

REPORT: EM Energy Park Initiative

April 29, 2009

Submitted by the EMAB Strategic Planning Subcommittee

Background:

In Fiscal Year (FY) 2009, the Environmental Management Advisory Board (EMAB) was tasked to assess EM's strategic planning practices and, specifically, to provide advice and recommendations on the EM Energy Park Initiative (EPI). In order to pursue this charge, EMAB extended the operation of its Strategic Planning Subcommittee – consisting of Board members, James Ajello, Dennis Ferrigno, Paul Dabbar, and David Swindle – and engaged in fact finding discussions with EM senior management, including a conference call with Deputy Assistant Secretary Mark Gilbertson on April 24, 2009, to further discuss the EPI development and implementation.

Findings and Observations:

The concepts of land transfer and lease activities have become increasingly important as EM works to cleanup sites and transfer lands to the private sector. The program has recognized a need to start preparing communities for the end of cleanup and open a dialogue about the future of their sites, specifically with regard to the possibilities that exist for future endeavors and facilities. Recent years have experienced a push from local communities to set aside land for potential reuse and energy facility development. In response, EM has worked to facilitate information sharing and raise awareness for the internal and external opportunities available with regard to the sites' land assets, human capital resources, and funding.

There was essentially a groundswell of different activities that resulted in the EPI's development. In particular, EM's strategic planning efforts at the end of the last administration sought to leverage the program's experience and capabilities against the goal of ultimately reducing its footprint. Furthermore, development of analytical building blocks allowed EM to identify investment opportunities that could efficiently decrease the physical size of the complex.

The EPI concept has continued to evolve and build on land transfer practices to take into account EM's many capabilities and assets, thereby situating the initiative in a larger context. Discussions have also moved away from energy parks per se, and towards regional energy enterprises that will be able to capitalize on the synergy at EM sites and help meet the national energy and climate change goals.

EM's current strategy is focused on raising awareness and letting the initiative take root at the local site level. It is based on the premise that the program's role is to facilitate opportunities rather than dictate plans to the communities. The goal is for the stakeholders to work together and take ownership of their vision and sites' paths forward. Several discussions have taken place at the site and local levels and EM senior staff have promoted the initiative in public settings like

the Oak Ridge “Corridor Partnerships in Action” workshop and Energy Communities Alliance Peer Exchange in Las Vegas, Nevada.

EMAB’s Strategic Planning Subcommittee previously reviewed the program’s EPI white paper during its initial development and identified loan guarantees and royalty paybacks as issues for further discussion. Given the program’s valuable asset base, the Subcommittee believes that the addition of a royalty or royalty payback component to the Department’s loan guarantee practices would be beneficial, as a specific strategy for incorporating this tool into EPI-related applications has not been developed.

EM is still developing a path forward to move beyond dialogue and begin actual implementation of the EPI; it appears that there is no standardized process in place for making the initiative actionable and current efforts take place on an ad hoc basis. EM has made contact with industry partners and achieved some success through its one-on-one negotiations and networking. However, the EPI would likely benefit from a more structured, disciplined approach, which would serve the dual purpose of better informing potential EPI bidders and improving the quality of EPI-related proposals.

While it is important to address the EPI on a local basis, the initiative’s broader strategic goal was originally intended to meet a national need. Therefore, EM needs to promote the EPI concept on a higher level and should consider developing a master plan that goes beyond local audiences. Part of this promotion involves making the benefits of the EPI clear to commercial stakeholders. Commercial entities need a visible and tangible opportunity; they want to see a path to success. Relying on local communities to drive the EPI may not inspire the confidence those commercial entities need before they consider investing their time and resources.

Recommendations:

To further aid the Assistant Secretary in his/her efforts to improve the Energy Park Initiative, the Strategic Planning Subcommittee offers the following recommendations:

Recommendation 2009-01: EM should recommend that the Secretary consider the issuance of a national policy and master plan for the Energy Park Initiative, which accounts for its interdependency on programmatic foot print reduction issues.

Recommendation 2009-02: DOE-EM Headquarters needs to outline general Energy Park Initiative principles in order to formalize application processes, specifically in terms of stakeholder forums and contractor/developer sources sought.

The development of formal principles will help establish a more structured path forward for implementing the EPI and reaffirm the Department’s commitment to external enterprises and potential commercial partners. Policy should be prescriptive, thereby allowing EM Sites to take the lead in implementation of the EPI and tailor exact processes to meet unique local, site, and community requirements.

Recommendation 2009-03: EM should recommend that the Secretary of Energy consider establishing a Project Management Office (PMO) for the Energy Park Initiative.

The purpose of a PMO is to coordinate and institutionalize the goal setting and policy direction components of the EPI. A requested funding level for expediting and accelerating the licensing and approval process for energy park projects, including criteria for acceptance, is recommended.

Recommendation 2009-04: Ultimately, EM should consider a royalty based valuation of footprint reduction efforts and the turn over of local resources.

Resources in this context pertain to physical land/property, human capital, and local stakeholder interest and support for nuclear and high technology development.

Recommendation 2009-05: EM should explore the establishment of a formalized process for interdepartmental coordination to accommodate land and facility transfer.

Coordination with interdepartmental entities such as the Office of Fossil Energy, the Office of Energy Efficiency and Renewable Energy, and Loan Guarantee Managers, will support energy independence and privatization efforts at former DOE clean-up sites.