



The Secretary of Energy  
Washington, D.C. 20585

July 10, 2013

The Honorable Cynthia Lummis  
Chair, Subcommittee on Energy  
Committee on Science, Space and Technology  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Eric Swalwell  
Ranking Member, Subcommittee on Energy  
Committee on Science, Space and Technology  
U.S. House of Representatives  
Washington, DC 20515

Dear Chairman Lummis and Ranking Member Swalwell:

I am writing in response to your June 26, 2013 letter regarding the National Laboratories. Thank you for the opportunity to follow-up on my June 18<sup>th</sup> testimony before the Committee to discuss science and technology priorities for the Department of Energy (DOE). This letter is intended to expand further on some of the issues discussed in that hearing, specifically with respect to the role of the DOE National Laboratories.

The recent report, *Reimagining the National Labs in the 21<sup>st</sup> Century Economy*, is the latest in a series of reports by respected third party organizations addressing the role of the National Laboratories in the U.S. innovation process. The National Academy of Public Administration and the National Academy of Sciences also have reported on National Laboratory issues. All of these reviews share several common perspectives. Most important, I am pleased to see that there is consensus that the Department's National Laboratory System is a key element in the U.S. Innovation Enterprise. The National Laboratories have world class experimental facilities and personnel that foster new technologies and can lead to new industries and new jobs. The National Laboratories are part of the backbone of the American physical science research enterprise, serving nearly 30,000 scientists from universities, industry, and labs each year, and play a significant role in the education of the next generation of America's scientists and engineers. It is imperative that these assets be managed in a manner that maximizes the return on taxpayers' investment.

This letter outlines the general approach I intend to pursue in strengthening the relationship between the Department and its National Laboratories to enhance the value of this system to the nation. Any new actions to change the strategic direction of the National Laboratories should not only have the full participation and support of the top leadership at the Department but also reflect the engagement of the National Laboratory community. As Secretary, I plan to set the agenda and lead this dialogue with the clear understanding that the lab leadership are strategic partners. In my first six weeks on the job, I was able to meet with the lab directors three times in person or by video conference.



Two recurring themes in all studies of the National Laboratory system are the need to improve the strategic direction of the Laboratories and the need for the Department to develop an enterprise-wide view of the National Laboratory system. I plan to formalize the strategic dialogue process by establishing a National Laboratory Policy Council that I will chair. It will include relevant senior leadership in the Department along with the Executive Committee of the National Laboratory Directors Council. The Policy Council will advise me on strategic directions for the Department's science and technology programs across the board and on the Labs' critical role in advancing the Department's missions and the nation's innovation ecosystem. The Department recently initiated the next iteration of its strategic plan, required by the Government Performance and Results Modernization Act, and I will be soliciting direct input from the Laboratory Directors in this process. The Council also will help me to shape an enterprise-wide perspective on new policy initiatives as part of the Quadrennial Energy Review.

Aligning the strategic direction of the National Laboratories with the strategic direction of the Department requires that the Department articulate a comprehensive vision of its science and technology missions. I have long believed that aligning the Department's basic research and applied energy R&D activities under a single Under Secretary is a needed first step. I am pleased to see that this concept has been endorsed in the "Reimagining" report as well as in other studies.

Laboratory operations also will be a priority area for improvement. The current Government-owned Contractor-operated (GOCO) arrangement between the Department and the National Laboratories has proved its value for over 60 years throughout major changes in national priorities. Improvements in how this core management concept is implemented today will be a focus of the Policy Council and the Secretary of Energy's Advisory Board (SEAB).

The Department is accountable to the President pursuant to his policies and directives as well as to Congress under applicable laws and regulations. As owners it is our responsibility to assure that the National Laboratories are operating in full compliance with these requirements. While I generally support efforts to move toward performance-based oversight and outcome-based evaluation, we need to strike the appropriate balance between providing operational flexibility to the Labs and the Department's responsibility and accountability to the President, the Congress and the taxpayer. Progress has been under way in this area. I understand that the National Laboratory Directors identified 20 specific areas for improvement, and the Department has taken action on 14 of these issues, with actions pending on 2 others, and an agreement to defer the remaining 4 items. But I recognize the need to do more. I plan to establish a new organizational unit, the Laboratory Operations Board, that will provide an enterprise-wide forum to engage the Laboratories in finding additional opportunities to improve effectiveness and efficiency.

Two key issues affecting National Laboratory operations are the implementation of the Laboratory-Directed Research and Development (LDRD) program and the Work for Others (WFO) program. Although much of the current focus is on the level of the LDRD funding set aside, LDRD funding should not be an open-ended entitlement. Instead, I believe that the dialogue between the Department and the National Laboratories needs to first focus on the scope and prioritization of activities to be supported under LDRD programs and measures to enhance the research outcomes of LDRD-funded activities. Once these issues are further defined, the issue of appropriate level of LDRD funding can be addressed in a more thoughtful manner.

As stated in their titles, the National Laboratories are national assets. While they are intended to advance the missions of the Department of Energy, the Department also should be a responsible steward of these assets in instances where they can serve other national objectives. Due to their unique capabilities, the National Labs can uniquely provide work for other agencies. In

particular, national security work carried out at the National Laboratories has expanded greatly in the past decade, and Departmental policies have not kept pace. I understand that there has been an improvement in length of time for Departmental approvals for this work, and I intend to collaborate with the Laboratory Directors to find ways to make the process of assigning national security work to the National Laboratories more efficient. The pilot program implementing Agreements for Commercializing Technology represents one approach to reforming the process and merits further review and discussion.

The National Laboratory system has been and remains a critical contributor to the U.S. innovation enterprise. I reject the notion stated in the report that the system is “largely running on autopilot,” but I do acknowledge that the role of the Laboratories in the innovation process can be further enhanced. This is not a simple matter. The notion of “moving technology to market” does not adequately recognize the increasingly complex nature of the innovation process and the importance of the “innovation ecosystem” in which a laboratory operates. I intend to recruit a Departmental technology transfer coordinator who is deeply familiar with technology innovation and commercialization.

I plan to be actively engaged with the National Laboratory Directors in developing specific follow-up actions in the areas I have outlined in this letter. I view this as a process of continuous improvement. I look forward to continued dialogue with the Subcommittee as we proceed down this path. If you have any questions or would like to engage further on this topic, please contact me or Christopher Davis, Deputy Assistant Secretary for Congressional Affairs.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ernest J. Moniz', with a long, sweeping horizontal stroke at the end.

Ernest J. Moniz