Alternative Fuels & Chemicals Coalition

Advocating for Public Policies to Promote the Development & Production of Alternative Fuels, Renewable Chemicals, Biobased Products, and Sustainable Aviation Fuels

AFCC's 2021 Appropriations Requests

KEY PROGRAMS SUMMARY:
ENERGY & WATER (E&W)

AFCC's priorities – the programs whose authorizations or appropriations have expired or not been renewed, or have been proposed for severe cuts or elimination in the President's Budget – **are indicated in red text**

Symbols after Amounts for House & Senate FY2021 Appropriations: ↔ same as prior years, ↓ less than prior years, ↑ more than prior years

Subcommittee: Energy & Water

Agency: U.S. Department of Energy (DOE))

8 Programs – 8 Industry-Critical Priorities

Account / Program:	FY 2018 Appropriation	FY 2019 Appropriation	FY 2020 Appropriation	President's FY 2021 Budget	AFCC's FY 2021 REQUEST	House Passed Appropriation H.R. 7613	Senate Marker Bill
DOE: Energy Programs; Advanced Research Projects Agency – Energy (ARPA-E)[1]							
FY Appropriation	$353,214,000	$366,000,000	$425,000,000	$0 (eliminated)	**Restore to $425,000,000**	$435,000,000↑	$430,000,000↑
DOE: Energy Programs; Office of Science (OS)							
FY Appropriation	$6.26 billion	$6.585 billion	$7,000,000,000	$5.8 billion	**Restore to $7 billion**	$6,250,000,000 ↓	$7,026,000,000 ↑
DOE: Energy Programs; Office of Energy Efficiency and Renewable Energy (EERE) [2]							
FY Appropriation	$2.322 billion	$2.379 billion	$2,848,000,000	$720,000,000	**Restore to $2.85 billion**	$2,840,240,000 ↓	$2,850,240,000 ↑

A Collaborative Government Affairs Effort
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The Department of Energy's Title 17 Innovative Technology Loan Program[3] [4]

Account / Program:	FY 2018 Appropriation	FY 2019 Appropriation	FY 2020 Appropriation	President's FY 2021 Budget	**AFCC's FY 2021 REQUEST**	House Passed Appropriation H.R. 7613	Senate Marker Bill
DOE: Energy Programs; Title 17 Innovative Technology Loan Program Office Administrative Expenses[3]							
FY Appropriation	$33,000,000 *less fees*	$33,000,000 *less fees*	$32,000,000 *less fees*	$0 (eliminated)	**Restore to $32,000,000**	$32,000,000 *less fees*↔	$32,000,000 *less fees*↔
DOE: Energy Programs; Title 17 Tribal Energy Loan Program							
FY Appropriation	$1,000,000	$1,000,000	$2,000,000	$0 (eliminated)	**Restore to $2,000,000**	$2,000,000↔	$2,000,000↔
DOE: Energy Programs; Title 17 Loan Authority							
Remaining Loan Authority	No change; full loan authority maintained	No change; full loan authority maintained	No change; full loan authority maintained	$0 (eliminated)	**Maintain full loan authority of $24 billion**	No change; full loan authority maintained↔	No change; full loan authority maintained↔
DOE: Energy Programs; Advanced Technology Vehicles Manufacturing Loan Program[5]							
FY Appropriation	$5,000,000	$5,000,000	$5,000,000	$0 (eliminated)	**Restore to $5 million**	$5,000,000↔	$5,000,000↔
DOE: Energy Programs; ATVM Loan Authority							
Remaining Loan Authority	No change; full loan authority maintained	No change; full loan authority maintained	No change; full loan authority maintained	$0 (eliminated)	**Maintain full loan authority of $16.6 billion**	No change; full loan authority maintained↔	No change; full loan authority maintained↔

AFCC STRONGLY OPPOSES attempts to once again eliminate the Advanced Research Projects Agency-Energy (ARPA-E) and the Title 17 Innovative Technology Loan Program, including the Tribal Energy Loan Program and the Advanced Technology Vehicle Manufacturing (ATVM) loan program.

