



ML Strategies Legislative Update



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President Obama's FY 2015 Budget Emphasizes Clean Energy

MARCH 4, 2014

Today President Obama released his \$3.9 trillion budget proposal for fiscal year (FY) 2015, which begins October 1. The annual budget proposal signals administration priorities for the coming year. In that regard, this budget echoes President Obama's State of the Union address, where he stressed the need to invest in climate change resilience and promote domestic energy production. However, the budget remains only a request. Any appropriations levels for FY 2015 must be enacted by Congress. Senate and House appropriations panels now will begin to examine the White House's proposal.

This update highlights the president's proposed budget for energy-related programs at four federal agencies: the Department of Energy, the Department of Interior, the Environmental Protection Agency, and the Department of Agriculture. The president's budget request can be found [here](#). Each agency will also outline its budget in more detail. Please contact ML Strategies for questions regarding the budget request or the appropriations process.

Department of Energy (DOE)

Speaking to the Department of Energy's Advanced Research Projects Agency—Energy summit on February 26, Energy Secretary Ernest Moniz said that the fiscal 2015 budget request would demonstrate the president's commitment to clean energy, despite the discretionary spending cap that was included in the budget agreement earlier this year. Indeed, the \$27.9 billion the Department of Energy receives in the FY 2015 budget represents a 2.6 percent boost over the 2014 spending levels that Congress approved in January. However, it is a more modest increase than the President has proposed in previous years; he proposed \$500 million more for DOE last year.

Within DOE, the budget provides \$2.3 billion for the Office of Energy Efficiency and Renewable Energy. While this represents a \$400 million reduction from last year's request, more importantly, it reflects a 21 percent increase over the FY 2014 enacted level of \$1.9 billion. Innovative renewable power projects enjoy a 16 percent increase over 2014 enacted levels. Sustainable vehicle and fuel technologies see a 15 percent increase over 2014 enacted levels; this includes \$253 million to develop and demonstrate conversion technologies to produce advanced biofuels and \$359 million in discretionary funding for DOE vehicle technology activities. Energy efficiency and advanced manufacturing activities see a 39 percent increase over 2014 enacted levels. The president aims to increase the national network of advanced manufacturing hubs from five to 45 over the next ten years.

Some technologies fare better than others as the administration's research and demonstration priorities change. Wind energy (particularly offshore), geothermal, vehicle technologies, building technologies, weatherization and advanced manufacturing enjoy increases in their budgets, while solar, hydrogen and fuel cells, and the biofuels programs experience some reductions.

The Office of Nuclear Energy receives \$863 million, which includes research and development funding for advanced small modular reactors. (The budget separately directs \$1.4 billion for naval reactors.)

The Fossil Energy Research and Development program, which is largely focused on reducing the costs of carbon capture and storage and advanced power systems, has its budget cut to \$476 million. The president probably expects Congress to restore some of funding; for the FY 2014 budget, appropriators directed \$140 million more to Fossil Energy than the White House had initially requested.

The budget directs \$5 billion to the Office of Science for basic research and investment in research infrastructure in areas such as foundational science for clean energy and fundamental physics. This represents a \$150 million reduction from the president's request last year but is approximately even with 2014 spending levels enacted in January. Of the total, about \$900 million is directed to basic clean energy research. The budget also includes \$325 million for funding transformative energy research through the Advanced Research Projects Agency–Energy (ARPA-E), a sizeable increase over the enacted 2014 level of \$285 million.

A separately-funded, multi-agency Opportunity, Growth, and Security Initiative would support a range of clean energy, climate change, and nuclear work. As part of the initiative, \$200 million in one-time funding would establish a Race to the Top-style program to encourage states to implement policies boosting energy efficiency and strengthening the electric grid. The initiative would also sustain \$484 million for research and development of "new, high impact clean energy technologies."

