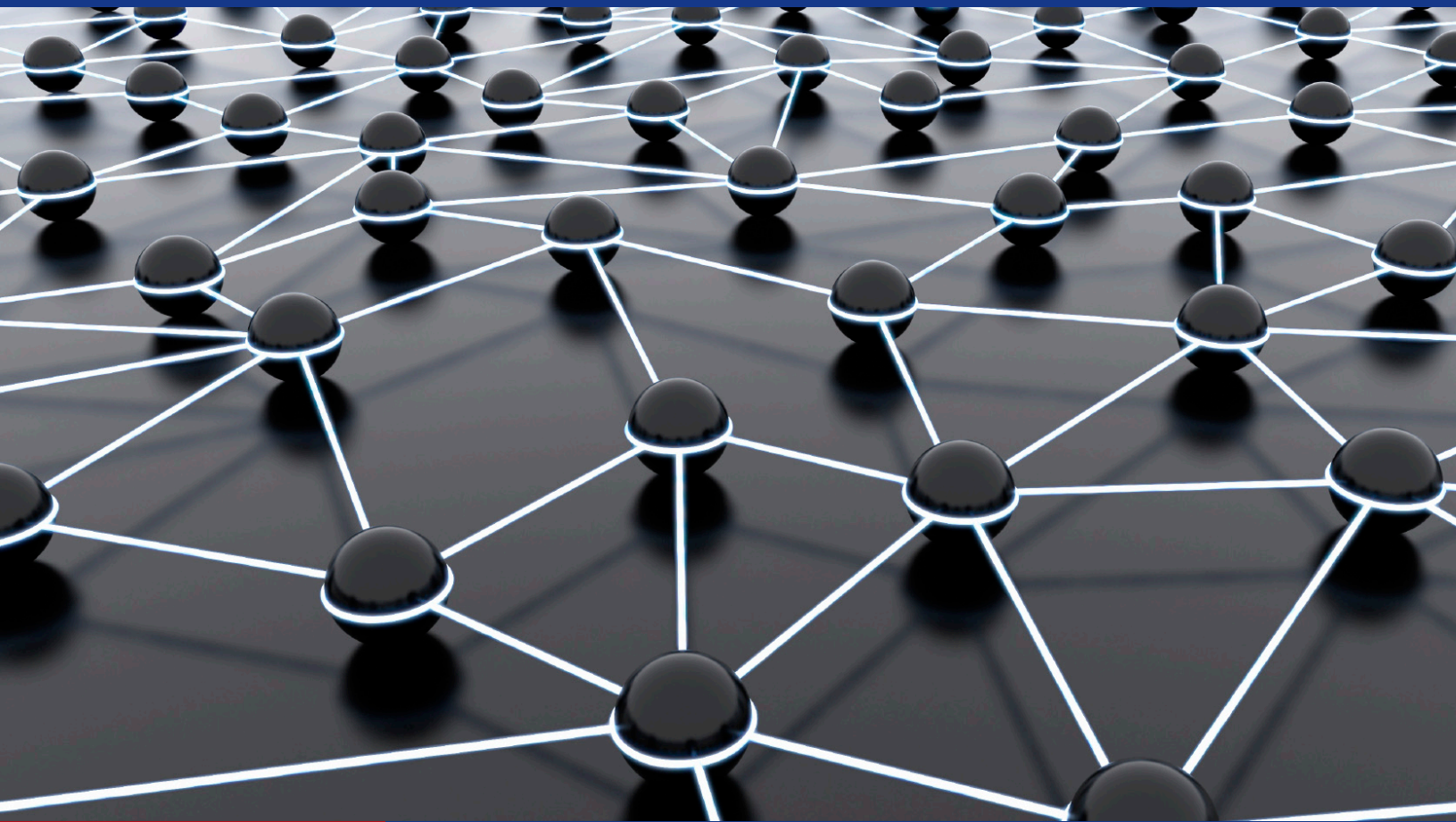




DECEMBER 2008

WORKING PAPER

Remodeling the U.S. Government for Energy Security:
Initial Findings from the Big Energy Map

By Sharon Burke
with Christine Parthemore



**Center for a
New American
Security**

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About the Authors

Sharon Burke is a Senior Fellow at the Center for a New American Security (CNAS).

Christine Parthemore is a Research Associate at the Center for a New American Security (CNAS).

EXECUTIVE SUMMARY

In a speech on November 18, 2008, President-Elect Barack Obama defined the nation's energy posture as an economic, strategic, and environmental vulnerability and reaffirmed campaign promises that his administration would place a high priority on improving the nation's energy security.

The President-Elect outlined the main elements of a strategy to stem the risks of climate change and shift the nation away from geostrategic energy supply vulnerability. In keeping with his campaign speeches, his vision centered on:

- Innovation – in basic research into alternative and renewable fuels, end-use technologies, and propagation and commercialization of science and technology.
- Job creation – “green jobs” can be an important part of the economic recovery and address the nation's energy and environmental challenges at the same time.
- International cooperation – especially in accomplishing climate change agreements.
- Partnership – focused on the private sector, states, and Congress.

An underlying theme in President-Elect Obama's remarks was the important role the federal government has to play in catalyzing this energy transformation, both through the Executive Office of the President (EOP) and the federal agencies (in cooperation with Congress). The EOP and agencies, however, are not now well positioned to play that role. This paper offers some initial observations and recommendations about possible structural shifts the new administration could make to improve the ability of U.S. government personnel to fulfill the President-Elect's vision.