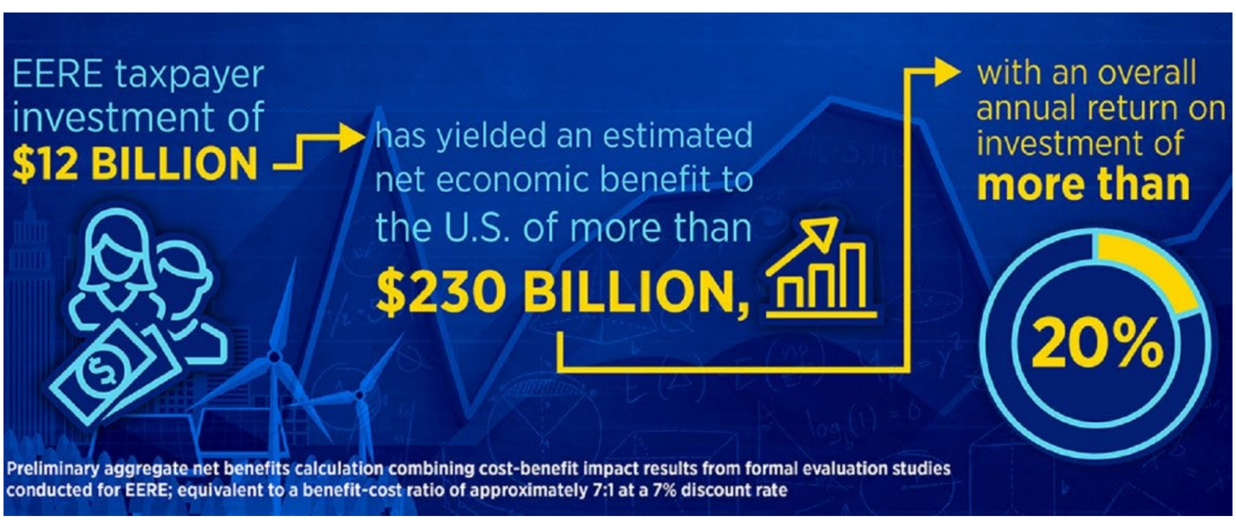
Eliminating these programs does not make economic, fiscal, or business sense and is based on the false premise that *"The private sector has the primary role in taking risks to finance the deployment of commercially viable projects."*

In fact, the reason these programs exist is specifically because the private sector is unwilling to take the risks involved in supporting first-of-their-kind, unproven technologies, which has meant that many emerging technologies and promising projects have never been able secure the funding necessary to get across "the valley of death" so that they can be commercialized, thus denying local communities the jobs and economic stimulus that these projects could have created, and denying the nation the benefits of new technologies, new products, and new, improved ways of making and doing things.

The President's Budget states that the "Government's best use of taxpayer funding is in earlier stage R&D," yet proposes eliminating ARPA-E whose mission and focus is to fund early stage R&D.

(1) **ARPA-E:** In 2005, leaders from both parties in Congress asked them to "identify the most urgent challenges the U.S. faces in maintaining leadership in key areas of science and technology," as well as specific steps policymakers could take to help the U.S. compete, prosper, and stay secure in the 21st Century. This led to the creation of ARPA-E. **Since 2009, ARPA-E has provided approximately $2 billion in R&D funding for more than 800 potentially transformational energy technology projects.** ARPA-E analyzes and catalogues some of the Agency's most successful projects through its "impact sheets," which explore a sampling of individual projects and their achievements and can viewed on ARPA-E's website at https://arpa-e.energy.gov/?q=site-page/arpa-e-impact.

