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# 5 energy issues to watch in Biden's budget

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President Joe Biden set the stage for congressional battles Thursday in unveiling a fiscal 2024 budget proposal that would accelerate federal agencies' work on low-carbon energy and sweep away long-standing subsidies for the fossil fuel industry.

The White House gave only a glimpse at the president's budget plan and did not release full line-by-line numbers for all federal agencies. That left questions about the administration's vision for key programs on everything from solar power to carbon capture.

But the proposed budget offered details on the spending plans for some new programs — and previewed the likely strategy of Republicans in pushing back on them.

For example, the departments of Energy and the Interior would secure substantial new funds for clean energy innovation and fast-rising renewables like offshore wind, while pipeline regulators and clean-car administrators at the Transportation Department would see increased appropriations under the plan. The administration also called for new programs at Interior and DOE to support carbon sequestration and clean tech supply chains in allied nations.

Energy Secretary Jennifer Granholm said the budget request would give her department "critical resources to transform the president's historic clean energy investments and ambitious climate vision into reality — laying the foundation for an inclusive 21st-century economy."

"President Biden's budget request reflects his unwavering commitment to building a clean energy future made in America and powered by American workers," Granholm added in a statement.

The budget plan emerged one day after Granholm's appearance at the CERAWeek by S&P Global conference in Houston, where she spoke glowingly about rising American oil and gas exports to Europe. The U.S. stepped in after the Russian invasion of Ukraine to become "an indispensable energy partner to our allies and a global energy powerhouse," she told energy executives Wednesday (*Energywire*, March 9).

By contrast, the White House's statements on the budget request Thursday took a different tone, calling for the elimination of what it described as $31 billion in "special tax treatment for oil and gas company investments."

"My budget cuts wasteful spending by getting rid of special tax breaks for Big Oil companies that made $200 billion in profit last year in the midst of a worldwide recession," Biden said in a speech Thursday in Philadelphia.

In a statement, Jeff Eshelman, president and CEO of the Independent Petroleum Association of America, said the changes in Biden's proposed budget to oil and natural gas industry tax provisions "are a direct attack on America's smaller independent producers who develop most of the nation's natural gas and oil wells."

After the budget request's release Thursday, some GOP members predicted it would be "dead on arrival" in Congress (*Greenwire*, March 9).

"Instead of exercising fiscal discipline and reducing the inflationary pressures families are feeling, he is focused on penalizing energy producers while insisting on more taxes to recklessly fund his failed Build Back Broke agenda," said Sen. Kevin Cramer (R-N.D.) in a news release.

At a news conference, Senate Democrats said the president's budget plan would cut energy bills and fight climate change.

"This is a road map that will lead our country to a better, brighter, more optimistic and happier future," said Senate Majority Leader Chuck Schumer (D-N.Y.).

Major environmental groups urged federal lawmakers to fight for a budget that reflected the president's priorities, calling it "of the utmost importance."

"Passing a strong federal budget is a critical part of the fight against extremist, Big Oil-backed politicians who are trying to destroy the economy, gut the Inflation Reduction Act, and slash funding to the agencies and programs responsible for ensuring the law's benefits reach the communities that need them most," 18 groups said in a joint statement Thursday afternoon. The groups included the Sierra Club, 350.org, the Union of Concerned Scientists and Earthjustice.

Here are five issues to watch as the budget proposal winds through Congress in the months ahead:

**Offshore energy**

Along with a big boost in dollars for offshore wind, the budget plan would sustain fossil fuel programs that make up a significant portion of offshore expenses. It also would build new programs over the next fiscal year to engage tribes on offshore energy issues and start storing carbon dioxide beneath the seafloor.

The second largest portion of the $268.2 million budget proposal for the Bureau of Ocean Energy Management (BOEM) — which runs offshore oil and gas leasing, wind permitting, and environmental research — would go to maintaining the nation's conventional oil program.

Second only to BOEM's environmental research division, the oil and gas program would receive $72.3 million, a bump of $10.8 million compared with what Congress approved for the agency last year.

BOEM's budget documents did not provide details on the status of a contentious five-year oil program that's been delayed since last year and that will determine the pace, size and location of future offshore leasing activity. A bureau budget sheet released by Interior barely mentioned the 2023-to-2028 plan that's under development, despite it taking up significant time and staff for the agency.

BOEM did, however, underscore its focus on renewables, including its aim to help the sector reach 15 gigawatts of floating offshore wind capacity by 2035 — a Biden target announced last year.

"The President's 2024 budget request provides BOEM the needed resources to execute our mission and help achieve the Administration's ambitious goals to fight climate change and create good paying jobs," said BOEM Director Elizabeth Klein in a statement. "The budget request will ensure we are equipped to oversee offshore energy and marine minerals development in a responsible manner for the benefit of the American people."