First, presidential leadership will be indispensable to a transformative energy policy, and there are two ways the President Elect should consider reifying his vision. The first is to produce a **national energy security strategy**, which could provide crucial, unifying goals for the federal agencies, private actors, and the American public. The first iteration of this strategy should be a directional or “go west” document within the first 100 days in office, with a more detailed strategy to follow after extensive consultation.

The second Presidential act could be to identify an office within the EOP to develop and implement the President's strategy. The role of the EOP now in making energy policy and coordinating federal agencies is spread across the Council on Environmental Quality, the National Economic Council, the National Security Council, the Office of Science and Technology Policy, and the U.S. Climate Change Science and Technology Programs. The President-Elect should consider either designating a **lead office within the EOP** (we suggest as part of the NSC) or creating a new **National Energy Security Council**. This new structure would draft the national energy strategy; coordinate agency implementation of the strategy; coordinate partnerships with Congress, the private sector, and other countries; and support direct presidential action, such as participation in head-of-state level international negotiations. This office, whether it is a reinvigorated existing office or a new creation akin to the NEC and NSC, should be structured to address key management needs – such as strategy and policy, implementation, and partnerships. It should also focus on coordinating and implementing strategy on key policy issues essential for transformation – such as energy innovation, climate change science and technology, and international negotiations. The new administration may also wish to consider creating a **President's Energy Security Advisory and Oversight Board**, which would be structured similarly to the President's Intelligence Advisory Board (formerly the PFIAB).

The effectiveness of a new or reinvigorated EOP office will depend on its ability to leverage, consult, and cooperate with the federal agencies. In turn, the federal agencies in most cases **lack the infrastructure** to participate in a whole-of-government, national strategy. Many agencies need to develop or elevate **policy planning offices or internal collaboration hubs**. The Department of Transportation, for example, has a Climate Change Coordinating

Council that coordinates the climate change-related activities of all of its internal agencies, such as the Federal Aviation Administration and the National Highway Traffic Safety Administration. In some cases, however, agencies may need more than a reach-back capability for executive and interagency cooperation. In particular, the **Department of Energy** is in need of **restructuring**. It may be worth, for example, considering realigning the missions and roles of the **DOE National Laboratories** using a process similar to the **Base Realignment and Closure Commission (BRAC)** used for military facilities. The **Department of Defense**, as a major national consumer of energy, carries special weight in the federal system and merits **special treatment**. Finally, new initiatives such as a **cap and trade program** for greenhouse gas emissions and a consolidated **National Climate Service** could help the nation deal with climate change.

Ultimately, the most important element in harnessing the power of the federal government to achieve energy security will be people – the President himself, but also the people of the EOP, the federal agencies, and Congress, and the relationships among them. We believe, however, that a strategy and structural upgrade can help create the conditions in which people will succeed.

INTRODUCTION

On November 18, 2008, President-Elect Barack Obama delivered a speech to a bipartisan governor's group, offering the broad outlines of a new national energy security strategy. The goal of the strategy was threefold: improve the nation's security by reducing dependence on foreign oil; "[save] the planet" through a "clean energy future;" and rebuild the economy through "green jobs" creation. He defined a specific measure of success in reaching this goal: a 15 percent reduction in greenhouse gas emissions by 2020 and an 80 percent reduction by 2050. The President Elect's plan for accomplishing such reductions centered on promoting innovation, public-private and intergovernmental partnerships, and international cooperation. He even mentioned a few specific programs: a federal cap and trade system, a \$15 billion annual government investment in solar, wind, next generation biofuels, nuclear, and clean coal, and "vigorous" participation in international negotiations.

There is no question that this strategic vision must be more clearly defined in the coming weeks, months, and years in order for it to guide the nation. There are, for example, implicit elements of the strategy that need refinement (i.e., such steep short-term emissions reductions will require increasing the energy efficiency of the economy and improving conservation habits of Americans). There are areas the President-Elect did not mention on November 18th that he did talk about on the campaign trail, such as the physical vulnerability of the energy supply system and the need to improve the nation's response to short-term energy supply or price crises. There has been one theme underlying all of his proposals, however, on the campaign trail and in the transition, and that is the important role the federal government has to play in achieving national energy security.

But is the federal government up to the task?

The Center for a New American Security, in collaboration with the Markle Foundation, has been seeking to answer that question by "mapping" the U.S. government's current capabilities to make and execute energy security policy (CNAS defines energy security as energy supplies that are sufficient to promote economic growth near and long-term – so they must be geopolitically reliable, environmentally sustainable, and physically secure). In a related effort, a team at the University of Texas (Austin) has been looking at private sector and NGO views of government capabilities.

The CNAS team collected information on the stated missions of the most relevant government agencies and offices, interviewed individuals working in a number of those offices, and held a workshop on November 24th with individuals from Congress, nine agencies, and others from the private sector with expertise in organizational reform. This draft, preliminary paper offers findings about the U.S. government's energy security capabilities as they are today and offers recommendations for changes the President-Elect and his team may wish to consider.

