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Five Takeaways for the Energy Sector: FY27 House Energy & Water Appropriations Bill

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Takeaways

- Federal appropriations are the lifeblood of the US energy innovation ecosystem across technologies, including fossil fuels, wind and solar energy, carbon management, critical minerals, and more.
- The House's recent Energy and Water Development appropriations bill is intended to fund innovation at the Department of Energy and other agencies. It has passed Committee, without bipartisan support, and awaits a floor vote. Unfortunately, this bill would be a setback to US energy ambitions.
- Congress needs a bill that provides efficient, diversified funding, especially for applied research and development. It is the best way to make energy reliable and secure in a rapidly evolving sector.

Each year, the President, the House, and the Senate decide how to spend the ~30% (\$1.9 trillion) of the federal budget that is discretionary through the annual appropriations process. For the energy innovation ecosystem—including startups, small businesses, academic institutions, researchers, and many other entities working on next-generation energy technologies—federal appropriations can spur innovation and facilitate essential research.

Roughly \$50 billion is appropriated to the United States Department of Energy (DOE) each year. 50% goes towards non-defense energy innovation and deployment, trickling down to tens of thousands of awardees in the categories listed above.

If funding is sufficient in size, durable across administrations, targeted in outcomes, and strategically aligned with investor incentives, it can also crowd in important private capital. But those are some pretty big 'ifs.'

This year's appropriation process has been marked by division—Rep. Chuck Fleischmann, who chairs the Energy and Water subcommittee on the House appropriations committee, has even said publicly that the House deal lacked bipartisan support.

That tension and lack of consensus have slowed the appropriations process in the Senate and resulted in a suboptimal deal in the House. Below, we'll outline where the Fiscal Year 27 (FY27) Appropriations cycle went wrong—and what the Senate can do to right the ship.

Five Takeaways Worth Watching

Our insights are based on years of intimate involvement in the Appropriations process, including in this year's cycle. We led a coalition including dozens of organizations to create 61 unique proposals and submit nearly 1,000 appropriations requests to lawmakers on both sides of the aisle.

Through tracking the evolution of this year's budget bill, we've identified five core takeaways to inform clean energy and innovation advocates as the Senate works on its own proposal.

1: The House bill strips support for critical clean energy technologies; only nuclear sees a significant funding increase, and it's largely at the expense of other technologies.

Last year's budget agreement reallocated almost \$4 billion in unobligated funds from the 2021 bipartisan Infrastructure Investment and Jobs Act (IIJA), shifting them away from their intended uses for other projects.

This year's budget agreement doubles down on that effort and seeks to reallocate \$2.8 billion from IIJA. Much of that funding was originally allocated to support a well-diversified set of energy innovations, leaving the administration broad discretion to decide which programs it will raid. Additionally, CIFIA, a program designed to fill important gaps in an effective carbon management economy, would be zeroed out.

For FY27, The House Seeks to Eliminate:

- \$594,613,407 from Carbon Dioxide Transportation Infrastructure Finance and Innovation program, or CIFIA, zeroing out its funding.
- \$590,900,594 from Energy Efficiency and Renewable Energy programs
- \$439,486,000 from programs under the Office of Clean Energy Demonstrations

- \$1,150,000,000 from under the Fossil Energy heading

Under the current bill text, *all* that funding will be directed towards a single technology: nuclear.

Other important technologies, such as geothermal, natural gas with carbon capture, carbon transportation and storage sites, renewables, and transmission, would be excluded from essential IIJA funds. Reallocating funding in this manner would deal a massive blow to US efforts to demonstrate and commercialize superior new energy technologies—at a time when the country is racing to increase energy supply and reduce costs.

Our Take:

Third Way has a long track record of advocacy for nuclear energy. American nuclear leadership is vital, both for the health of our energy sector and for US leadership on the global stage. But reprogramming dollars intended to fund a diverse mix of energy technologies to support a single technology is antithetical to the “all-of-the-above” strategy needed to ensure affordable, reliable, and secure energy for US consumers. In addition, reprogramming existing funds is fundamentally different than proposing new investment. Shuffling funds away from technologies that Republicans believe to be undesirable and towards their pet projects is simply “robbing Peter to pay Paul.”

