



ASSISTANT SECRETARY OF DEFENSE

3700 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3700

OPERATIONAL ENERGY  
PLANS AND PROGRAMS

JAN 31 2014

INFO MEMO

MEMORANDUM FOR SECRETARY OF DEFENSE

DepSec Action \_\_\_\_\_

THRU: UNDER SECRETARY FOR DEFENSE (AT&L)

FROM: Sharon E. Burke (ASD, Operational Energy Plans & Programs) *SEB*

SUBJECT: Fiscal Year 2015 Operational Energy Preliminary Budget Certification

Military operations, capabilities, and facilities depend on a significant and steady supply of energy, a requirement that can be and has been exploited by our adversaries as a vulnerability. The *Operational Energy Strategy*, which DoD released in June 2011, guides the Department's investments to address this vulnerability and ensure that our forces have the energy options they need to execute missions today and in the future.

10 USC 138c requires me to review DoD's proposed annual budget and report to you by January 31<sup>st</sup> whether the budget is adequate for meeting the goals of the strategy. The goal of the strategy is to improve the energy security of military operations by reducing the demand for energy, increasing and securing supplies, and building energy security into the future force.

Given my preliminary evaluation, I certify that each DoD Component's proposed FY15 budget is adequate for meeting the goals of the strategy. My findings are based on the Program Objective Memorandum (POM) submissions and adjustments noted in the Resource Management Decisions, as well as the recommendations of the Certification Advisory Working Group, which included representatives from my office, Comptroller, Cost Assessment & Program Evaluation, the Joint Staff, the Services, and the Defense Logistics Agency.

The preliminary assessment showed that DoD budgeted approximately \$1.5B in FY15 and \$7.2B across the FYDP for operational energy initiatives. The preponderance of funding, approximately 92 percent, is aligned to the "reducing the demand for energy" goal in the strategy with the remaining funding aligned to the "increasing and securing supplies" goal.

Generally, the Components reduced funding for operational energy initiatives in amounts proportional to their reduced fiscal guidance. However, I am encouraged that the Army increased funding for operational energy initiatives in the FY 15-19 FYDP as compared to the FY14-18 FYDP. I believe this reflects Secretary McHugh's April 2013 guidance that "Army operational energy is a critical enabler for the range of military operational capabilities from the individual Soldier to strategic levels." I am also encouraged that the Department restored funding during Program Budget Review for the Air Force's Adaptive Engine Technology Development (AETD) program. AETD seeks to provide fighter aircraft 25 percent greater fuel efficiency, which could deliver significant capability returns, including increased strike radius, and fewer tanker sorties.

Prepared By: Mr. George Guthridge, OASD (OEPP), 703-697-5237 (USA000426-14)

If the Components' final budget submissions are consistent with the current POM, I anticipate that I will provide a final report in the spring certifying the budgets as adequate.

Nevertheless, I have several areas of concern at this time that I would like to bring to your attention:

- Operational Energy Capability Improvement Fund (OECIF) demand reduction programs, which I have funded in prior budgets, focus on reducing energy requirements at expeditionary bases and will reduce logistics convoy requirements and associated risks to the force. I am concerned about the lack of follow-on funding to complete the maturation of these technologies.
- The Army's Improved Turbine Engine Program (ITEP) program seeks to field an improved engine for the Apache and Blackhawk helicopter fleets which will increase maximum operating range and temperature while providing a 25 percent fuel reduction. I am concerned about delays to the ITEP program.
- The Navy's Hybrid Electric Drive (HED) program improves the fuel economy of Arleigh Burke-class ships by approximately seven percent and provides greater electric power for subsystems, such as radars. Funding for HED development was reduced in this budget submission due to the under execution of Research and Development funds. I believe, however, that the Navy should continue to incorporate HED into the DDG 51 Flight III program, particularly given the power demands of the Air and Missile Defense Radar (AMDR). I will closely monitor the Navy's efforts in this area.
- I also have concerns about a variety of fuel distribution systems. The Army's Inland Petroleum Distribution System (IPDS) is an important system for bulk petroleum distribution but sustainment funding is well below the required amount. Early Entry Fluid Distribution System (E2FDS) is a new Army research and development program that would address some of the shortfalls in IPDS for supporting early entry, but E2FDS is not funded in this budget. In addition, the Combatant Commands' over-the-shore petroleum distribution requirements have been an open issue for the last two PPBE cycles, which the Navy has yet to resolve. Later this year, a joint working group will present a recommendation on over-the-shore petroleum distribution to a General Officer Steering Group and I am hopeful we can then pursue meeting the requirements in the next PPBE cycle.
- Finally, though the Army has shown some improvement, I remain concerned that there is insufficient investment in energy related analytical tools, such as modeling and simulation, across the Military Departments. Such analysis allows the Department to incorporate energy security considerations into the requirements and acquisition processes, which is vital to the evaluation of major defense acquisition programs (MDAPs) and in defining requirements for energy demand, per the guidance of the Chairman of the Joint Chiefs of Staff (Chairman of the Joint Chiefs of Staff Instruction (CJCSI) 3170.01H) and Public Law (PL 110-417).