(2) **Office of Energy Efficiency and Renewable Energy (EERE):**



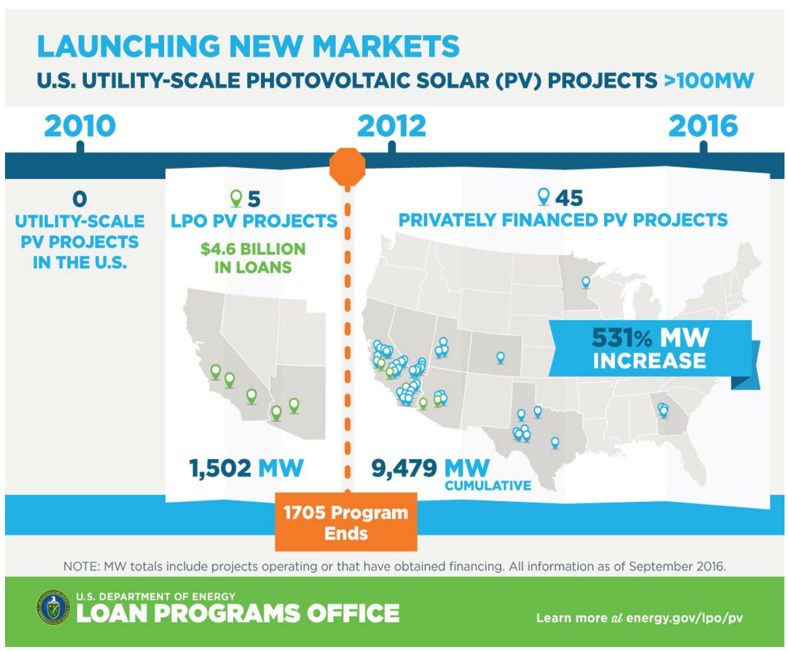
The mission of EERE is to create and sustain American leadership in the transition to a global clean energy economy. Its vision is a strong and prosperous America powered by clean, affordable, and secure energy.

EERE aims to achieve the following strategic goals:

1. Accelerate the development and adoption of sustainable transportation technologies.
2. Increase the generation of electric power from renewable sources.
3. Improve the energy efficiency of our homes, buildings, and industries.
4. Stimulate the growth of a thriving domestic clean energy manufacturing industry.
5. Enable the integration of clean energy into a reliable, resilient, efficient electricity grid.
6. Improve federal implementation of clean energy solutions.
7. Enable a high-performing, results-driven culture through effective management approaches and processes.

(3) The Title 17 Program creates jobs and stimulates private sector investment.

- The attempts over the past three fiscal years to eliminate this program and the unwillingness of OMB to approve projects that have completed the loan guarantee process has led to concern among potential applicants that any time and cost they put into pursuing the program is at risk. As a result, potential applicants have been shying away from the program. Those that have done so have found it extremely difficult to find alternative forms of funding tor their first-of-a-kind, disruptive technologies and projects and, in some cases, have had to abandon their projects due to the inability to secure unguaranteed funding from private sector lenders.



- When the Title 17 program first came under threat in 2017, there were several large infrastructure projects moving through the loan guarantee process with the potential of creating tens of thousands of jobs. Several of these projects were only a few steps away from being ready to build and could have started construction in 2019 and 2020. The administrative and budgetary attempts that were made to eliminate the program, however, combined with the obstacles that OMB placed on approving projects caused all of these projects to stall, with several not moving forward due to their inability to secure alternative private sector financing.

- As can be seen by what happened to these projects, it is clear that new, disruptive projects cannot be financed in any other way. *Eliminating the Title 17 program will stop these and similar projects from going forward.*
- The Title 17 program has shown through the projects it already has supported that each federal dollar invested in a loan guarantee stimulates more than $10 in private capital investment and leads to scores of additional follow-on projects supported entirely by private sector financing. Every project in the Title 17 pipeline that is built will generate tax revenues for local communities, states and the federal government, as well as state and federal income taxes from the salaries paid to workers.
- That's not all: **DOE's Title 17 Loan Guarantee Program and its sister, the Advanced Technology Vehicle Manufacturing (ATVM) direct loan program, have produced an average of $250 million per year in interest payments, returning almost $2.6 billion in collections to the U.S. Treasury since their first loan closing in 2009**.
- **Title 17 losses represent only 2.81% of its portfolio**, a loss rate any commercial bank would happily claim.
- The bulk of the administrative costs necessary to operate the Title 17 program – up to $37 million per year – are paid by the companies that submit applications. Only $17 million per year was allocated from the general fund for FY2016 and FY2017 for the Title 17 program in the DOE budget. Another $5 million per year was allocated in FY2016 and FY2017 to operate the ATVM program. (Please see (3) below.)
- WHILE ACTUAL & PROJECTED REVENUES HAVE NO IMPACT OR RELEVANCE IN THE U.S. CONGRESS WHEN IT COMES TO SCORING SPENDING BILLS, THE REVENUES GENERATED FOR THE U.S. TREASURY BY THE TITLE 17 & ATVM PROGRAMS OCCUR NEVERTHELESS.
- In fact, interest payments to the U.S. Treasury from Title 17 and ATVM loan obligations generate **6.75 times more in revenue** than the total administrative costs required to operate the programs, and **12 times more in revenue when the fees paid by companies that submit applications are taken into account** ($250M/$20M =12.5).