If House Republicans’ Senate peers actually aspire to energy dominance and care about energy bills for American taxpayers, they should support nuclear demonstration *alongside* investment in other essential forms of energy needed to meet rapidly growing energy demand.

Carbon management, renewables, energy efficiency, and industrial demonstrations were a good bet when they were lawfully appropriated in 2021, and they’re a good bet today. And project cancellations create uncertainty for anyone in industry or academia that might partner with the government, or even rely on it to follow through on the promises it makes. Congress should demand that DOE compete and award allocated funds to meritorious projects as quickly as possible and stop unwarranted funding reallocations that inevitably lead to project cancellations.

2: The House bill weakly demands good governance at DOE – and fails to stick the landing.

The current bill text includes a few new accountability measures for DOE on staffing, spending, and grant-making, including requiring DOE to notify Appropriators if it fails to make timely reimbursement of grantees' invoices. This follows sweeping Department of Government Efficiency (DOGE) staffing cuts and a spending moratorium, during which DOE failed to fulfill even these basic oversight requirements. Similarly, the bill also requires new monthly briefings for Congress on the Department's spending activities.

To further address DOGE-related upset at DOE, amendments to the bill include a direction to ensure adequate staffing levels and to report to the Committee on its staffing numbers and plans. These changes do increase transparency and would bring the Department to task for failing to compete for billions in appropriated funds throughout 2025 and 2026.

But the House bill does little to address the Trump administration's illegal and unwarranted grant cancellations or prevent them from happening in the future. At the direction of the Trump administration, DOE canceled hundreds of lawfully awarded grants in 2025, arguing that they "no longer effectuate program goals or agency priorities." Despite public outcry at these cancellations, the bill adds only a minor speed bump for future cancellations by requiring DOE to notify Appropriators three days in advance of canceling a grant. The Committee took no further steps to correct the unwarranted treatment of the 2025 grantees and made no apparent effort to restore trust between the federal government and potential applicants.

Our Take:

The House bill text seems to acknowledge that abrupt project cancellations, funding rescissions, and wide-reaching staffing reductions make it harder for the Department of Energy to fulfill its mission. But the bill stops short of advancing the holistic solutions needed to prevent future administrations from raiding existing programs they disagree with to fund other efforts that are more compatible with their own political priorities.

This Administration has made clear that it will not police itself when it comes to executing its research, development, and demonstration (RD&D) programs in good faith, and the US innovation pipeline is suffering for it. Congress must ensure that the Department does not impound funds appropriated by Congress, that it has adequate staff to steward the programs it has funded, and that it follows the rules and regulations governing financial assistance.

3: The House bill codifies the Trump administration’s reorganization of the Department of Energy—to the detriment of piloting and demonstration activities, applied R&D offices, government oversight, and future energy innovation.

The Trump Administration proposed a reorganization of the Department of Energy in late 2025, restructuring the agency to advance its preference for fossil fuels, nuclear, and geothermal energy, and to deprioritize renewables, grid deployment, and other Biden-era priorities. This year’s House Energy and Water bill, the first since the proposed reorg, hews closely to the Trump Administration’s priorities. The bill uses the Administration’s preferred names for existing offices (i.e., the Office of Energy Efficiency and Renewable Energy becomes the Office of Critical Minerals and Energy Innovation, and Fossil Energy becomes the Hydrocarbons and Geothermal Energy Office) and codifies the Department’s efforts to dedicate individual offices to technologies they like (fossil fuels, nuclear, and geothermal) and others to technologies they don’t (batteries, renewables). In so doing, the budget bill makes it easier to funnel funding to favored technologies en masse while defunding technologies the Administration finds unpalatable. These changes also make it more difficult to exercise oversight over how funds are spent, helping the administration obstruct statutorily required missions.

Renamings aren’t heavily substantive, but they are often used to signal a major shift in direction/priorities. The FY ‘27 House appropriations bill reflects the Trump administration’s desired changes to the names and focuses of various Department of Energy offices, including:

- The Office of Energy Efficiency and Renewable Energy becomes the Office of Critical Minerals and Energy Innovation.
- The Office of Fossil Energy and Carbon Management becomes the Office of Hydrocarbons and Geothermal Energy
- The Loan Programs Office becomes the Office of Energy Dominance Financing

Our Take:

Every Administration has the right to reorganize the Department at some level. But we're deeply concerned that House Republicans have used the Energy and Water bill to simply erase or subordinate offices they don't like, most of which are an explicit part of DOE's congressionally-directed mandate. Sweeping changes to DOE programs and responsibilities disrupt workflows, creating significant productivity churn for the career staff that makes DOE great. Reorgs throw long-term research and development priorities off track, often taking months (or years) to return to baseline.