Overall, Biden requested $64.5 million for BOEM's renewable energy program, $21.6 million above the 2023 enacted level.

BOEM is requesting $8.9 million to launch an offshore carbon sequestration program, a first for the United States that follows early strides made in countries like Norway. The bipartisan infrastructure law of 2021 tweaked offshore energy laws to allow for leasing carbon storage projects on the outer continental shelf, pending regulations from Interior, which BOEM expects to release in draft form before year's end.

The agency is suggesting a breakdown of its new carbon storage funds into two parts: $6.6 million under its conventional energy branch to launch the program and handle proposed carbon storage projects, and $2.3 million to support the program under the environmental analysis branch.

Another branch of Interior, the Bureau of Safety and Environmental Enforcement (BSEE), which handles worker safety and environmental compliance for offshore drilling and wind, is seeking $1.5 million for carbon sequestration.

It's also requesting $800,000 to establish a National Tribal Engagement Program with four full-time tribal liaison positions "to ensure timely coordination and consultation with Tribes and develop comprehensive policies for engagement with Tribes."

The White House requested $270.6 million for BSEE, a $28.9 million increase from fiscal 2023. That includes $30 million toward plugging and abandoning wells offshore.

"This budget will allow BSEE to build upon its mission to ensure responsible exploration, development, and production of America's offshore energy resources," BSEE Director Kevin Sligh said in a statement.

**DOE’s energy innovation**

The budget request envisions a large cash infusion for many technologies seen as pivotal for whether Biden reaches climate targets.

For instance, the Department of Transportation would receive $60.1 billion for its Federal-Aid Highway Program, up $1.3 billion compared with fiscal 2023. Part of those funds would help construct electric vehicle charging networks across the country.

Under the plan, DOE’s Office of Manufacturing and Energy Supply Chains would use $75 million to launch a Global Clean Energy Manufacturing effort that works with U.S. allies on developing resilient supply chains for clean technologies.

DOE’s Office of Science would get a 9 percent boost in funding, including $1 billion for nuclear fusion.

The White House’s budget plan offered few specifics on how spending would align with energy justice commitments, such as the administration’s Justice40 pledge to direct 40 percent of the “benefits” of all clean energy spending toward disadvantaged communities.

Several offices within DOE, such as the Office of Environmental Management, the Office of Economic Impact and Diversity and the Office of Legacy Management, would receive tens of millions for equity work, however. The White House described the budget proposal’s support for underserved communities as “historic.”

A push for clean energy innovation has been a focus for the Biden administration, whose officials frequently echo the International Energy Agency’s conclusion that Paris Agreement goals for net-zero emissions won’t be met without new technologies.

Of the total $52 billion requested for DOE, $11.9 billion would support climate and clean energy research and development, demonstrations, and deployments — a 20 percent increase over this year’s enacted levels, according to the White House.

A chunk of that funding — some $4 billion — would go to the Net-Zero Game Changers Initiative. Announced last November and overseen by 17 federal agencies, the initiative is meant to guide development of 37 “game-changing” clean technologies, including for sectors considered hard to decarbonize, like aviation and heavy industry (*Energywire*, Nov. 4, 2022).

Hoyu Chong, a senior policy analyst at the nonprofit Information Technology & Innovation Foundation, said that the U.S. is still spending a smaller percentage of its gross domestic product on energy innovation than many other nations, despite increases in recent years’ legislation.

“There’s really still much more to be done,” she said.

One piece of the president’s innovation agenda concerns ways to decarbonize industries like cement- and steel-making.

Manufacturers have gotten relatively little attention from climate policymakers in the past because many of them rely on high-temperature processes that are hard to electrify.

That is starting to change. Earlier this week, DOE announced the availability of $6 billion in Inflation Reduction Act and infrastructure law funds to support projects that demonstrate emissions reduction technologies for heavy industry.

Biden’s budget plan requests another $1.2 billion in discretionary funding for reducing industrial emissions. A total of $160 million would support two large demonstrations of industrial decarbonization technologies that benefit disadvantaged communities, overseen by the Office of Clean Energy Demonstrations, according to the budget documents.

Chong described herself as “cautiously optimistic” about the prospects of a bipartisan agreement that would produce funding increases.

“Now with a more split Congress where they have different priorities, there may be some challenges ahead,” she acknowledged.

**Oil and gas**

Biden’s proposal aims to save $31 billion by getting rid of “special tax treatment for oil and gas company investments,” according to a White House fact sheet on cutting “wasteful” spending.

Credits up for elimination include a credit for enhanced oil recovery, one for oil and natural gas that’s produced from so-called marginal wells, and the expensing of intangible drilling costs — which include expenditures for things like wages, fuel and repairs — according to a Treasury Department document released Thursday.

