

Testimony of
Secretary Samuel W. Bodman
U.S. Department of Energy
Before the
Committee on Energy and Commerce
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Chairman Barton, Congressman Dingell and members of the Committee, I am honored to be here today to discuss the President's fiscal year 2006 budget proposal for the Department of Energy. As the members of the Committee know, the Department is charged with a broad mission that is vital to our national and economic security.

The Department of Energy is the steward of our nation's nuclear weapons stockpile, with the responsibility of ensuring that our nuclear deterrent – which was so crucial in winning the Cold War – continues to be viable and effective in today's changing world. This Department also leads America's international nuclear nonproliferation efforts. Few things are more critical in the post-9/11 era than keeping weapons-usable nuclear material from falling into the wrong hands.

In addition, the Department of Energy is the primary federal agency charged with the stewardship of our country's physical sciences research enterprise. Our Department's network of National Laboratories includes some of the most sophisticated science facilities in the world, which each year host thousands of researchers whose work has led

to some of the most important scientific advances, breakthroughs and discoveries of our age.

And of course the Department of Energy has the mission of supporting a reliable, secure, and affordable supply of energy for our nation's growing economy, while doing so in an environmentally responsible way.

Our energy challenges today are greater than ever before. We face rapid global and national growth in the demand for oil, natural gas, electricity and other forms of energy, at a time when our domestic production is hard-pressed to keep up and world energy markets are increasingly characterized by price volatility and political uncertainty in key energy-producing regions.

Our policy efforts must therefore focus on safeguarding our energy security by ensuring access to adequate supplies of affordable and clean energy; promoting efficiency and conservation; and modernizing and expanding our energy infrastructure. Over the longer term, meeting these challenges will require fundamental changes in the way we produce and use energy, and the development of advanced energy technologies that could transform our economy. Today's energy situation has been long in the making, and the solutions will require a determined, sustained and balanced approach.

This Administration has undertaken a bold energy policy agenda, which I intend to diligently support and advance during my tenure as Secretary. We will build upon the tremendous progress made in the last four years in implementing the President's National Energy Policy, yet we still need the Congress to enact important aspects of it. We will

continue to improve our energy security through diversification of energy sources and suppliers; through efficiency gains; and through research, development, and deployment of alternative energy sources and technologies to make better use of our traditional energy resources.

Energy efficiency and conservation will remain an important part of our strategy. The United States, through DOE, invests far more than any other nation in energy efficiency research and development -- an investment we intend to continue. By balancing our efforts in efficiency and conservation with our focus on developing alternative energy sources, we can maximize our progress in addressing the growth of energy demand.

We will pursue diversity and balance in terms of our supply sources. High oil prices remain a real concern for global economic growth. We will continue to foster relationships with a diverse set of energy suppliers and maintain and enhance our relationships with oil and gas producing nations around the world.

We will work diligently for the passage of legislation to open a very small area of the coastal plain in the Arctic National Wildlife Refuge (ANWR) to environmentally responsible oil and gas exploration. In its peak year of production, ANWR could provide up to 1 million barrels per day of new domestic supply – increasing domestic production by nearly 20% and offsetting nearly 6 percent of our daily crude imports – in the context of an increasingly volatile and less secure global oil market.

In addition to oil prices, natural gas prices also have risen sharply. In years past, the market response to escalating natural gas prices has been to increase domestic production. But accelerated depletion of existing natural gas fields and constraints on access to new supplies are making that traditional response more difficult. Over the next 20 years, EIA projects that we will increasingly supplement North American gas production with imports of liquefied natural gas (LNG) – which requires the construction of new LNG infrastructure, with a paramount focus on safety.

Our policy also seeks to improve the way we produce and use our conventional fossil energy resources. Coal remains the dominant source of energy in this country, producing more than half of our electricity. We will continue to place high priority on the development of clean coal technologies and their application in the marketplace – to allow us to continue using our 250-year supply of coal with fewer environmental impacts.

In addition, our National Energy Policy looks to such sources as nuclear power, hydropower and other renewable sources such as wind, solar, geothermal and biomass to give us a broad mix of energy resources to meet our future needs. And we are keenly focused on developing transformational new sources of energy such as hydrogen and nuclear fusion. As we confront the energy challenges before us, we will simply be unable to find and employ the energy we need in an environmentally acceptable manner without aggressive investments that lead to breakthroughs in science and technology.

We also face challenges in delivering energy to consumers. We have a complex nationwide grid system for the transmission of electricity that has multiple owners and that was designed and built for a power market much different from today's. This has led to reliability concerns, exacerbated by inadequate and outdated equipment and processes – problems that, in many cases, will require extremely large private-sector investments to correct.

In addition, the cost and availability of certain fuels – along with differing local and regional regulatory structures – make electricity much more expensive in some parts of the country, and much less expensive in others. We need an approach to our electricity policy that takes this diversity into account yet stimulates the needed investment in the electric power grid.

Central to many of our energy strategies are public-private partnerships, which as a veteran of the private sector, I wholeheartedly support. Because most of our energy production and delivery is carried out by private enterprise, I believe public-private partnerships are essential to DOE's role in helping ensure reliable supplies of fuels and electricity, upgrading energy infrastructure, and driving research and development of new energy technologies.

