



**FUNDING RECOMMENDATIONS FOR THE
DEPARTMENT OF ENERGY'S
FY 2004 ENERGY EFFICIENCY BUDGET**

**William R. Prindle, Deputy Director
American Council for an Energy-Efficient Economy (ACEEE)**

Comments to the House Interior Appropriations Subcommittee

DOE's FY 2004 budget request reflects a disturbing decline in support for important energy efficiency research, development, and deployment programs. Cuts in the FY 2003 and FY 2004 budgets are starving a host of technologies and programs that can deliver important results. With energy security concerns heightened by war in the Middle East, energy prices on the rise, and pressing environmental problems, now is the time to accelerate, not throttle back, on clean energy funding. DOE's efficiency funding remains far short of the levels recommended by independent review panels such as the President's Council of Advisors on Science and Technology. ACEEE recommends that the Subcommittee fund energy efficiency programs at least at the FY 2002 level of \$913 million.

Within the overall funding picture, we recommend that the subcommittee increase funding for 13 high-priority programs for a total of \$54.4 million above the Administration's request. For the most part, these amounts partly or fully restore funding cuts in these key programs relative to FY2002 or FY2003 appropriations. These additions can be fully offset by moderating the increase in funding proposed for grants programs. Our analyses of high-priority programs meriting increased support are described below.

Buildings Sector

Appliance Standards—DOE standards produce the greatest energy savings of any DOE program. DOE's analysis estimates that 12 standards to date have saved consumers about \$25 billion, from a federal investment of less than \$10 million a year. The standards program is chronically under-funded, and current legislation is very likely to add new rulemakings to the Department's agenda. However, the FY 2004 request cuts this program slightly, which runs counter both to the National Energy Plan and pending Congressional mandates. We recommend that \$2 million be added to this vital and cost-effective program. ***Recommended funding level: \$11.2 million***

Space conditioning and refrigeration R&D--The FY 2004 budget request is flat with the 2003 request; however, it is a 47% cut from FY 2002 levels. We recommend this program be funded at the 2002 level. DOE needs to be able to pursue its important work in the areas of reducing peak impacts of residential and commercial AC systems, improved air distribution systems, improved AC field performance, and AC system retrofits, which our research has shown are the top priorities for efficiency improvement in HVAC systems. ***Recommended funding level: \$5.6 million***

Appliances and Emerging Technology—The request for this program, while proposed for flat funding compared to the 2003 request, represents a 22% cut from 2002 levels. ACEEE recommends that it be funded at the 2002 level. Promising work, especially in the areas of heat pump water heaters and commercial refrigerators, needs to be continued to bring important new technologies to market. ***Recommended funding level: \$2.25 million***

Windows R&D--The request, which asks for flat funding for the windows RD&D program, represents a \$2.7 million, 43% cut from 2002 levels. ACEEE's research as well as the National Research Council's review of DOE R&D programs have shown DOE's windows program to be one of the Department's best success stories. We recommend that \$2.7 million be added to the request. The proposed reduction would create severe damage to the cost-effective activities this program has created. ***Recommended funding level: \$6.2 million***

Transportation Sector

The budget request for the Freedom Car and Vehicles Technologies Program in 2004 remains 14% lower than 2002 levels, and subprograms aimed at near-term efficiency improvements have shown further declines. As DOE steps up R&D on hydrogen and fuel cell vehicles, it is essential that work on technologies available in the next 10-15 years be sustained. The 21st Century Truck Partnership in particular is suffering from both a drop in funding (18% below last year's level) and ill-defined goals, despite the enormous efficiency gains currently within reach for both light- and heavy-duty trucks.

Advanced Combustion Engine— The budget request reduces the Combustion and Emissions Control budget by \$2.6 million relative to FY 2003 levels citing the need for more industry participation. We recommend that these funds be restored but allocated to Heavy Truck Engine, where proposed funding is still well below FY 2002 levels and additional resources are needed to ensure truck efficiency gains along with attainment of the 2007 emissions standards. The Off-Highway Vehicle budget of \$0.5 million, which was zeroed out in the request, should also be restored. Railroad interests' request that DOE coordinate a locomotive efficiency R&D effort merits a positive response. ***Recommended funding level: \$ 40.1 million***

Fuels Technology— The heavy-duty vehicle portion of Advanced Petroleum-Based Fuels is zeroed out in the request, down from \$8.224 million in 2003. The Environmental Impacts activity is also terminated in the request, with the inadequate explanation that the "work is aligned with the mission of other agencies." Both of these activities address fast-approaching and important deadlines in the clean-up of diesel fuel. Cutting this key program now could jeopardize federal air quality standards, and reducing oil use in heavy vehicles, at a time when the public policy imperative for these goals has never been stronger. ***Recommended funding level: \$17.4 million***

Industrial Sector

We support the FY 2004 request for the *Industries of the Future (Crosscutting)* program, which has been level funded. We feel that this is a very important and valuable program, and that this level of funding will preserve the effectiveness of the program elements. We are also pleased

that headquarters management support has been increased. Headquarters staffing has been underfunded in recent years; the increased staffing will allow for more effective program administration.