The budget contains a number of energy-tax changes. The president urges Congress to make permanent and refundable the renewable energy production tax credit. The White House also proposes extending tax credits for cellulosic biofuels as well as new incentives for alternative fuel infrastructure and medium- and heavy-duty trucks that utilize natural

gas and alternative fuels. The proposal also calls for additional tax credits for investment in qualified property used in a qualifying advanced energy manufacturing project (48C). The budget urges Congress to eliminate \$4 billion annually in fossil fuel tax incentives.

The proposal also calls for the creation of an Energy Security Trust, which made an appearance in last year's budget. This trust would use royalty revenue from oil and gas production on public lands to provide \$2 billion over 10 years for research into advanced vehicle technologies.

Department of Interior (DOI)

The Department of Interior controls conventional and renewable energy development on federal land. The \$12 billion in discretionary funding for DOI represents a three percent increase over FY 2014 enacted levels.

The Bureau of Land Management (BLM) budget would be set at \$1.1 billion--about \$5.6 million below current FY 2014 levels. The president's budget request increases BLM's oil and gas program \$20 million above the current funding level of \$113 million. The White House proposes to pay for part of this through \$48 million in new industry inspection fees. The president's request dedicates almost \$5 million to improving BLM's oversight and permitting capacity. However, Republican opposition has prevented that change to date. The budget also reiterates the need for reforms to the \$13 billion in royalties the federal treasury receives every year. The president's request says its royalty reforms would raise \$2.5 billion in net federal revenue over 10 years.

Offshore, the White House proposes funding the Bureau of Ocean Energy Management (BOEM) at \$170 million, roughly even with FY 2014 proposed levels. The Bureau of Safety and Environmental Enforcement (BSEE) sees funding at \$205 million, compared to FY 2014's proposed levels of \$222 million.

DOI renewable energy development programs onshore and offshore together receive nearly \$95 million for the review and permitting of new renewable energy projects on Federal lands and waters, a \$5 million reduction from last year's request.

Without much detail, the budget calls for streamlining federal permitting processes for major infrastructure projects by "cutting through red tape" and accelerating decisions on government reviews.

The president again seeks to increase the fee coal companies must pay for the cleanup of abandoned coal mines under the Abandoned Mine Lands (AML) program. However, Congress has largely declined to act on this request to date.

Environmental Protection Agency (EPA)

President Obama has requested \$7.9 billion for the Environmental Protection Agency's fiscal

year 2015 budget, a 3.7 percent reduction from its enacted fiscal year 2014 budget. The cuts would come primarily from the state revolving funds, which support state and local water programs, while the proposal as a whole highlights the president's climate initiatives more specifically than last year. The proposal supports the president's Climate Action Plan to reduce greenhouse gas emissions from power plants, vehicles, and other sources, while preparing the country for the impacts of climate change.

The agency's FY 2014 enacted budget was \$7.9 billion, down from FY 2013's enacted budget of \$8.45 billion and FY 2012's funding level of \$8.68 billion. Other proposed discretionary cuts to the budget include eliminating beach grants that received \$10 million in last year's proposal; a diesel emissions reduction grant program that received \$20 million; a state indoor radon grant program that received \$8 million; \$1 million for Sunwise; and \$17 million for water quality research and support grants; as well as a \$5 million reduction to the \$90 million brownfields grant project program; and a \$25 million reduction from a \$300 million Great Lakes restoration program.

Department of Agriculture (USDA)

USDA's discretionary spending falls by \$938 million from FY 2014 enacted levels, to \$23.7 million. The budget still highlights areas for growth: for example, the White House proposes launching three multidisciplinary agricultural research institutes dedicated to crop science and pollinator health, advanced bio-based manufacturing, and anti-microbial resistance research. USDA would also continue investments in rural development with \$52 million for the Rural Energy for America Program (REAP), which assists agricultural producers and rural small businesses in deploying renewable energy systems and improving energy efficiency.

Up to \$5 billion in Rural Utilities Service loans would help rural electric cooperatives and utilities make investments in clean-energy production and energy efficiency. According to the budget, this spending "will be targeted to cut carbon pollution and promote renewable and clean energy as well as energy efficiency improvements at electric generation, transmission, and distribution sites in rural communities."

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