The initial findings suggest that there are three missing ingredients for a successful energy security policy: a national strategy, executive leadership, and consistent, strong coordination across agencies, Congress, and key sectors of the economy. In this paper, therefore, we focus on the need for a national energy security strategy, a focal point in the Executive Office of the President, and a way to enhance the coordination of the federal agencies in order to support the new president's vision of transformation.

ENERGY SECURITY STRATEGY

Although all U.S. presidents since Richard Nixon have expressed the strategic goal of weaning the nation off imported oil and all since President George H.W. Bush have pledged to combat global warming, U.S. oil import dependence and greenhouse gas emissions have risen steadily over the last thirty years. With one exception, the nation has never really had a national strategy to accomplish energy security goals. The exception

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was the high-level 2001 National Energy Policy Development Group chaired by Vice President Richard Cheney, which included key cabinet officials and consultations with the private sector and some NGOs. That strategy exercise was conducted in secrecy, however, and remains the subject of

litigation, largely because of its lack of transparency and flawed methodology. Furthermore, the May 2001 National Energy Policy that resulted basically had at its heart a status-quo-plus strategic goal: the United States should basically remain dependent on fossil fuels, and oil in particular. In the years since, U.S. oil import dependence has grown, supplier nations – including many hostile to the United States – have increased their economic clout and geostrategic leverage, the vulnerability of the energy supply chain has worsened, the U.S. and global economy have suffered great damage from volatile oil prices, and greenhouse gas emissions have increased, with little progress in international negotiations. Either the goal of the Bush-Cheney strategy was dead wrong, or the strategy was not executed – or most likely, both.

Findings

President-Elect Obama has offered an ambitious goal for improving the nation’s energy security; for him to guide the nation toward that goal and use the federal government as an engine of change, he will need a national strategy. Strategic planning traditionally identifies ends, ways, and means: if energy security (by ending dependence on oil and stemming climate change) is the “end,” for example, innovation, partnerships, and international cooperation are some of the ways to reach that end. The means will range from a cap and trade system for controlling carbon dioxide emissions, to government investment in and incentives to the private sector for the development of clean coal and alternative energy, to new energy use standards for appliances. A strategy, when executed well, also plays a crucial role in matching resources to strategic goals in a systematic way. Furthermore, a strategy not only can coordinate national action, it can also ensure consistency of policy. Consistency over time in the ends, ways, and means of the strategy will be important to convincing agencies and external actors to invest in executing it.

Recommendations

The President-Elect has already laid out the main elements of what might be called a “directional” strategy, or what one CNAS workshop participant described as a “go west” strategy. We recommend that the new administration amplify this directional strategy and release it within the first 100 days in office in order to focus all agencies in the federal government on common goals – and to let the American public and key external actors know where the administration will be driving the nation. On the campaign trail, President Elect Obama highlighted the following key elements, which could be the guideposts for a national strategy:

- Managing short-term price and supply crises (windfall profits tax, crackdown on speculation, Strategic Petroleum Reserve management)
- Reducing carbon emissions (cap and trade, deforestation and sequestration, low-carbon fuel standard, public education, international negotiation)
- Reducing dependence on foreign oil (fuel economy standards, new and alternatively fueled vehicles, enhanced domestic oil and gas resources)
- Promoting alternative energy sources (renewable portfolio standard, production tax credit, clean coal, liquid coal, nuclear energy)
- Increasing energy efficiency (target the federal sector, utilities, buildings, standards, smart grids, popular behaviors such as settlement patterns and conservation, residential and commercial building improvements).
- Investing in new technologies and basic research (\$150 billion government investment over 10 years from proceeds of cap and trade).

We recommend that the list include geostrategic concerns, such as how to cooperate with other major oil consuming nations, including China and

the members of the EU. Lower oil prices may also provide an opening to change U.S. strategic footing with hostile producer nations, such as Iran, Russia, and Venezuela. Also, how to unite the world in curbing greenhouse gas emissions and adapting to climate change requires a strategy of its own.

The directional strategy should be followed a year or two later by a more comprehensive strategy that tells the nation not only to go west, but how to get there and what to build upon arrival. External

“The directional and longer-range energy security strategies should be developed in the White House, as an expression of the President’s vision. That will require, however, the creation of an office capable of developing such a strategy and overseeing its implementation.”

support and input to the more detailed and far-reaching strategy – not only from industrial and commercial interests but also Congress, states, and nongovernmental actors – will be essential to its success. It will take time to properly cultivate stakeholders in the strategy.

The new administration may wish to consider establishing either an annual update of the National Energy Security Strategy, or a Quadrennial Energy Security Review to reaffirm, measure success, and update the strategy. In the meantime, however, the directional strategy should include short-term outcomes: demonstrating early success, such as energy efficiency gains, improved cooperation with other oil consuming nations, and a formula for negotiating success on climate change, will be important.

The directional and longer-range energy security strategies should be developed in the White House, as an expression of the President's vision. That will require, however, the creation of an office capable of developing such a strategy and overseeing its implementation, which is covered in the next section.

THE ROLE OF THE EXECUTIVE OFFICE OF THE PRESIDENT

Energy security is a whole-of-government challenge, but the federal government's ability to promote energy security is fractured and discontinuous. While a successful, large-scale reorganization would no doubt be helpful, some discrete remodeling will suffice – and is a more realistic option. There needs to be an energy transformation in the U.S. and global economies, moving from near-total dependence on fossil fuels toward carbon-free, alternative fuels. Although much of this transformation will be driven by the supply and demand of the private sector and consumers, the federal government has a critical, catalyzing role to play.

