October 10, 2017

TO: Members, Subcommittee on Energy

FROM: Committee Majority Staff


I. INTRODUCTION

The Subcommittee on Energy will hold a hearing on Thursday, October 12, 2017, at 10:00 a.m. in 2123 Rayburn House Office Building. The hearing is entitled “Department of Energy Missions and Management Priorities.” The hearing will examine the Secretary of Energy’s management and mission priorities for the Department of Energy (DOE). It will also provide Members information to help assess what is necessary to ensure DOE organization and management, missions, and mission-enabling science align with the national security, energy security, and environmental imperatives of the coming decades.

II. WITNESS

- The Honorable Rick Perry, Secretary, U.S. Department of Energy

III. BACKGROUND

The U.S. Department of Energy is one of the more diverse Cabinet agencies: it performs critical nuclear weapons, national security, and energy security missions; maintains world-class scientific, technological, and engineering capabilities; operates as the largest non-Defense department contracting agency in the federal government; and conducts some of the most challenging environmental remediation projects in the world.

The Department traces its origins and core nuclear weapons, scientific, and technological missions to the World War II Manhattan Project and subsequently, to the Atomic Energy Act of 1946, amended in 1954, which established the Atomic Energy Commission and the nation’s policy of civilian control of nuclear energy.¹ By the early 1970s, concerns about domestic energy supplies and shortages led to more focused attention on energy research and development, as

¹ See Atomic Energy Act of 1954 (42 U.S.C. § 2011 et seq.). This policy maintained that, subject to the needs of common defense and security, the research, development, and control of nuclear energy and related technology would be directed toward “improving the public welfare, increasing the standard of living, strengthening free competition in private enterprise, and promoting world peace.” It served as a guiding policy for civilian nuclear power development in the United States and export of U.S. nuclear technology internationally.
well as regulatory interventions to ensure reliable and affordable energy supplies.\(^2\) By 1977, in response to the continued energy concerns of the time, Congress and the Administration sought to develop a structure for implementing a coherent national energy policy. As a result, Congress established DOE in its current form, pursuant to the Department of Energy Organization Act.\(^3\) The new agency consolidated the core nuclear weapons and R&D programs of its predecessor agencies with other energy-related programs from throughout the federal government into a single department under the authority of a single Cabinet Secretary.\(^4\)

Today, the Secretary of Energy is responsible for a broad range of national security, scientific, and environmental activities, including maintenance of the nation’s nuclear weapons program, nuclear propulsion work for the U.S. Navy, environmental cleanup of the nuclear weapons complex, nuclear waste management and disposal. The Department supports and conducts basic science research and advanced computing research, promotes scientific and technical innovation, energy conservation, and energy-related research. It maintains a strategic petroleum reserve and conducts programs to ensure domestic energy security, reliability, and resilience. It conducts some regulatory programs, and provides a central energy data collection and analysis program through the Energy Information Administration.\(^5\) The Secretary oversees the Department’s performance of these various missions through a nationwide enterprise that is comprised of 64 sites across 29 states and the District of Columbia, including 17 National Laboratories. (See Attached.) Roughly 13,500 Federal employees and 96,000 contractors execute these missions.\(^6\)

**Recent budgets.** In the past two fiscal years, DOE has been appropriated roughly $30 billion to perform its missions. Under the enacted FY 2017 appropriation, defense activities—the National Nuclear Security Administration (NNSA) and environmental cleanup—accounted for $19.6 billion or roughly 60 percent of the agency’s budget. $11.2 billion was provided for the Department’s energy-related programs. These programs include science programs, at about $5.4 billion; the energy efficiency and renewable energy (EERE) programs, at about $2 billion; nuclear energy programs at $1 billion; fossil energy R&D at $670 million; and electricity delivery and energy reliability programs at $230 million.\(^7\)

In May this year, President Trump requested $28 billion for DOE’s FY 2018 budget. The request included a $1.4 billion increase over FY 2016 in NNSA programs and reductions of

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\(^2\) In light of the changing energy policy demands, Congress disbanded the Atomic Energy Commission in 1975 and transferred its nuclear regulatory functions to a newly established Nuclear Regulatory Commission and its defense and R&D moved with other federal energy research programs to a new agency, the Energy Research and Development Organization.

