THIRD WAY

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Why Trump's FY26 Budget Would Be Disastrous for US Energy Innovation

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President Trump's FY 2026 Discretionary Budget Request includes significant reductions to the Department of Energy, targeting Infrastructure Investment and Jobs Act (IIJA) funding and several vital innovation programs across the agency. While full details of the budget request have not yet been released, the implications of these topline recommendations in the White House's "skinny budget" are obvious. These damaging cuts run counter to the administration's 'Energy Dominance' strategy and ultimately would erode US competitiveness, cede energy leadership, and limit our capacity to deploy necessary energy technologies to meet rising electricity demand.

Below, we identify five of the offices within the Department of Energy (DOE) that President Trump is targeting, highlighting the consequences of these cuts should Congress align themselves with this radical Presidential Budget Request (PBR).

Office of Energy Efficiency and Renewable Energy (EERE)

Proposed Cut: $2.572 billion (74%)

The PBR's plan to cut funding for DOE's Office of Energy Efficiency and Renewable Energy (EERE) would dramatically slow the development of the cost-cutting technologies needed to power the 21st-century economy. From geothermal energy to advanced vehicle technologies, EERE leads early-stage research and development activities that are critical to US competitiveness with China and global energy leadership. The proposed 74% cut is a radical departure from the recent bipartisan support EERE has received in previous budget cycles and represents a short-sighted view of the future of energy and technological leadership.

Advanced Research Projects Agency–Energy (ARPA-E)

Proposed Cut: $260 million (57%)

As of September 2024, ARPA-E has achieved 32 successful exits (e.g., public listings, mergers, and acquisitions) with a total reported value of $22.2 billion at the time of the deals. An additional 372 ARPA-E-supported companies have gone on to collaborate with other parts of the federal government to further development. With nearly 1,200 patents, 8,000 peer-reviewed articles, and 450 licenses resulting from its efforts, ARPA-E has a demonstrated track record of catalyzing cutting-edge innovation.

The proposed 57% cut to ARPA-E would jeopardize this pipeline of transformative technologies, many of which are too risky or too early-stage for private investors to support without federal backing. By focusing on transformative solutions in areas like net-zero buildings, aviation, power grids, and fusion energy, ARPA-E not only accelerates the commercialization of breakthrough technologies but also strengthens U.S. leadership in energy innovation.

Office of Fossil Energy & Carbon Management (FECM)

Proposed Cut: $270 million (31%)

The 31% cut to FECM targets innovative carbon management technologies, such as Direct Air Capture (DAC) and Carbon Capture, Utilization, and Storage (CCUS). The President's Budget also cancels the Carbon Dioxide Transportation Infrastructure and Innovation Program (CIFIA), a critical program that supports the deployment of fossil-derived energy. Cutting federal funds for these technologies threatens America's position as a global leader in technological innovation, eliminates hundreds of thousands of well-paying job opportunities for workforces tied to fossil energy, and impedes 'energy dominance' efforts for homegrown industries.

Office of Nuclear Energy (NE)

Proposed Cut: $408 million (24%)

The reduction of nearly a quarter of NE's budget would be a significant step backward on the commercialization pathway of nuclear energy, one of the Administration's preferred technologies and considered a key part of its energy strategy. Particularly with regard to advanced nuclear technologies, the ecosystem that enables DOE to go from concept to commercialization is complex, requiring both research and deployment activities. Slashing such a significant portion of the budget for nuclear research activities will harm DOE's ability to be an involved partner in every step of the nuclear development process moving forward. Additionally, NE is already operating with a much-reduced workforce, and further reductions in their resources will practically ensure the staff will not be able to keep up with industry demand for DOE activity related to nuclear energy.

Office of Clean Energy Demonstrations (OCED)

Though OCED is not explicitly named in the PBR documents, the skinny budget corroborates reports that the Trump Administration plans to rescind billions of dollars from the Bipartisan Infrastructure Law, including from demonstration projects like direct air capture hubs. Attacking demonstrations undermines President Trump's 'energy dominance' agenda. From hydrogen to long-duration energy storage, federal support for large-scale demonstration projects is essential to commercializing emerging technologies so they can be deployed domestically and exported around the world. The proposed FY26 rescissions put these projects in jeopardy, threatening US technological leadership and energy security. These proposed cuts to OCED put the US further behind China in clean energy innovation and increase our dependence on foreign supply chains, eliminating tens of thousands of jobs in the process.

Conclusion

Trump's FY26 PBR undermines American energy leadership by targeting a wide range of programs across DOE's innovation and deployment ecosystem. These proposed cuts not only contradict stated goals to advance energy dominance but would harm Americans across the country by increasing costs, slowing project development, and diminishing electric reliability. At a time when China is ramping up its investment, preserving support for DOE's innovation pipeline is vital to rebuilding US competitiveness and global energy leadership.