Today, the U.S. government it is not well positioned to play that role. Even though this is a whole-of-government challenge (and arguably, a whole-of-society challenge), there is no whole-of-government response – certainly not a concerted one. The internal schisms and lack of direction are so strong that government representatives at the CNAS workshop referred to the system as “tribal” and several interviewees commented that “when no one is in charge, everyone is in charge.” Energy security is handled as environmental or economic policy, and in some cases agriculture or transportation policy. Domestic policy instruments tend to be entirely separate from international policy instruments. In particular, climate change is handled separately from energy policy within the Executive Office of the President and throughout the government (the Council on Environmental Quality being one of the few exceptions). Furthermore, across all these distinctions, multiple agencies and committees of Congress have jurisdiction, sometimes over the same constituencies.

Achieving energy security will require a coherent and concerted approach across all these dimensions of the challenge. We believe President-Elect

Obama will be able to accomplish his energy security goals with a targeted remodeling and reorganization, led through the Executive Office of the President. By the end of his first term, many lessons gleaned from the initial reorganization should also help inform any large-scale structural changes that may be necessary.

Findings

Congress has been driving recent structural and policy changes on energy security through the energy acts of 2005 and 2007, farm bills, and through authorization and appropriation bills, but there are very complicated jurisdictional lines and even more complicated energy security constituencies (24 U.S. states, for example, produce some amount of coal). Although Congress has an important role to play, it is difficult and perhaps not feasible for Congress to lead a truly transformational, national energy policy.

The most important tool for achieving energy security, therefore, will be the president's ability to lead the way for the U.S. government, the private sector, and the American people. Indeed, the President-Elect has already demonstrated he will use the power of his office to advance these issues. There will be tremendous pressure to focus on competing priorities, however, so the President will need an effective way to delegate and channel his authority. That authority should reside close to him in the Executive Office of the President (EOP).

Recommendations

Given the necessity of presidential leadership, we recommend that the new administration focus on improving and consolidating the Executive Office of the President's (EOP) role in drafting and overseeing the implementation of a national energy security strategy. There are two basic options: reinvigorate and empower an existing EOP office or create a new council, akin to the National Economic Council or National Security Council.

Press reports and publications by key members of the transition team suggest that the incoming administration is in fact considering the creation of a new National Energy Council (we refer to this Council as the National Energy Security Council, or NESC, to distinguish it from the White House National Economic Council). Whether this independent council is newly created or existing offices such as the Council on Environmental Quality (CEQ) or National Security Council (NSC) are expanded, we believe it is essential to improve the

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Executive Office of the President's ability to unify the disparate elements of national energy policy, author the national strategy, and coordinate the implementation of that strategy. In the areas where direct presidential participation may be warranted, such as international negotiations, the office should also have a lead role in supporting the president. We judge that in order to establish authority over and effectively collaborate with a vast and fractious

government infrastructure, this new or reinvigorated office will need three key elements:

- A compelling and persuasive vision articulated and kept current by the President, combined with a sense of urgency;
- A national budget that aligns actions and resources with vision and new priorities;
- Participation in the development of strategy by those who need to change their efforts and behavior – agencies are much more likely to implement the strategy if they were at the table when it was drafted. Moreover, they have the resources and capacity to support a transformative vision and the connections to all the vast networks of constituencies that also need to change their efforts and behavior in order for a new strategy to succeed.

An existing EOP office effectively can be empowered to carry out the job of constructing and then coordinating and carrying out the implementation of a national energy security strategy. A Deputy National Security Advisor for Energy Security may be the best fit, although that would require bringing domestic policy issues into the NSC, where they have not traditionally resided. Overlapping authorities with the Council on Environmental Quality, the Office of Science and Technology Policy, and the National Economic Council's Deputy for Energy would have to be worked out. We recommend that the other offices play an advisory role on energy and climate issues, working from their particular perspectives and with their constituencies, with the DNSA clearly in the lead.

Although existing structures would certainly work, we believe a National Energy Security Council has advantages. Creating a new White House office sometimes offer more symbolism than substance, and there are often better ways to elevate the importance of any given issue. In this case, however, the issue is unusually multidimensional -- energy is an economic, environmental, and

security challenge that brings together domestic and international interests across all sectors of the economy. There are strong short-term risks and the potential for dramatic long-term dangers to the very way of American life. Moreover, market realities, such as today's sharply falling oil prices, present stark public policy challenges for setting the nation on the right course. Truly, only strong presidential leadership can set the nation on the course to a long-term solution.

There are precedents for a distinct office within the White House to coordinate energy policy. Unfortunately, the precedents are not encouraging – but they are instructive. President Nixon hastily created an energy office in the White House in reaction to the 1973 oil embargo, but it clearly lacked resources and goals and was disbanded in about six months. A new Federal Energy Office (later changed to Administration) followed – this time led by a close Nixon advisor, William Simon, whose position was elevated to counselor to the President – and two-year statutory authority as an independent agency. By the end of 1974, Simon had been promoted to the Treasury Department, Nixon had resigned, and President Ford had very publicly fired another energy czar over policy disputes. The Federal Energy Administration took the brunt of Congressional, interdepartmental, and public dissatisfaction with federal energy policy, and was consistently criticized until President Carter and Congress rolled it into the newly-established Department of Energy in 1977. The offices fell victim to personality conflicts, controversies over policy decisions, poorly defined structures, roles and missions, and generally had little institutional heft or relationships to back up and execute their recommendations. They were essentially “czars without an empire.”