We are concerned however about the proposed drastic cuts in *Industries of the Future (Specific)* program. These programs have offered an important forum that has facilitated the cooperation among industrial firms on pre-competitive research, while effectively leveraging federal R&D dollars. Cuts of this magnitude jeopardize the program's continuity, just when programs like this are needed to revitalize domestic manufacturing. We recommend that funding cuts be limited to 10% below FY 2003 levels. ***Recommended funding level: Industries of the Future (Specific): \$42 million***

Distributed Energy Resources

We are pleased to see that funding for the newly reconstituted Distributed Energy Program was largely preserved. We are disappointed that \$2.5 million was cut from industrial turbines (\$1.5 million), and advanced reciprocating engines (\$1 million) programs. We feel that these programs are making significant advances in addressing emissions and cost issues. A recovering economy needs these kinds of technologies in the near future to spur economic growth. ***Recommended funding level: \$54.3 Million***

Weatherization and Intergovernmental Programs

We believe that proposed increases in grants program funding should be reallocated to support R&D and Gateway Deployment programs. In the Gateway area our priorities are as follows:

Energy Star—The Energy Star program is the Administration's most effective climate change response program, and yet it has not received the funding increases needed to make it truly a national program. In fact the FY 2004 request would cut the program by 40% from the FY 2003 levels. We recommend this program be funded at the FY 2003 level. Currently, most Americans have no direct access to programs that help them understand, find, and purchase Energy Star products. The market share of Energy Star products thus continues to lag in areas where support is not active. ***Recommended funding level: \$6.2 million***

Building Codes Implementation Grants—Along with appliance standards, supporting states in implementing building codes is a major and very cost-effective activity. Research shows that state energy codes can save more than 2 Quads cumulatively over 20 years. Congress mandated states to study and model codes under the Energy Policy Act of 1992 (EPAct). EPAct also instructed DOE to provide support to states to implement this mandate. Cutting DOE support for this activity is thus counter to the intent of this legislation. Grant support was cut from \$4.2 million to \$1.8 million in FY 2002 and held there in 2003; we recommend it be restored to the 2001 level of \$4.2 million. ***Recommended funding level: \$4.2 million***

State Industries of the Future—We are concerned that this successful and efficacious program, formerly administered through the Industrial program, is slated for zero funding for FY 2004. Many states have used this modest funding very effectively to create educational and outreach

channels for a host of DOE industrial programs. These small but vital conduits should not be shut down. **Recommended funding level: \$2.0 million**

Clean Cities—The FY 2004 request would cut Clean Cities 23% from the 2003 request, and 40% from the 2003 level. This program has been the Department’s most effective deployment program for transportation technologies that move the United States away from oil. Beyond its direct impacts on fuel savings, Clean Cities is a strategic asset in developing the infrastructure for alternative fuels and new transportation technologies. We therefore recommend Clean Cities be funded at its full 2002 level by adding \$4.4 million to the request. **Recommended funding level: \$11.56 million**

**DOE FY 2004 Energy Efficiency Budget
Summary of ACEEE Recommended Additions to the Request**

Program	Added Appropriation (\$000)	Notes
Buildings		
Appliance Standards	2,000	Needed for likely new mandated rulemakings
Space Conditioning and Refrigeration R&D	2,700	Restore to 2002 level
Appliances and Emerging Technologies R&D	500	Restore to 2002 level
Windows R&D	2,700	Restore to 2002 level
Transportation		
Advanced Combustion Engine R&D	3,100	Allocate to heavy truck engine R&D
Fuels Technology	10,600	Restore heavy vehicle funds
Industrial		
Industries of the Future (specific)	18,000	Limit cut to 10% below FY 2003 funding
Distributed Energy Resources		
Industrial Turbines	2,500	Key program for emissions reductions
Advanced Recip. Engines	1,000	Near breakthroughs on technology costs
Weatherization and Intergovernmental Programs		
Energy Star	2,500	Keep at 2003 request level
Building Codes Grants	2,400	Restore FY 2002 cuts
State Industries of the Future	2,000	Do not zero out
Clean Cities	4,400	Fund at 2002 level
TOTAL	54,400	