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From Energy Transition to Energy Dominance: What the FY2027 DOE Budget Really Says

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VIEWPOINT TOPICS

- Energy & Sustainability

The Fiscal Year 2027 President's Budget ("FY27 PB") for the US Department of Energy (DOE) is only the initial step in a process that will continue through congressional deliberations and appropriations legislation for the rest of this year — and possibly beyond. It does, however, provide a firm point of reference for where the Trump administration is headed in terms of implementing their overall energy policy.

Consistent with previous administration statements and actions, the FY27 PB represents a clear break from the policy architecture that has defined federal energy strategy for more than a decade. With the release of detailed documentation, it is now clear that this is not simply a reprioritization of funding — it is a restructuring of much of DOE's mission, programs, and institutional identity.

At its core, the FY27 PB replaces the "energy transition" framework with policy and messaging centered on lowering the cost of energy production, high-impact R&D, industrial capacity for critical minerals and other priorities, and national security. While differing significantly in its lack of emphasis on clean energy, there are many common points with the previous administration. We highlight key offices where this shift is most apparent and potentially impactful.

CMEI: Consolidation as Policy

The Office of Critical Minerals and Energy Innovation (CMEI) is one of the clearest examples of change with the current administration.

CMEI's topline funding falls sharply to $1.12 billion, a reduction of approximately 40% from FY2026 enacted levels. However, this reduction is only part of the full impact of recent organizational changes. The office has absorbed the functions of multiple legacy organizations, including the former Offices of Energy Efficiency and Renewable Energy (EERE), Manufacturing and Energy Supply Chains (MESC), and State and Community Energy Programs, and portions of Fossil Energy. In their places are three key technology pillars: the Office of Critical Minerals, the Office of Energy Technology, and the Office of Innovation, Affordability, and Consumer Choice.

What emerges is a concentrated engine for much of the energy dominance agenda. The budget's accompanying Congressional Justification explicitly ties CMEI to a series of executive orders, including those focused on domestic mineral production, grid reliability, and the elimination of subsidies for intermittent energy sources (i.e., renewable energy).

More importantly, the internal funding reduction reveals the scale of the policy shift:

- Electric vehicle and hydrogen programs are reduced by 90–100%
- Wind and solar programs are effectively eliminated
- Weatherization and state energy programs are fully terminated

Reductions in these budgets have been used to increase critical minerals funding dramatically, including a +339% increase in advanced mining and mineral production activities for a total of $364 million. This budget covers a range of applied R&D approaches, industry partnerships, and scaling demonstrations for transformational extraction and processing technologies.

In practical terms, CMEI is being repositioned away from broad clean energy deployment toward supply chain, industrial capability, and targeted innovation priorities. It is a supply chain and industrial capability office with an additional role in consumer affordability and regulatory oversight.

What remains to be seen is how much House and Senate energy appropriators will buy into this new vision or put back much of EERE's historical program funding.

Hydrocarbons and Geothermal: Production First

The renamed Hydrocarbons and Geothermal Energy Office (HGEO) — formerly Fossil Energy and Carbon Management — further illustrates the administration's priorities. HGEO's programs now flow through three subprogram offices: the Office of Coal, the Office of Oil and Gas, and the Office of Geothermal, which was previously part of EERE.

While overall funding declines modestly from $787 million to $676 million, the internal program structure shifts decisively toward production and system reliability. HGEO is explicitly tasked with "unleashing" domestic hydrocarbon resources and enabling affordable, reliable baseload power.

Several elements stand out:

- Coal is repositioned as a "cornerstone" of the energy mix, with new investments in mining, processing, and plant life extension
- Oil and gas programs prioritize enhanced recovery, infrastructure reliability, and refining capacity
- Geothermal is elevated as a firm, dispatchable baseload resource, leveraging oil and gas technologies
- Artificial intelligence and machine learning are integrated into subsurface modeling and production optimization

The coal program, in particular, reflects a policy shift. Funding is redirected toward extending the life of existing coal assets, increasing exports, and developing coal-to-products technologies, with explicit reference to meeting growing demand from AI and data centers.

From a strategic perspective, HGEO is no longer managing decline — it is tasked with expanding domestic resource production as a matter of national policy.

Energy Dominance Financing: Retrenchment and Redirection

For the Office of Energy Dominance Financing (EDF), the top-line budget numbers indicate increased activity in DOE financing programs. The detailed justification, however, shows a significant contraction in certain areas, particularly those associated with electric vehicles.

Most notably:

- The Advanced Technology Vehicles Manufacturing (ATVM) program sees a $2.3 billion rescission of unobligated funds
- DOE explicitly states it does not anticipate originating new loans under ATVM
- The program is effectively placed into portfolio management mode rather than active deployment

The $9.5 million budget and five federal FTEs for the ATVM program will be devoted to managing 10 active loans.

At the same time, the Title XVII Loan Guarantee Program is preserved and expanded with a request for $200 million in new credit subsidy, partially offset by the cancellation of $10.6 million in unobligated credit subsidy balance from previous appropriations. The new funding is specifically for small modular reactors and advanced nuclear reactors. The EDF budget of $59 million, offset by fee collections, will be used to support an FTE headcount of 115, up from 80 in 2026, indicating increased loan activity.