A better model for the new council is perhaps President Eisenhower's original design for the National Security Council, with more grounding in the agencies and insulation from the daily grind.

The office was intended to develop national strategy and track the implementation of that strategy, largely by incorporating the relevant government actors in the process. The Special Assistant to the President for National Security (later the National Security Advisor) focused on strategy development while a Staff Secretariat managed day-to-day government operations.

A National Energy Security Council that focuses on capturing the president's vision in a strategy, leveraging and building on the competencies and relationships already in the federal agencies can play a crucial role in guiding the nation through a difficult and necessary transformation. To appropriately resource this organization, the EOP would likely have to shutter or move some White House offices into the agencies. There are many opportunities to do so without losing effectiveness; Freedom Corps, for example, is highly redundant with the Corporation for National and Community Service and the Office of Faith Based and Community Initiatives and was largely created because of a State of the Union talking point.

We recommend that the Council itself be comprised of the heads of the frontline energy agencies, which would include: the Department of Agriculture, the Department of Commerce, the Department of Defense, the Department of Energy, the Department of the Interior, NASA, the Department of Transportation, and the Department of State. Other departments and offices would be convened along with the Council as needed, including FERC and the Nuclear Regulatory Commission.

At the November 24th CNAS workshop, attendees discussed the strengths and weaknesses of three models for how an NESC might be structured. One model was “solutions-oriented,” or aligned along the policy areas that will need to change in order to transform the American energy posture. This model would include senior directors in charge

of: domestic policy; research, development, and deployment of technology; finance; business and public/private partnerships; international climate relations; and Congressional relations; plus a scientist and an economist. For another, “sectoral,” model organized according to federal agencies and the sectors they represent, the senior directors would include: commerce and industry; agriculture; transportation; science and technology; electric power; international relations; and defense. A third, management-oriented model, loosely inspired by the original National Security Council model proposed by President Eisenhower, would have senior directors for: strategy and policy; planning and operations; management and budget;

“Although existing structures would certainly work, we believe a National Energy Security Council has advantages.”

people and culture; and information sharing and partnerships.

Some workshop attendees thought goal-oriented functions that are inextricably embedded in government operations were the most important focus; others thought the focus on guidance, making sure that resources (personnel and budgets) match the policy proposals, and tracking implementation were very important. Based on this feedback and prior analysis, CNAS proposes that a National Energy Security Council – or, for that matter, any EOP office charged with promoting a transformative energy policy – be built on a model that mixes management competencies with policy

areas that require a particularly strong focus or the direct engagement of the president (such as international climate change negotiations). Specifically, the NESC should include a Principal Deputy who can oversee the operations of the Council itself, plus Senior Directors, presiding over small staffs, who would manage the following areas:

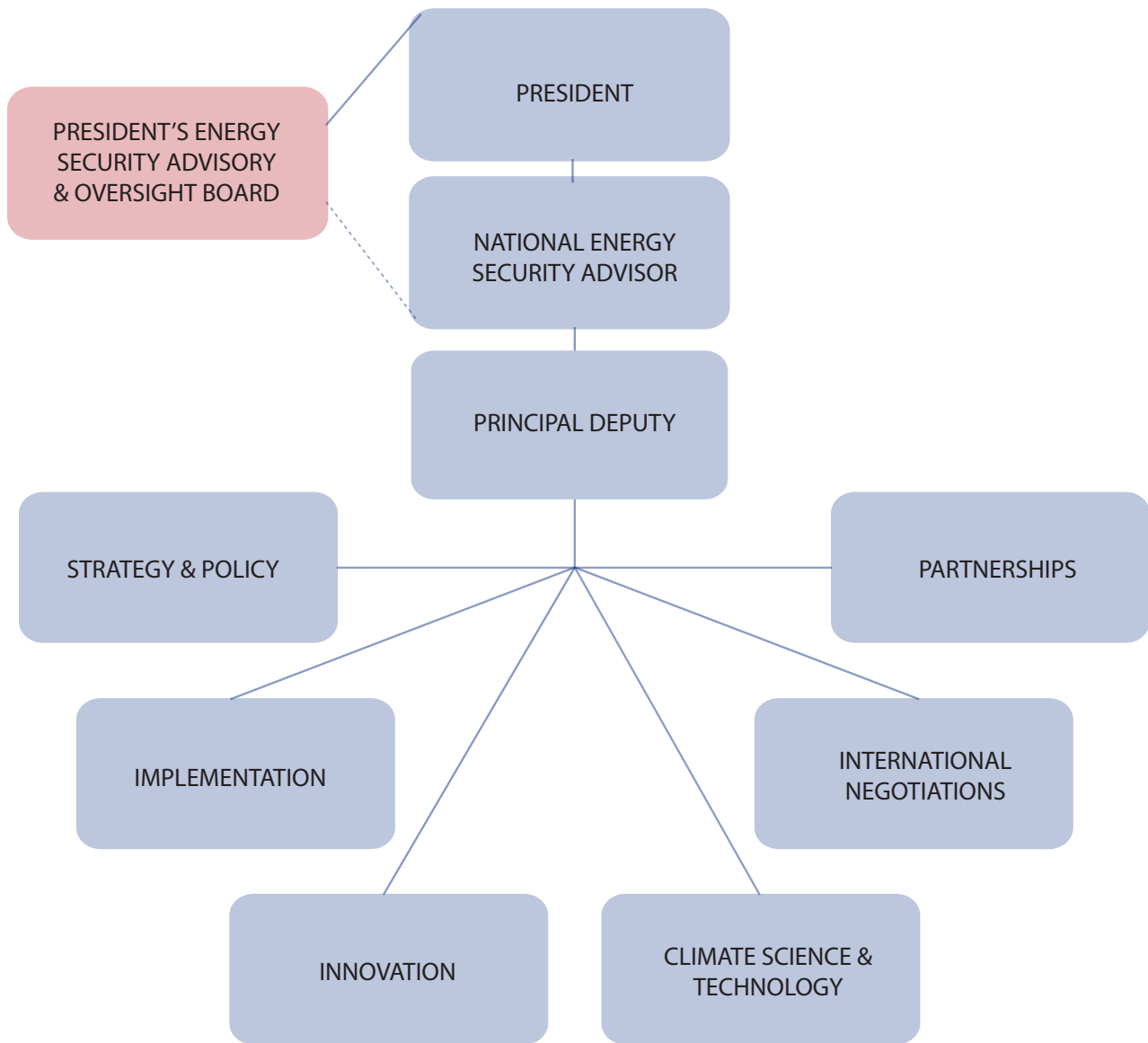
- Strategy and Policy:** focus on long-range strategy development, including through scenario planning and futures analysis, as well as the near-term “directional” strategy. The office would also identify legislation, Executive Orders, regulations, NSPDs or other directives needed to support and execute the strategy.
- Implementation:** coordinate with the agencies and OMB to match resources against the strategy and establish performance measures. Indeed, it is worth formalizing the relationship with OMB by making the program associate director (PAD) double-hatted. Indeed, OMB should also revive its role in providing coordination and oversight of energy programs across agencies. In the past four years, it has not been playing as active a role in coordinating federal energy programs as it has in the past. This office should collaborate closely with OIRA, as well. The Operations office would also coordinate with OPM and other offices on personnel policy to ensure that agencies have the human resources they need to carry out the policy, including incentives rewarding interagency coordination, which is crucial to developing and implementing a successful energy security strategy.
- Partnerships:** orchestrate cooperation with Congress, state and local governments, NGOs, and the private sector in developing and implementing the national energy strategy.
- Innovation:** develop and implement the elements of the national strategy focused on research, development, commercialization,

and technology transfer of energy and related science and technologies. This category is drawn specifically from the President Elect’s November 18, 2008 remarks.

- International Negotiations:** work with the State Department to develop and execute international climate negotiations and key energy agreements, including those in which the President will need to engage directly. This element is also drawn specifically from the President Elect’s November 18, 2008 remarks.
- Climate Science and Technology:** fold the current structure for the U.S. Climate Change Science and Technology Programs into this council. The current coordination mission across the 13 agencies engaged in R&D on climate change is important, but is hampered by split authorities, inadequate resources, and lack of focused high-level engagement.

Finally, in recognition of the fact that it is the private sector that will actually drive any transformation in the country’s energy economy, the new administration should consider creating an independent, nonpartisan advisory board, modeled on the President’s Intelligence Advisory Board (PIAB, formerly the PFIAB). The President’s Energy Security Advisory and Oversight Board could have 16 members (like the PIAB), though in this case we believe it would be helpful if eight members appointed by the President, four by the House, and four by the Senate (i.e., a bicameral, bipartisan appointment).

Figure 1: Management and Policy Area Hybrid Model



THE FEDERAL AGENCY INFRASTRUCTURE FOR IMPLEMENTING AN ENERGY SECURITY STRATEGY

Across the federal government, most agencies that are likely to play a role in an energy transformation focus on policy (to include international negotiations), regulation, and science. Most of the funding for energy security is concentrated in the science agencies, particularly the DOE National Laboratories and NASA, and NOAA to a lesser extent. Although there are many links among the policy, regulatory, and science agencies, sometimes at the discretion of federal employees and sometimes by presidential directive or congressional mandate, the actual strength and effectiveness of interagency cooperation is highly dependent on personalities.

Findings

The White House office itself will lack sufficient resources to execute a national strategy, both at the federal level and across the sectors of the economy that would need to engage for success. In order for a National Energy Security Council to succeed, the whole-of-government infrastructure will require some improvements. Several structural issues stood out in the workshop and in interviews, particularly the weak links for interagency cooperation and uneven or underdeveloped ability to develop implementing strategies and plans.

Some Federal agencies already have coordinating councils, internal cooperation hubs, or policy planning functions. The Department of Transportation, for example, has a Climate Change Coordinating Council that coordinates the climate change-related activities of all of its internal agencies, such as the Federal Aviation Administration and the National Highway Traffic Safety Administration. Other organizations, such as the U.S. Army, have tasked single offices with coordinating all internal energy activities and with disseminating and

monitoring implementation of policy decisions. These can improve the agency's ability to engage in interagency planning and to implement an executive-level energy security strategy. Notably, many agencies lack these capabilities or have relatively weak coordinating and policy bodies within the institution (certainly on energy security), including the Departments of State, Energy, and Defense.

