



July 9, 2012

The Honorable Buck McKeon  
Chairman  
House Committee on Armed Services  
Rayburn House Office Building 2120  
Washington DC 20515

The Honorable Carl Levin  
Chairman  
Senate Committee on Armed Services  
Russell Senate Office Building 228  
Washington DC 20510

The Honorable Darrell Issa  
Chairman  
House Committee on Oversight and Government Reform  
Rayburn House Office Building 2157  
Washington DC 20515

The Honorable Joseph Lieberman  
Chairman  
Senate Committee on Homeland Security and Government Affairs  
Dirksen Senate Office Building 340  
Washington DC 20510

Dear Chairmen:

I write to request an immediate, exhaustive and unyielding congressional investigation of the Defense Department's excessive abuse of taxpayer dollars to purchase costly biofuels in pursuit of President Obama's green energy agenda. For more than three years, the Administration has used regulatory enforcement to execute what Senator Jim Inhofe has appropriately called a "senseless war on fossil fuels and affordable energy."<sup>1</sup> It now appears that Navy Secretary Ray Mabus is willing to use America's strategic sea power fleet to advance this political agenda – far afield from the Navy's core mission – in favor of biofuels, despite the fact that current reserves of oil in North America could provide more than 200 years of supply to meet all our military and non-military petroleum demands.<sup>2</sup> With huge reductions in resources for national defense already under way,

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<sup>1</sup> <http://www.cnn.com/2012/06/19/opinion/inhofe-overturn-epa-mercury-standards/index.html>

<sup>2</sup> <http://energyforamerica.org/inventory>

wasting taxpayer money on biofuels costing tens times as much as conventional fuels makes no sense.

This month, the U.S. Navy tested biofuels on a carrier strike group in the Pacific Ocean, requiring the purchase of 450,000 gallons of green fuels made from chicken fat and algae at a cost of nearly \$27 dollars a gallon to U.S. taxpayers.<sup>3</sup> At a time when American military strength is being deployed to fight terrorist networks around the world and the Defense Department is facing sequestration and deep budget cuts, the timing of this Green Fleet exercise could not be worse. Moreover, serious concerns about the political cronyism that might influence the Defense Department's decision to proceed with this costly program warrant the strictest congressional scrutiny.

Acting under a pretense of national security concern, Secretary Mabus has pushed ahead with a plan to transition the entire naval fleet to these costly biofuels, and he hopes to have half the fleet operating on \$27-a-gallon green fuels by the year 2020.<sup>4</sup> Meanwhile, the Administration continues to slow-walk permitting and development of the National Petroleum Reserve in Alaska, an area that the U.S. Geological Survey estimates to contain approximately 896 million barrels of conventional oil.<sup>5</sup> This strategic reserve was created for the express purpose of providing American's naval fleet with a reliable, affordable supply of fuel. Regrettably, the current administration would rather burn chicken fat and algae fuels than access the strategic reserves our laws have established for exigent military demands.

Furthermore, the Administration's proposal for the next five years of Outer Continental Shelf leasing activity places a *de facto* moratorium on the vast majority of our OCS, foreclosing new leasing in all areas where a 27-year ban on leasing was lifted in 2008. Because of leasing delays and outright opposition to oil development in Alaska, the Trans Alaska Pipeline currently runs with 1.5 million barrels per day of unused capacity. That is 140 times more oil per day *not* being produced and transported in Alaska than Secretary Mabus' 450,000 gallons of biofuel.

The Obama administration's push to develop the biofuel industry around America's military is a textbook example of government cronyism. A federal biofuel advisory committee that serves multiple government agencies in the development of biofuels is comprised of numerous individuals who work in the green energy industries themselves. For instance, Harrison Dillon, the co-founder and president of Solazyme, Inc., serves on this advisory panel. Not surprisingly, Solazyme was one of the contract awardees for the Navy's recent biofuel purchase. Another advisory committee member, Robert Ames, is

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<sup>3</sup> <http://www.reuters.com/article/2012/07/02/us-usa-navy-greenfleet-idUSBRE86106X20120702>

<sup>4</sup> *Ibid.*

<sup>5</sup> [http://www.usgs.gov/newsroom/article.asp?ID=2622#.T\\_r3qIEk\\_Q](http://www.usgs.gov/newsroom/article.asp?ID=2622#.T_r3qIEk_Q)

the vice president of fuels and commercialization for Solazyme.<sup>6</sup> The American people have a right to know if the Defense Department is awarding their tax dollars to certain biofuel industries for reasons other than strategic military purposes. Cronyism in federal contracting is always appalling, but never more so than when that cronyism flies stealthily under specious claims of national security.

Already the government's joint ventures with biofuel companies are creating ripe opportunities for waste, fraud and abuse. Recent news reports indicate that millions of dollars in fraudulent biofuel credits have been sold to American refineries by individuals with no intention of producing or delivering the fuels.<sup>7</sup> At least three recent cases of biofuel fraud involve companies that were listed on the Environmental Protection Agency's approved list of producers, and remained on that list even after federal investigators had uncovered their scams.<sup>8</sup> For the Defense Department to launch so boldly into partnerships with renewable industries fast-becoming known for financial insolvency and fraud appears to be more about shoring up the administration's failing green energy agenda than about securing the future of our sea and air power supremacy.

The American people deserve answers from administration officials about the Defense Department's decision to play costly biofuel war games at taxpayer expense. They also deserve to know why the Administration continues to reject development plans for federal lands and waters in the lower 48 states and Alaska, preferring instead to burn poultry byproducts and pond scum in our naval fleet at a cost of \$27 a gallon.<sup>2</sup> These concerns are exacerbated by the fact that the fuels were purchased from the very companies that are heavily represented on a federal advisory committee for biofuels.

The Obama administration is squandering limited national defense dollars on a political agenda premised on their insistence that the United States has insufficient supplies of energy to meet our current needs. This claim is false, and the agenda that it informs is wrongheaded. North America currently possesses more than 200 years of technically recoverable oil supply, without the need for a single import.<sup>9</sup> But government policy – driven more by political ideology and crony capitalism than the facts – restricts those resources.

The Institute for Energy Research (IER) is a non-partisan, not-for-profit organization that conducts research and analysis regarding global energy and environmental issues. As such, we take a keen interest in the facts about America's energy future. In that light, I strongly urge you to examine more closely the Administration's biofuel agenda,

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<sup>6</sup><http://washingtonexaminer.com/obama-biofuels-panel-packed-with-green-subsidy-winners/article/2500586>

<sup>7</sup> [http://www.nytimes.com/2012/07/05/us/biofuel-fraud-case-shows-weak-spots-in-energy-credit-program.html?\\_r=4](http://www.nytimes.com/2012/07/05/us/biofuel-fraud-case-shows-weak-spots-in-energy-credit-program.html?_r=4)

<sup>8</sup> <https://www.politicopro.com/story/energy/?id=12339>

<sup>9</sup> <http://www.instituteforenergyresearch.org/2012/03/13/exposing-the-2-percent-oil-reserves-myth/>

particularly as it relates to the use of taxpayer dollars for biofuel contracts at the Department of Defense.

Sincerely,

A handwritten signature in blue ink, appearing to read "Thomas Pyle". The signature is stylized and cursive.

Thomas Pyle  
President

Cc: The Honorable Adam Smith, Ranking Member  
House Committee on Armed Services

The Honorable John McCain, Ranking Member  
Senate Committee on Armed Services

The Honorable Elijah Cummings, Ranking Member  
House Committee on Oversight and Government Reform

The Honorable Susan Collins, Ranking Member  
Senate Committee on Homeland Security and Government Affairs