Fostering technology research and development to ensure America's energy security is just one of the many aspects of the Department of Energy's wide-ranging activities. Under President Bush, we have invested more in science, technology, and

basic research than at any time in history. DOE's national laboratories lead the world in research in fields including high energy physics, nuclear physics, plasma science, and the material and chemical sciences.

In the critically important area of national defense, the Energy Department's National Nuclear Security Administration has made significant progress in upgrading the capabilities of the nuclear weapons complex and the facilities that support it. I look forward to continuing that progress.

I also believe that we must build upon the Department's impressive achievements in the area of nuclear non-proliferation. Nuclear material around the world must be made more physically secure to make certain that it is never acquired for use in weapons, either in nuclear devices or in radiological dispersion devices, or so-called dirty bombs.

Closely related to the Department's nuclear defense mission is the cleanup of various sites around the country that have been contaminated through the years as a result of the development of our nuclear defense capability. Over the past four years, the Department has revamped the massive cleanup process for these sites, reducing the timetable by 35 years, moving the projected completion date to 2035 from 2070, and reducing the estimated cost by about \$50 billion in the process.

Since President Bush unveiled the National Energy Policy (NEP) in May 2001, this Administration has implemented or is in the process of taking action on nearly all of the NEP recommendations that could be implemented without legislation by Congress. And you have acted upon a number of the NEP recommendations, including the Alaska Natural Gas Pipeline, the Pipeline Safety Act, certain tax measures, and recommended funding increases.

However, energy legislation still awaits final congressional action. Legislation considered by previous Congresses has contained numerous provisions to expand our domestic energy production, modernize our energy infrastructure and electricity laws, expand our use of renewable energy sources, promote energy efficiency, and develop new energy sources to help reduce pollution and lessen America's dependence on foreign oil.

Energy legislation, in my view, is among the most important matters to come before this Congress. I look forward to working with each of you, and with others in Congress, as an enthusiastic advocate for the passage of energy legislation this year.

I would now like to take a few moments to give you some highlights of DOE's FY06 budget request which supports the policy agenda I have just outlined.

The fiscal year 2006 budget request, totaling \$23.4 billion, is an investment formulated to deliver results in four strategic areas: Defense, Energy, Science, and the

Environment. The Department's 2006 budget is \$492 million below the FY 2005 appropriation. Overall, the 2006 budget represents a two percent reduction from 2005. This shows DOE's commitment to improved management, streamlined operations and results-driven performance.

Energy

We are requesting \$2.6 billion in FY 2006 to meet the Department's Energy goals. Research funded by the Department has produced some significant advances. For example, the high-volume cost of automotive fuel cells has been reduced from \$275/kW in 2002 to \$200/kW in 2004 using innovative processes developed by the national laboratories and fuel cell developers. Achieving a cost of \$50/kW is one technological advance required to help make fuel cell vehicles cost competitive with today's internal engine vehicles. To support our energy goals, the FY 2006 Budget continues major initiatives such as the President's Hydrogen Fuel Initiative, as well as the research and development associated with the Advanced Fuel Cycle Initiative and carbon sequestration.

In addition, the budget continues to support the Weatherization Assistance Program, which reduces utility bills for low-income families while conserving energy.

Science

The budget request of \$3.5 billion in FY 2006 for the Office of Science supports the continued operation of world-class, state-of-the-art scientific facilities and the design

and construction of new science facilities. By providing support for key scientific disciplines, critical tools, and the scientific workforce of today and tomorrow, we help to provide a long-term basic research foundation for our high-tech economy. The Science program at DOE will continue to identify emerging opportunities and push the limits of today's technology to meet our goals.

Defense

The FY 2006 budget request for DOE's defense programs is \$9.4 billion. The return to the American taxpayers on this investment is wide-ranging. For example, in FY 2004, the United States signed five major international agreements to prevent the trafficking of nuclear material. The agreements are part of DOE's Megaports Initiative aimed at stopping illicit shipments of nuclear and other radioactive material through the use of specialized detection technology developed by the Department's national laboratories. The program also continues to extend the utility of three weapon types in the nation's nuclear weapon stockpile, and to invest across the United States to recapitalize the nation's national security infrastructure.

Environment

Even as we look to the future, the Department is also exercising responsible stewardship of the past. The 2006 budget reflects our commitment to protecting the environment by providing a responsible resolution to the environmental legacy of the Cold War and by providing for the permanent disposal of the nation's high-level radioactive waste.

The FY 2006 budget requests \$7.3 billion for activities within the Offices of Environmental Management (EM), Civilian Radioactive Waste Management, and Legacy Management. This amount is considerably less than last year's allocation due to increases for Yucca Mountain and legacy activities, which are offset by reductions to the EM program. The Department is on its way to meeting its goals in these areas:

- By meeting clear, identified target dates, we are completing cleanup of contaminated DOE sites. Indeed, we expect to complete closure of Rocky Flats in FY 2006.
- With the creation of the Legacy Management Office we are conducting long-term surveillance and maintenance of remediated sites, and overseeing the continuity of pension and benefits for former DOE contract workers once cleanup is complete.
- And we are following through on the commitment to complete the license application process and construction of the waste repository at Yucca Mountain.

I look forward to working with the members of this Committee on the many issues I have discussed, and would be happy to take any questions.

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