Earlier this week at CERAWeek by S&P Global in Houston, senior White House adviser John Podesta said oil and gas subsidies “have kind of outworn their purpose.”

“I think the president is clear, both at the national and international level, that it’s time to try to end fossil fuel subsidies and try to support the transition to clean energy,” Podesta said.

The White House’s fact sheet Thursday slammed the oil and gas industry for making record profits last year and cutting “their investment as a share of operating cash flows to the lowest levels in decade, while undertaking record stock buybacks that benefited executives and wealthy shareholders.”

On Thursday, the American Petroleum Institute said the proposed budget is an example of the Biden administration’s contradictory approach to energy.

“The White House calls for increasing American oil and natural gas to meet consumer demands and then fails to issue leases and discourages future investment by proposing new discriminatory taxes,” Lance West, API’s vice president of federal government relations, said in an emailed statement.

“The [Biden] administration should be focused on enacting policies that continue delivering critical tax revenue for education and conservation programs while supplying secure, reliable, and affordable American energy,” West continued.

A DOE spokesperson did not respond when asked about West’s remarks.

**Pipelines**

The Pipeline and Hazardous Materials Safety Administration, a branch of the Department of Transportation that oversees much of the nation’s pipeline network, would get a 13 percent increase under Biden's plan.

That includes a 23 percent proposed increase for the Pipeline Safety Office, which is in charge of regulating liquefied natural gas (LNG) export terminals, the carbon dioxide pipelines needed for carbon sequestration and methane emissions from natural gas pipelines. It also regulates hydrogen pipelines and would be in charge if federal officials decide specific rules are needed for shipping hydrogen.

Cutting methane emissions and carbon sequestration are key to Biden's plans for reducing the effects of climate change. Natural gas exports are also crucial to Biden's pledges to help Europe wean itself from Russian energy in the wake of Russia's invasion of Ukraine.

All three of those issues could be affected by regulatory updates underway at PHMSA. But the agency has a reputation for taking a long time to finish regulations, and delays could present problems for those industries. It took nine years for the agency to enact regulations arising from a fatal 2010 pipeline explosion in San Bruno, Calif., for example. Legislators have long criticized the agency for delays, but safety advocates say the pace is rooted in how Congress structured PHMSA (*Energywire*, Feb. 6).

When Congress ordered PHMSA in 2020 to take on leaks and emissions from natural gas lines, it added staff and included language to limit legal challenges. The agency says a draft rule could be published as soon as May (*Energywire*, Jan. 29, 2021).

Regulations for LNG facilities were last updated nearly 43 years ago, at the end of the Carter administration, and don’t account for hazardous chemicals now used for exporting gas.

The agency says its standards for CO2 pipelines need updating after a pipeline ruptured in Mississippi three years ago. There are no rules for pipelines that some companies are converting to carbon dioxide after years of natural gas service. Industry disagrees, but pipeline safety advocates say there could be loopholes in regulations for newly built CO2 pipelines that could allow companies to evade regulation or enforcement (*Energywire*, March 3).

Opponents fighting construction of new carbon dioxide projects have called for a moratorium on CO2 pipelines until PHMSA finishes revising the regulations. But that could be a long way off, and project developers say they don't want to wait that long.

**Fusion**

In assembling the budget plan, the administration had to make many choices among emerging technologies that may become foundations of Biden’s hoped-for zero-carbon grid. Even with the record support in the Infrastructure and Investment Jobs Act and the Inflation Reduction Act, it remains unclear which emerging technologies will be funded at levels requested by the industries that back them.

Take advanced nuclear power.

In fiscal 2021, DOE awarded $4.6 billion in multiyear grants to support development of a small modular reactor (SMR) and two advanced reactors. Other SMR and advanced reactor projects are hoping for generous support as well as the competition to produce zero-carbon power in the 2030s escalates. DOE's budget request did not provide full details on funding for advanced reactors.

But the budget documents did reveal the administration’s plans to invest more than $1 billion to support R&D on fusion reactors, the visionary technology that backers hope will be the backbone of clean energy generation in the 2040s and beyond. The proposal comes months after DOE announced a breakthrough in producing energy through fusion (*Energywire*, Dec. 13, 2022).

The Fusion Industry Association said it understands the DOE Office of Fusion Energy Sciences will be allotted $130 million to support a competition among private fusion companies and their laboratory partners to design a utility-scale fusion pilot plant.

In the past two years, DOE received about $25 million for such a fusion pilot plant. DOE is expected to select fusion teams for the project soon, the association said in a statement Thursday. It is the principal trade association for U.S. fusion developers.

Andrew Holland, chief executive officer of the association, said the $1 billion figure is “significantly below” the amount needed to achieve near-term commercial fusion, but is enough for the industry to move ahead with critical research and testing and is a vote of confidence from the administration.