The mission statement for EDF reflects these changes: financing is now explicitly tied to energy security, lowering electricity costs, grid reliability, job creation, and winning the AI race. All of these areas should attract strong bipartisan support, despite signaling a shift from EDF's roots to finance first-of-a-kind innovative energy technologies.

ARPA-E: Narrowing the Innovation Aperture

The Advanced Research Projects Agency – Energy (ARPA-E) undergoes a substantial funding reduction, declining 43% to $200 million.

Like other organizations, this change comes with a refocused mission. ARPA-E is now directed to prioritize:

- Technologies that enable reliable, firm power
- Innovations aligned with domestic energy production
- Early-stage breakthroughs that industry is unlikely to fund independently

This suggests a narrowing of the innovation aperture. Rather than exploring a broad range of energy technologies, ARPA-E is being aligned with the administration's core priorities of reliability and energy dominance.

The continued support for SCALEUP and OPEN solicitations indicates that the agency will remain a pipeline for breakthrough technologies — but with a more constrained scope.

Nuclear Energy: A Cornerstone of Energy Dominance

While overall funding for the Office of Nuclear Energy declines modestly from $1.685 billion to $1.533 billion, the policy direction is highly focused and internally consistent. Nuclear energy is framed as essential for providing continuous, around-the-clock electricity. This aligns directly with the administration's broader prioritization of reliability and grid stability.

1. Capacity Expansion and Near-Term Output

Key to DOE's plans is an ambitious, long-term objective of expanding US nuclear capacity from approximately 100 GW today to 400 GW by 2050. Near-term efforts focus on:

- Power uprates at existing plants, facilitating 5 GW of power capacity
- Restarting previously closed facilities and partially constructed reactors, leveraging the DOE EDF
- Supporting efforts to have 10 new large reactors with complete designs under construction by 2030

2. Supply Chain and Fuel Security

Supporting these goals is strengthening domestic nuclear fuel supply chains, including:

- Low-enriched uranium (LEU) and high-assay low-enriched uranium (HALEU) production
- Fuel recycling and reprocessing technologies
- Revitalization of domestic uranium mining

These efforts are supported in part through the American Energy Independence Fund, which is designed to function as a revolving mechanism to ensure fuel availability.

3. Advanced Reactors and Strategic Leadership

The budget selectively increases support for advanced reactor technologies, including microreactors, molten salt reactors, and fast reactors. These technologies are viewed as critical to maintaining US leadership in global nuclear markets and supporting national security applications.

Taken together, the Nuclear Energy budget reflects a clear policy thesis: energy dominance requires firm power, domestic fuel supply chains, and global technological leadership — and nuclear energy is uniquely

positioned to deliver all three. While details will be debated as part of the appropriations process, the overall policy will strongly resonate with both parties.

Artificial Intelligence, Fusion, and the Office of Science

The DOE budget debuts the request for the new Office of Artificial Intelligence and Quantum (AIQ), a $1.2 billion investment across these technologies, transferring unobligated balances from the Regional Clean Hydrogen Hubs program. AIQ will support multiple AI supercomputers with the DOE national labs and will also be responsible for the Genesis Mission delivery, aligning investments, developing workforce, optimizing shared resources, and tracking performance. This new office and investments reflect the growing importance of advanced computing in energy systems and national security, and are likely to support applications ranging from grid optimization to weapons development and scientific research.

The new Office of Fusion (OF), while receiving a relatively modest $10 million in direct funding, remains a strategic priority within DOE. OF's mission is to lead and coordinate fusion activities across all DOE elements, such as the $135 million in ARPA-E funding for fusion recently announced. While significant, the ARPA-E funding is only a fraction of what is estimated will be ultimately required. OF's FY2027 funding will be used to set up the office and likely map out a longer-term strategy and budget, possibly rolled out in FY2028 and leveraging significant government and private-sector funds.

Separate from the investments in fusion, AI, and quantum, the FY27 PB reduces funding for the Office of Science from $8.25 billion to $7.138 billion. These reductions suggest a shift from broad-based exploratory research toward targeted investments with clearer pathways to deployment, consistent with the administration's overall objectives.

Conclusion: A Structural Realignment of Federal Energy Policy

The FY2027 DOE budget may be best understood as both a financial document as well as a policy blueprint. It redefines the role of the Department of Energy from a driver of energy transition to an instrument of national energy dominance.

The most important takeaway is this: like previous budget requests, it reflects specific policy choices — in this case, prioritizing energy production, reliability, and industrial capacity, and reorganizing DOE accordingly.

The degree to which this proposal and reflected priorities are fully implemented will depend on congressional action. With midterm elections in November, it is possible that a budget will not be passed before the next Congress, with greater Democratic control likely to be seated in January. But in the near term, the Fiscal Year 2027 President's Budget as presented will likely fundamentally reshape the landscape for energy, industrial policy, and industry engagement.

Authors

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