16. **DEFENSE**: Navy sees energy efficiency investments as money saved (02/15/2011)

Annie Snider, E&E reporter

As the Department of Defense aims to slim its budget without compromising on fighting ability, at least one service is pointing to energy investments as a way to do more with less.

Rear Adm. Joseph Mulloy, the Navy's deputy assistant secretary for budget, said the Navy has already recouped the $2.3 billion it has invested in energy security through efficiency savings. His comments came during a Pentagon briefing yesterday where Defense Secretary Robert Gates and top budget honchos detailed how the Pentagon plans to grow at the same time it cuts $78 billion, or about 3 percent of its budget, over the next five years.

In fiscal 2012, the Navy plans to make $656 million in energy investments and expects to save $566 million. Over the next five years, the cost-benefit is expected to balance out.

"Typically, you have to wait years to get dollars back," Mulloy said. "In this case, we're already aggressively taking the savings out from that, and these are minimal based upon the price of fuel. Everyone knows fuel is going up."

The Navy's tack on energy fits with Gates' approach to the budget, which is to identify "efficiency measures" where money can be saved and rerouted to other programs, allowing DOD to expand its capabilities without increasing its bottom line.

DOD's savings come primarily from personnel and business management changes, but both the Air Force and the Navy have announced energy savings as part of their top-line efficiency measures.

"The goal was not only to generate savings that could be applied to new capabilities and programs, but for our defense institutions to become more agile and effective organizations as a result," Gates said.

But the Pentagon's cost-saving measures are not likely to quell the drive by conservatives in Congress to make far deeper cuts to the DOD budget.

Gates and his budget deputy lambasted these efforts, saying they put U.S. security and national interests at risk.

"The debate over the defense budget in recent days and weeks is becoming increasingly distant from strategic and operational reality -- distant, in other words, from the real world," Gates said.

Like the rest of government, DOD is being squeezed by the lack of a fiscal 2011 budget. This has stalled some procurement programs and forced shorter-term contracting, which is often more costly and less efficient.

Late last Friday, the House Rules Committee approved a Defense appropriations bill for fiscal 2011 that, despite cuts, DOD officials say would provide a measure of relief.

Undersecretary Robert Hale, DOD's chief financial officer, said Pentagon officials are still reviewing the legislation but noted that cuts the bill makes to one of DOD's cash funds could cause problems if the price of oil goes up.

"It will eliminate some flexibility to handle fuel increases," Hale said. "So far fuel is doing OK, but who knows what will happen to fuel over the rest of the year."

**Broader implications**

Although DOD's budget briefing materials are nearly a foot thick, early details on energy and environment impacts are scarce since such work is largely wrapped into mission-oriented programs.
Alternative energy research could get a boost from the $18 billion in R&D funding included in the Navy budget, which identifies energy as one of its top priorities. That is a slight increase over 2011 but nearly $2 billion less than fiscal 2010, the last year that Congress approved a budget.

Overall, the budget proposal skims more than $5 billion off DOD research and development funds, down from the $80.4 billion currently allocated under this year's stopgap funding.

With Cyber Command now up and running, the budget includes $2.3 billion to improve cyber capabilities. Congress is currently mulling how DOD, the private sector and utilities should collaborate on cyber issues such as grid security ([E&ENews PM](http://www.eenews.net/Greenwire/2011/02/15/16), Feb. 11), and some funding could be routed to information-sharing ventures.

The budget proposal also puts aside just under $1.2 billion for military environmental restoration work, including hazardous waste projects. Those funds represent a slight growth for the Navy and the Air Force and a slight decline for the Army.

And on the heels of a year of natural disasters -- events like the Pakistan floods that drew U.S. military forces as first responders -- the Pentagon budget proposal whacks humanitarian, disaster and civic aid. Those programs are down 77 percent from last year's stopgap funding and nearly 82 percent from 2010.

The proposed cuts to humanitarian aid could have major implications for both international relations and military missions at a time when some scientists are predicting stronger extreme weather events in the face of a climate change. As was the case in the Pakistan floods, extremist groups often provide assistance during humanitarian disasters to win over hearts and minds.

But the Pentagon has rarely failed to step up during such emergencies. Instead, such optimistic budgeting lays bare why many Pentagon insiders are skeptical about the long-range prospects for DOD's cost-saving plans.

"I'm pretty confident we'll meet [the budget goals] in fiscal '12," said Hale, the Pentagon's CFO. "I think there'll be more of a struggle as they get larger and we have less definite plans in the years beyond."
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