Whether the NSC or CEQ takes on an elevated energy security mission or a new, separate Council is created, the Department of Energy is the logical agency to be the focal point for resourcing and giving traction to the Executive Office of the President's guidance. But DOE, as it now exists, may not be capable of playing that role; it has important expertise but a dysfunctional structure that hurts morale and hampers its ability to be effective in making and executing policy on core national interests. Since its formation in 1977 bringing together 40 different agencies, DOE has never really gelled into a fully functional, coherent institution.

The Department does have an Assistant Secretariat for Policy and International Affairs, but our interviews suggested that this office has lost prestige and capability in recent years in its policy planning and coordinating functions. DOE's program and policy offices (e.g., the Office of Science or the Office of Fossil Energy) are not accountable to any direction this office may provide, and this office may or may not involve policy offices in its policy planning. Strengthening that relationship ultimately is the responsibility of the Secretary.

In addition, the National Laboratories house tremendous talent and capability, including innovation talent and skill that will be crucial to an energy transformation, but the system as it stands is unwieldy and expensive with duplicative efforts and important gaps. In many cases, however, the labs have important constituencies in Congress

and are a key part of local economies – closing them or reconciling missions will not be easy.

A notable outlier in this system is the Department of Defense, which is a major national consumer of energy and responsible for 78 percent of all federal energy use. Although the department certainly has a strategic imperative to protect access to energy supplies, there is no inherent energy security policy-making role at DoD, and there is mixed opinion inside and outside the Pentagon about whether that should change. There is little disagreement, however, that the power of DoD as a major consumer of energy is largely untapped, although there are concerns within the military and civilian defense leadership about interference with operational effectiveness. Note that mandates in this area have sometimes been helpful: for example, the legislation (P.L. 110-181) requiring the Department to consider climate change in its National Defense Strategy, National Military Strategy, and Quadrennial Defense Review has essentially created a new infrastructure at the Department of Defense in OSD (Policy), the Joint Staff, and the Services that is accumulating expertise on energy and climate change. This includes new interactions and new information-sharing patterns and content.

One of the most important and challenging initiatives for the President-Elect will be putting a price on carbon, but there is no clear institutional home in the federal government for the approach he has advocated (cap and trade). Most legislative proposals to date for controlling carbon emissions have identified the Environmental Protection Agency, which is appropriate given that it is the regulatory agency that now manages a cap and trade program for sulfur dioxide emissions under the Clean Air Act. A carbon dioxide cap and trade system, however, is a much larger scale proposal, and it is as much a revenue program as it is pollution control or regulatory policy.

Any federal effort to change the U.S. energy posture will have to assign high priority to identifying and promulgating quality and consistent information about global climate change, a priority President-Elect Obama mentioned on the campaign trail. Reliable, consistent information on climate change is hard to come by for federal agencies, particularly those that have to plan for how to deal with future climate-related contingencies (such as the Department of Defense and FEMA), given that 13 different agencies or offices have some jurisdiction over climate change issues. Moreover, public attitudes on climate change are going to be

“In order for a National Energy Security Council to succeed, the whole-of-government infrastructure will require some improvements.”

critical to national transformation, and despite the hard work of a committed core of government personnel, the federal government’s ability to conduct education and outreach on these issues is ad hoc at best and anemic in general.

Recommendations

Once a directional strategy is in place to orient the rest of government toward common strategic goals and objectives and an EOP office begins its interagency work, several structural and functional changes in the rest of government should take priority to ensure early and continuing success. We recommend that the President-Elect make clear from the outset how important departmental action is to the national strategy. Some of these

changes will need to be carried out over several years, but some steps can be taken immediately.

- Internal Structures:** All agencies that sit on the Energy Security Council (or have frontline responsibilities if an Energy Security Council is not created) should have an internal structure to coordinate energy security activities and implement policy. This is an important part of the infrastructure for supporting and executing the strategy of the President Elect.

“Once a directional strategy is in place to orient the rest of government toward common strategic goals and objectives and an EOP office begins its interagency work, several structural and functional changes in the rest of government should take priority to ensure early and continuing success.”

- Department of Energy:** In addition to any recommendations the Presidential Transition Team will make, the next Secretary of Energy should consider commissioning an expert, external panel to recommend institutional reform for the Department of Energy. The

incoming secretary should make the Policy and International Affairs Office one of his or her highest priority appointments, perhaps elevating the office to the Under Secretary level. This office should be the driver of strategic planning for the Department, as well as the hub for internal cohesion and interagency cooperation. The new Secretary should also consider elevating or incorporating into the strategy office the elements of the Office of Intelligence and Counterintelligence engaged in long-term strategic planning.

- National Labs:** To streamline the National Laboratory system, the incoming team should consider adopting a process similar to the Base Realignment and Closure Commission (BRAC), which has helped reshape domestic military bases. The BRAC is an independent commission charged to examine the nation’s military infrastructure and make recommendations for how to rationalize the infrastructure while increasing capabilities and effectiveness; the BRAC also includes “re-use” elements that help local communities adapt when a base moves or closes down. Note that base cleanup is another facet of the BRAC process and should be incorporated into a National Labs Realignment and Closure process, as well.

