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STATEMENT OF

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(ENERGY, INSTALLATIONS, AND ENVIRONMENT)

BEFORE THE

SUBCOMMITTEE ON DEFENSE

of the

SENATE APPROPRIATIONS COMMITTEE

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Chairman Durbin, Vice Chairman Cochran, members of the subcommittee; thank you for the opportunity to discuss the Department of the Navy's (DON) operational energy program and review the progress of the Advanced Drop-In Biofuels program.

I also appreciate the subcommittee's continued support of the men and women in uniform and our civilian workforce and their families. These men and women serve their nation around the world with skill and dedication, no matter the hardships they face.

The Navy has a long, proud history of energy innovation; and it is no different today. Throughout his tenure, Secretary of the Navy Ray Mabus has made power and energy a top priority. In 2009, he announced 5 energy goals for the Department of the Navy to improve our energy security, increase our strategic independence, and improve our warfighting capabilities. The Department of the Navy is committed to generating one-half of its energy needs from non-fossil fuel sources by 2020. Over these past 5 years, we have made real progress toward those goals through greater energy efficiency and alternative fuel initiatives.

The wars in Iraq and Afghanistan have proven that energy is, and will continue to be, a national security issue. Each \$1 increase in the price of a barrel of oil results in a \$30 million bill for the Navy and the Marine Corps. These are the same dollars that provide for the operational readiness of our forces and we cannot afford to divert scarce resources in post—Budget Control Act fiscal environment.

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As you are well aware, President Obama directed the Department of the Navy to work with the Departments of Energy and Agriculture to promote a national biofuel industry. This year, under authority in Title III of the Defense Production Act (DPA), these three agencies plan to complete a DoD DPA award to up to four companies to produce up to 160 million gallons of drop-in biofuels each year at a weighted average price of less than \$3.50 per gallon. This price will be competitive with what we are paying today for conventional fuels – this is aligned with DoD policy that operational quantities of biofuels must be cost competitive.

The Farm-to-Fleet Program pairs DON and U.S. Department of Agriculture (USDA) to begin integration of JP-5 and F-76 biofuels blend purchases as part of the Defense Logistics Agency (DLA) Energy's regular bulk fuel acquisitions process. USDA Commodity Credit Corporation (CCC) funds are also available to support the effort. This will mark the start of the "new normal", where drop-in biofuels will be fully integrated with our regular operations and logistics.

The program will begin with the 2014 Inland/East/Gulf Coast bulk fuels solicitation that will begin deliveries in mid-2015. This will be followed by the 2014 Rocky Mountain / West Coast program which will also begin deliveries in 2015. The Navy's requirement will stipulate that biofuels or other advanced alternative fuels comprise from 10% up to 50% of the total JP-5 and F-76 volume to be acquired. We anticipate the total volume of alternative fuels acquired through these contracts would be approximately 80 million gallons at the 10% alternative fuel blend.

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The use of CCC funds will be available to defray premiums to conventional fuels (if any) for biofuels whose feedstocks meet the Farm Bill definition of “renewable biomass” and are grown in the United States, its territories, and protectorates.

In addition to our partnership with other Federal Agencies, we have also been working with our allies and strategic partners. We have signed Statements of Cooperation with both the Australian and Italian Navies to share biofuel specifications, research outcomes, and certification documentation. These actions will ensure the interoperability of all fuel types used among our allied partners.

We continue to develop energy efficiency through research and development of more efficient propulsion systems. The USS Makin Island (LHD 8), during its maiden deployment in 2012, saved more than four million gallons of fuel resulting in an estimated cost savings in excess of \$15 million. The Marine Corps’ development of expeditionary power solutions, through the Experimental Forward Operating Base or ExFOB, has allowed them to lighten their load and be more agile warriors.

Finally, during the past month and a half, I have attended energy training events at Marine Corps Bases Camp Lejeune and Camp Pendleton, and Naval Stations Norfolk and San Diego. And our Sailors and Marines get it. They understand that these programs are about diversifying fuel supplies, stabilizing fuel costs, and reducing our overall energy

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needs. They get that reducing our energy consumption translates into greater combat capability. And, they are ready to respond, whenever our nation calls upon them.

I thank you for the opportunity to testify before you today and I look forward to your questions.