Congress should strengthen its oversight of major reorganizations at DOE to ensure it remains able to fulfill all parts of its statutory mission, not simply rubber-stamp an overtly ideological restructuring.

4: The House bill gives the Office of Energy Dominance Financing more certainty—but not the resources to live up to its name.

The Loan Program Office, now known as the Office of Energy Dominance Financing, has long been central to “technology-agnostic” federal support for energy technologies. While other DOE offices also provide support for technologies at different stages of commercialization, only EDF has been fully embraced by the Trump Administration, which sees the office as a key tool to advance its policy priorities in the energy sector.

The House budget bill takes an odd approach to the Office of Energy Dominance, embracing the Trump Administration's new name for the program but failing to endow the office with the staff or funding needed to live up to its name. The [President's Budget Request](#) had set ambitious funding levels for EDF's Title 17 credit subsidy, requesting \$200 million for the program. The House granted just half of the Administration's request.

The House budget also underfunds the staff capacity desperately needed to underwrite, execute, and manage a \$76 billion projected pipeline of FY27 loans.

The bill text also breaks with the President to protect other [Title 17 credit subsidies](#), which the Administration had hoped to eliminate, and safeguard \$2.3 billion in credit subsidies, ensuring the [Advanced Technology Vehicles Manufacturing \(ATVM\) Loan Program](#) will live to see another day.

Our Take:

EDF is one of the nation's most powerful tools for driving US competitiveness in the clean energy economy, and we are heartened that what was once existential saber-rattling has

de-escalated into questions of appropriate funding levels. We also applaud report language encouraging EDF to take on riskier loans—the kind that lean into more genuinely innovative technologies and make a clearer case for government intervention. Still, Republican bravado around energy dominance feels empty without a genuine, courageous commitment to resourcing this office and supporting a truly tech-agnostic approach to granting loans and funding energy projects.

5: The budget for the Office of Technology Commercialization (OTC) remains flat despite an enormous expansion of its remit.

The Office of Technology Commercialization (OTC) has long stewarded DOE's Technology Commercialization Fund. The Trump Administration elected to expand the Office's remit and grant the OTC authority over other DOE programs designed to support entrepreneurship and bring new technologies to market, including the Lab Embedded Entrepreneurship Program, the Small Business Innovation Research Program, and the Small Business Technology Transfer Program.

The President's budget, which many saw as the floor for House and Senate marks, proposed more than doubling the OTC's annual budget to account for this new, outsized role. The House budget bill leaves the OTC's budget flat, despite its expanded authority.

Our Take:

Offices like OTC, which provide support to technologies across the Department, often lack a clear constituency base compared to individual technologies—such as oil, natural gas, solar, geothermal, nuclear, or hydrogen. That means few elected officials from either side fight for them when it's time to negotiate a budget. OTC now manages hundreds of millions of additional grants. They deserve an expanded budget that recognizes their new responsibilities and acknowledges the significance of their work.

What Comes Next

Senate Appropriations leadership appears far apart on even basic questions, like how much money at a topline would be allocated to the different spending bills (like Energy & Water, where DOE is funded)—let alone how offices and individual priorities would be funded. With the November midterms looming, there's good reason to believe that the House, Senate, and White House will fail to agree on a budget bill before the September 30 deadline.

That's why annual appropriations advocacy is a foundational pillar of Third Way's climate and energy innovation strategy, and why, for nearly a decade, we have led a bipartisan

coalition of some of the country's most important energy innovation advocates. Third Way and our allies help policymakers sort through the noise, understand where investment can fill critical gaps or accelerate technology trajectories, and invest in ways that support American inventors and industry leaders.

We call on lawmakers to increase baseline funding for DOE innovation activities, ensuring that the US continues to discover, own, produce, and shape the energy technologies that will define the global economic landscape for decades ahead.