LPO Portfolio Performance Summary as of December 2019

Loan and Loan Guarantees Issued	$35.69 billion
Conditional Commitments	$2.00 billion
Amount Disbursed	$28.66 billion
Principal Repaid	$10.65 billion
Interest Paid*	$2.88 billion
Actual and Estimated Losses	$0.81 billion
Losses as % of Total Disbursement	2.81%

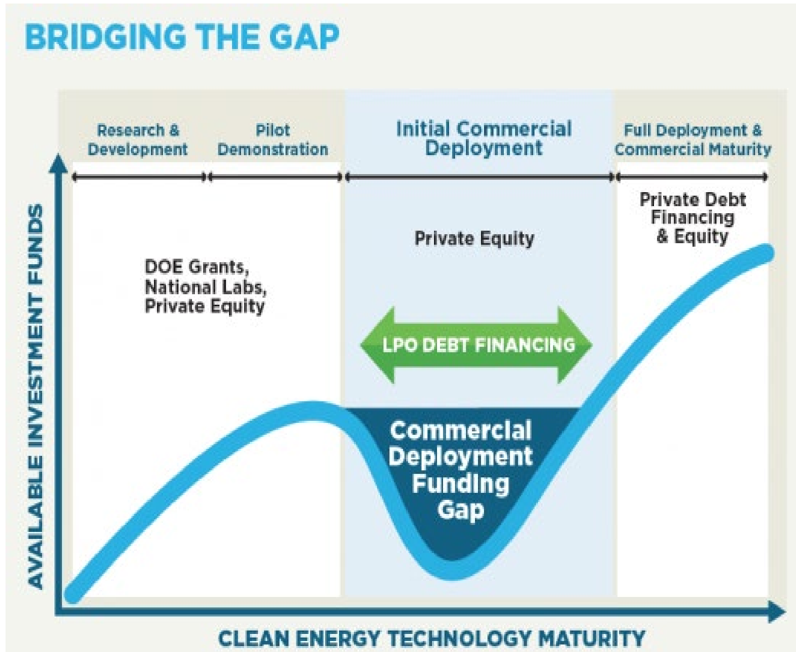
* Calculated without respect to Treasury's borrowing cost.

- The $250 million in annual interest payments that currently are being paid to the Treasury will continue for as long as the current Title 17 and ATVM loans are outstanding. However, **the longer these two programs are extended, the more projects will be approved, and the more revenues to the Treasury will increase.**

PRIORITY PROJECTS CURRENTLY IN THE TITLE 17 PIPELINE, IN WHICH PRIVATE COMPANIES HAVE INVESTED YEARS OF WORK AND MILLIONS OF DOLLARS, SHOULD BE

ALLOWED TO MOVE FORWARD. To keep these projects moving and keep the Title 17 program alive for 2021 will require an appropriation of $32 million in administrative costs plus another $5 million for the ATVM program. This is an investment that will repay itself many times over in the revenues these projects will generate for the U.S. Treasury and in the privately- funded, follow-on projects they will stimulate.

The Title 17 and ATVM programs overcome project-stopping obstacles in obtaining loans for the first commercial deployments of innovative American energy projects:



- Financing innovative, disruptive technologies is not something the private sector can do or do better. The Title 17 program was established because the private sector will not finance projects that have a high risk of failure due to the use of something that is brand new, unproven, and never done before at commercial scale.
- Every project advanced through research and development (R&D) by DOE will be meaningless unless they can be commercialized and deployed so that the nation can benefit from these technologies.
- Without a path to commercialization, no innovation advanced through R&D will be able to become reality.