\(^3\) See Department of Energy Organization Act (August 4, 1977); see also 42 U.S.C Chapter 84.


\(^5\) For links to the offices and descriptions of activities, see DOE Offices.


roughly $2.2 billion in energy programs. For example, the proposal included a $1.4 billion reduction in EERE programs, more than $500 million of reductions across the fossil energy and nuclear energy accounts, and an $86,000 reduction from electricity delivery and energy reliability programs. The President also proposed selling off about half the remaining inventory of the Strategic Petroleum Reserve (SPR). Subsequent House-passed appropriations would fund many of the accounts closer to FY 2016 funding levels, but continue to reduce EERE budget by roughly $1 billion compared with FY 2016.8

**The changing energy and security landscape.** The budget proposals and appropriations underscore the broader policy questions concerning DOE that have been developing in recent years. These questions concern the appropriate future size and focus of DOE programs and missions, particularly in light of the remarkable changes in the U.S. energy landscape over the past decade.

The United States is now the largest producer of oil and natural gas in the world, and reliance on imports is at a historic low.9 North America’s energy systems are increasingly interconnected. DOE reports the value of energy supplies traded among the United States, Canada, and Mexico exceeded $150 billion annually in recent years.10 As domestic production of oil and gas reaches record levels, prices have fallen dramatically and have remained low, with nation-wide social, economic, and energy security implications. By these measures, the threats of domestic energy scarcity and supply shocks that propelled formation of DOE 40 years ago are no longer a serious concern. However, new and more complex domestic and global security challenges have been emerging with development of the complex interconnections of the modern energy systems—challenges that were not contemplated in the Department of Energy Organization Act.11

How DOE orients its energy-security related missions in light of the nation’s current energy abundance and amidst ongoing budget constraints and other agency responsibilities remains a critical question for Congress and the current Administration. Answers will inform future budget priorities and how the Department focuses its core science, R&D, and energy policy responsibilities in coming decades.

In recent years, the Committee has been addressing DOE’s future priorities. The 114th Congress enacted several significant pieces of legislation to modernize the nation’s energy policy, informed in large part by the Committee’s work. For example, the Budget Act of 2015 (P.L. 114-74) and the Fixing America’s Surface Transportation Act (FAST Act) (P.L. 114-94) each contains

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8 Ibid.
10 Testimony of Melanie Kenderdine, Director of Energy Policy and Systems Analysis, U.S. DOE, before the House Committee on Foreign Affairs, June 9, 2016.
provisions to modernize the SPR and improve its emergency response capability. The FAST Act also contains provisions enabling DOE to improve emergency preparedness for energy supply disruptions, protect critical electric infrastructure security, and prioritize energy security in federal decision-making. Finally, the Consolidated Appropriations Act of 2015 (P.L. 113-235) lifted the 1970’s-era export restrictions on crude oil.12

**Improving DOE mission management and performance.** Many troublesome and well-publicized challenges confronting DOE’s mission fulfillment – project delays and billion-dollar cost overruns, safety and security problems, oversight failures – relate to the essential structure and organizational philosophy of the agency, which relies on contractors to perform agency missions. Ensuring effective agency management and performance across its missions has long posed tremendous contract administration and oversight challenges for the Department and the Secretary.13 The Committee has continued its focus on identifying what is necessary to improve DOE management and operational performance throughout the Department and will continue to monitor how the Secretary seeks to address management and performance.14

### IV. ISSUES

The following issues may be examined at the hearing:

- What are the Secretary’s priorities relating to energy security missions?
- What are the priorities relating to R&D and technology development?
- What role should the agency have regarding regulations that affect energy supply and reliability?
- What is necessary to ensure effective, efficient performance of agency missions?

### V. STAFF CONTACTS

If you have any questions regarding this hearing, please contact Peter Spencer or Tom Hassenboehler of the Committee staff at (202) 225-2927.

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12 In this Congress, the Committee continues to work on various DOE authorities across its portfolio. The Committee has already moved DOE related legislation through the House that would strengthen DOE’s state energy assurance and emergency preparedness programs (H.R. 3050), would enhance the agency’s mission training energy sector workforce (H.R. 338), and would provide DOE the review authority on cross-border electricity projects (H.R. 2883).


The director of the Office of Technology Transitions also serves as DOE’s Technology Transfer Coordinator who reports to the Secretary of Energy.