Of the $48 million appropriated in the Senate FY2007 bill, $40 million were earmarked for the research and design of a single nuclear power plant that is supposed to produce hydrogen to be constructed in Idaho. This program has received $147 million since FY2001.

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NUCLEAR HYDROGEN INITIATIVE:

This is the DOE's program to develop the technologies for producing hydrogen using nuclear energy. Hydrogen may have a long-term potential to help reduce the country's reliance on foreign oil, but using nuclear power or fossil fuel to produce hydrogen makes a mockery of these clean energy goals.

The DOE received $25 million for the Nuclear Power 2010 in FY2006, and President Bush requested $18.7 million in FY2007. This program has received $42.1 million since FY2003.

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CLEAN COAL INITIATIVE + FUTUREGEN PROGRAM:

Since 1984, the Department of Energy has been invested more than $2 billion in so called "clean coal" technology research and development. The program subsidizes private industry in its effort to develop cleaner burning coal technologies by providing matching federal funds for research and development.

The so-called "clean coal" projects waste millions of taxpayer dollars each year on duplicative research that the coal industry should conduct with private sector funding or that has already been done.

The Government Accountability Office (GAO) has released at least seven reports documenting waste and mismanagement in the Clean Coal Technology Program.

The fiscal year 2006 Energy and Water Appropriations bill contained $50 million for the presidents Clean Coal Initiative and $18 million for the FutureGen program.

For More Information: Erich Pica, Friends of the Earth, 877-843-8687; EPica@foe.org

OIL TECHNOLOGY RESEARCH AND DEVELOPMENT PROGRAM:

The oil and gas industry received an estimated $65 million in fiscal year 2006 through the U.S. Department of Energy's (DOE) Oil Technology Research and Development Program.[1] The program focuses on the exploration and production of crude oil in the United States with the goals including the promotion and enhancement of oil drilling in the Alaskan Arctic and the Powder River Basin in Wyoming.

ExxonMobil alone spent $600 million in research and development in 2004. Section 965 of the Energy Policy Act of 2005 contains additional authorizations for the program.

http://www.fossil.energy.gov/aboutus/budget/06/FY2006_Budget_.html

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ULTRA-DEEPWATER DRILLING RESEARCH AND DEVELOPMENT FUND:

Ultra-deepwater Drilling Research and Development Fund

This provision was added to the Energy Policy Act of 2005 conference report after the conference committee was gaveled closed. It creates a $1.5 billion oil research and development program for ultra-deepwater drilling, $500 million of which comes from oil royalties, to fund new drilling techniques for oil and gas companies over the next ten years.

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