- Department of Defense:** The Department of Defense should have a key voice in energy security policy-making, whether or not it is comfortable in that role. Energy and climate change are increasingly seen as core national security issues, making DoD engagement appropriate; it has a global presence with tremendous capacity for collecting and disseminating relevant strategic information on energy and climate change; and it could enhance its operational effectiveness while providing an important demand signal to the national economy for energy efficiency technologies, alternative fuels, and other innovations.

- Assistant to the Secretary of Defense for Energy Security:** The Director for Operational Energy, created in the 2009 National Defense Authorization Act, but not yet stood up in the Department, could have an important role to play in raising DoD's profile on these issues. This position, once installed, should be redefined as the Assistant to the Secretary of Defense for Energy Security, given that the Department has no natural home right now for strategy or planning on energy security or climate change. Under the ATSD-ES, there should be a Director for Operational Energy who focuses on accomplishing efficiencies in operational energy use without compromising mission effectiveness; a Director for Critical Infrastructure who focuses on the reliance of military bases on the civilian economy for electricity and other public services; a Director for Climate Change, who can help coordinate the Department's strategic analysis and planning for climate change; and a Director for Installations and Environment, a position that currently exists in the Acquisitions, Technology and Logistics side of the Department. This office should formalize the infrastructure that has been created across the Department and military services to deal with climate change concerns in the QDR as a consultative group. By consolidating existing authorities with strategic oversight, this office can both promote DoD's voice on policy issues and ensure that DoD's power as an energy consumer is tapped in a way that enhances military missions.
- A Home for Cap and Trade:** Our initial findings suggest that the EPA would be the right home for the regulatory side of such a program, as it already administers similar programs for phasing out ozone-depleting substances under the Montreal Protocol and SO₂ and NO_x under the Clean Air Act. The last major GAO examination of the SO₂ program was in 2002; the only major examination of the

full acid rain regulation program was provided by the EPA itself in 2006. Assessing the accomplishments and lessons learned of these programs would be extremely helpful in designing a viable cap and trade system. A new GAO assessment, as soon as possible, would be very helpful. The EPA, however, is likely not the best place to handle the permit auctioning side of a cap and trade program. The new Treasury Office of Environment and Energy may be a logical home for the program's revenue administration, although the office size would have to increase and it would need to continue to strengthen its existing relations with the EPA and DOE. It is worth considering also engaging the Department of Commerce in the business development side of the program. It would be helpful to establish and fully resource a standing Cap and Trade Interagency Team immediately in order to identify the ingredients of success for such a program (e.g., federal domain over transmission line and pipeline sites or safety and liability regulations for carbon capture and sequestration), to help negotiate with Congress to draft legislation accordingly, and to execute the program once Congress passes the legislation.

- National Climate Service:** The President-Elect should consider creating a National Climate Service, akin to the National Weather Service. This organization could collect information, coordinate the informational output of the 13 agencies that work in these areas, and disseminate information to the public, preferably through a website and a full public information campaign. NOAA is currently looking at several options for what a National Climate Service might look like: a federation of regional, state, and federal partners that would determine how to deliver climate services, with no lead agency but with the power devolving to a group of regional boards; a nonprofit with federal sponsorship, similar to the National Center

for Atmospheric Research (NCAR); a National Climate Service with NOAA as the lead agency with specifically defined partners; or a National Weather Service within NOAA expanded to include climate services as well. Working groups have evaluated these four options and an advisory board will make recommendations for one of these approaches or a combination of them in early December 2008. However, most if not all of these options would require some level of statutory authority – not to mention funding – so determining the best model is only the first step.

CONCLUSION

The initial findings and recommendations in this paper are based on CNAS analysis and interviews with both career and political appointees in the federal agencies, EOP, and Congress. CNAS collected this information in a “wiki,” which was opened for contributions and comments from some interviewees and can be viewed by request. The information in the wiki was then used to create a “map” of the U.S. government, which will be publicly released in January 2009, along with revised findings and recommendations, in a public event. In addition, CNAS conducted a small workshop on November 24th with a select group of individuals identified as possible change agents in the course of the research. Through the sponsor of the project, the Markle Foundation, CNAS also had the opportunity to collaborate with researchers at the University of Texas at Austin, who focused on private sector views of public policy on energy.

Ultimately, the most important element in harnessing the power of the federal government to achieve energy security will be people – the President himself, but also the people of the EOP, the federal agencies, and Congress, and the relationships among them. We believe, however, that a strategy and structural upgrade can help create the conditions in which people will succeed.

CNAS is well aware that presidential transition teams are conducting a systematic analysis of how to shape and staff the federal agencies. We hope that the initial findings and recommendations offered in this paper may make some modest contribution to that effort.

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Center for a New American Security

1301 Pennsylvania Avenue, NW
Suite 403
Washington, DC 20004

TEL 202.457.9400
FAX 202.457.9401
EMAIL info@cnas.org
www.cnas.org



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New American
Security

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1301 Pennsylvania Avenue, NW
Suite 403
Washington, DC 20004

TEL 202.457.9400
FAX 202.457.9401
EMAIL info@cnas.org

www.cnas.org