(4) AFCC RECOMMENDS that the appropriations language for the Title 17 Innovative Loan Guarantee Program which has appeared in prior year appropriations bills be amended to **(a)** stipulate that DOE set a target for the number of awards that shall be made for the Title 17 Innovative Technology Loan Guarantee Program each year and to report to the House and Senate committees with oversight of the program the agency's progress in meeting its annual targets, and **(b)** suspend for one year the cost to applicants for submitting both phase 1 and phase 2 applications test whether the suspension of these fees encourages greater participation in the program. **AFCC's PROPOSED AMENDMENT** reads as follows:

TITLE 17 INNOVATIVE TECHNOLOGY LOAN GUARANTEE PROGRAM

[Add the following]: For Department of Energy administrative expenses necessary in carrying out the Title 17 Innovative Technology Loan Guarantee Program, as authorized, $32,000,000 is appropriated, to remain available until September 30, 2022: *Provided,* That to ensure the

Federal investment in the Program provides the greatest benefit possible to the American people, the Department of Energy shall adopt a target of increasing the annual number of awards for which conditional commitments are issued, with said targets increasing each year: *Provided further,* That each annual target and the Program's success in meeting each annual target shall be reported on an annual basis by the Secretary to the House and Senate Committees with oversight of the Program: *Provided further,* That to enable more companies with innovative technologies to participate in the Program and to remove the cost barrier that prevents many small businesses from participating in the Program, the Department of Energy shall suspend for one year the charges to borrowers for application fees pursuant to section 1702(h) of the Energy Policy Act of 2005 to test whether the suspension of these application fees leads to greater participation by companies and small businesses in the Program : *Provided further*, That the Department of Energy shall encourage borrowers with small and medium-size projects using innovative technologies to participate in the Program, *Provided further*, That the Secretary may continue to charge and collect fees from borrowers to cover the costs of due diligence and underwriting that are expended by the Program in reviewing part 2 loan guarantee applications: *Provided further*, That **[Continue with existing language]:** such sums as are derived from amounts received from borrowers pursuant to section 1702(b) of the Energy Policy Act of 2005 under this heading in prior Acts, shall be collected in accordance with section 502(7) of the Congressional Budget Act of 1974: **[Strike the following 18 lines on page 139 of H.R. 1865, the Consolidated Appropriations Act of FY2020 (P.L. 116-94)]: [Continue with existing language]:** *Provided further*, That the Department of Energy shall not subordinate any loan obligation to other financing in violation of section 1702 of the Energy Policy Act of 2005 or subordinate any Guaranteed Obligation to any loan or other debt obligations in violation of section 609.10 of title 10, Code of Federal Regulations.

(5) Advanced Technology Vehicle Manufacturing (ATVM) Loan Program

The ATVM program is authorized to award up to $25 billion in loans; there is no deadline for completing such loan commitments. Congress funded the program in 2009, when it appropriated $7.5 billion to cover the subsidy cost for the $25 billion in loans, as well as $10 million for program implementation.

Since the start of the program, DOE has awarded $8.4 billion in loans to five companies (Fisker, Ford, Nissan, Tesla, and the Vehicle Production Group). ATVM has $16.6 billion in remaining loan authority. No new loans have been made since 2011. Two companies—Fisker and the Vehicle Production Group—were unable to make payments on their loans, and DOE auctioned the loans off in the fall of 2013. Tesla paid off all of its loan in 2013, nine years ahead of schedule.

DOE estimates that the projects created or saved 38,700 jobs at facilities in nine states. DOE estimates that **the projects annually displace 282 million gallons of gasoline (roughly 18,000 barrels per day, or about 0.2% of U.S. consumption) and avoid about 2.4 million tons of carbon dioxide emissions (about 0.04% of total U.S. emissions).**

In April 2014, DOE announced a number of changes to refocus the program to assist vehicle component manufacturers, as well as the vehicle assemblers that have received prior ATVM loans.

To stimulate greater use of the ATVM loan program and to encourage the development and manufacture of advanced vehicle, vehicle component, and vehicle adapter technologies, **AFCC RECOMMENDS** that the appropriations language for the ATVM Loan Program be amended as follows:

ADVANCED TECHNOLOGY VEHICLES MANUFACTURING LOAN PROGRAM

For Department of Energy administrative expenses necessary in carrying out the Advanced Technology Vehicles Manufacturing Loan Program, $5,000,000, to remain available until September 30, 2022: **[Add the following]:** Provided, That of such amount, $1,000,000 shall be used to promote the Loan Program to domestic and foreign vehicle and vehicle component manufacturers with manufacturing facilities in the United States to stimulate advanced technology manufacturing.