

# CRS Report for Congress

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## Hydrogen and Fuel Cell Vehicle R&D: FreedomCAR and the President's Hydrogen Fuel Initiative

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### Summary

FreedomCAR and the Hydrogen Fuel Initiative (originally named FreedomFuel) are two complementary government-industry research and development (R&D) initiatives that promote the development of hydrogen fuel and fuel cell vehicles. Coordinated by the Department of Energy, these initiatives aim to make mass-market fuel cell and hydrogen combustion vehicles available at an affordable cost within 10 to 15 years. However, some questions have been raised about the potential effectiveness of the initiatives. This report discusses the organization, funding, and goals of the FreedomCAR and Fuel partnerships, and discusses legislation relevant to the partnerships. It will be updated as events warrant.

### Introduction

As one highlight of the State of the Union Address on January 28, 2003, President George W. Bush announced a new \$720 million research and development (R&D) initiative for hydrogen as a transportation fuel. The Hydrogen Fuel Initiative<sup>1</sup> is intended to complement the FreedomCAR initiative,<sup>2</sup> which focuses on cooperative vehicle research between the federal government, universities, and private industry.

The FreedomCAR initiative replaced a related Clinton Administration initiative, the Partnership for a New Generation of Vehicles (PNGV).<sup>3</sup> While both initiatives aimed to increase fuel efficiency of the automotive fleet, FreedomCAR extends the time frame by

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<sup>1</sup> The initiative was initially named "FreedomFuel," but this name is a registered trademark and thus the initiative was quickly renamed. Source: "US Admin Ends Use of Fuel Phrase in Flap Over Trademark," *The Wall Street Journal Online*. February 14, 2003.

<sup>2</sup> FreedomCAR (Cooperative Automotive Research) was announced on January 8, 2002 at the Detroit Auto Show by Energy Secretary Spencer Abraham.

<sup>3</sup> For a more detailed discussion of PNGV, see CRS Report RS20852, *The Partnership for a New Generation of Vehicles: Status and Issues*.

another ten years and focuses research on hydrogen fuel cell vehicles; PNGV focused mainly on diesel-fueled hybrid vehicles.<sup>4</sup> Through FY2003, the overall level of funding for PNGV- and FreedomCAR-related research at the Department of Energy (DOE) remained relatively constant, with some of the funds for hybrid vehicles transferred to fuel cell research.<sup>5</sup> For FY2004, however, overall funding for research into hydrogen fuel, fuel cells, and vehicle technologies increased by about 30%. Some of this increase was offset by funding reductions in other programs, but the majority was new funding. For FY2005, funding was increased an additional 10%.

## Organization and Funding

Research on hydrogen fuel and fuel cell vehicles is overseen by two offices within the DOE Office of Energy Efficiency and Renewable Energy. The Office of FreedomCAR and Vehicle Technologies (FCVT) coordinates research on automotive fuel cells and other advanced vehicle technologies, including electric propulsion systems, vehicle systems, materials technology, and other areas. The Office of Hydrogen Fuel Cells and Infrastructure Technologies (HFCIT) coordinates research on fuel cell technologies (for all applications, not solely transportation),<sup>6</sup> as well as research on hydrogen fuel production, delivery and storage systems.

Funding for FreedomCAR research and for fuel cell technologies is contained in the Interior and Related Agencies Appropriations. Funding for hydrogen fuel research is contained in the Energy and Water Development Appropriations. Funding for these areas is shown in Table 1.<sup>7</sup>

Members of the partnerships include the federal government and the national laboratories, as well as universities, state governments, vehicle manufacturers, energy companies, equipment manufacturers, and industry groups.

The mission of the Hydrogen Fuel Initiative is to “research, develop, and validate fuel cells and hydrogen production, delivery, and storage technologies for transportation and stationary applications.”<sup>8</sup> Fuel cell R&D areas include transportation systems, stationary systems, fuel processing, fuel cell components, and technology validation. Hydrogen fuel R&D areas include hydrogen production and delivery, fuel storage, hydrogen infrastructure, safety, codes and standards, and training and education.

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<sup>4</sup> For more information on fuel cell and hybrid vehicle technology, see CRS Report RL30484, *Advanced Vehicle Technologies: Energy, Environment, and Development Issues*.

<sup>5</sup> It should be noted that PNGV research did not terminate *per se*. The majority of PNGV-related research is ongoing through FreedomCAR and other DOE programs.

<sup>6</sup> Key fuel-cell-related portions of the FreedomCAR partnership will actually be funded by the HFCIT program, through its Fuel Cell Technologies Budget.

<sup>7</sup> U.S. Department of Energy (DOE), *FY2004 Congressional Budget Request*. February 2003. Vol.3, p. 251 and Vol. 7, p. 263 .

<sup>8</sup> DOE, Hydrogen, Fuel Cells, and Infrastructure Technologies Program, *Mission, Vision, & Goals*. [<http://www.eere.energy.gov/hydrogenandfuelcells/mission.html>] Updated January 29, 2003.

**Table 1. FreedomCAR- and Hydrogen Fuel-Related R&D Funding**  
(\$ millions)

DOE Office	Program	FY2003	FY2004	FY2005 Request	FY2005 Appropriation
HFCIT	Hydrogen Technology <sup>1</sup>	40.0	82.0	95.3	95.3
	Fuel Cell Technologies <sup>2</sup>	57.0	65.2	77.5	76.0
FCVT	FreedomCAR <sup>2</sup>	87.6	89.7	91.4	89.7

<sup>1</sup> Funding for Hydrogen Technology is contained in the Energy and Water Appropriations Bill.

<sup>2</sup> Funding for the Fuel Cell Technologies and FreedomCAR is contained in the Interior and Related Agencies Appropriations Bill.

## Partnership Goals

The FreedomCAR and the Hydrogen Fuel Initiatives have each set four goals for 2010, and share one additional goal between them. The shared goal is to produce hydrogen-fueled engine systems that achieve double to triple the efficiency of today's conventional engines at a cost competitive with conventional engines.

FreedomCAR's individual goals mainly focus on reducing system costs for various technologies. The FreedomCAR goals are to develop:

- Electric drive systems with a 15-year life and significantly reduced hardware costs;
- Advanced internal combustion engine systems with double to triple the efficiency of current systems at no more cost and no higher emissions than conventional engine systems;
- Electrical energy storage with improved life and lower cost than current systems; and
- Materials and manufacturing technologies that achieve a 50% weight reduction in vehicle structure, while maintaining affordability and increasing the use of recyclable/recycled materials.

The four goals for the Hydrogen Fuel Initiative focus on improvements in fuel cell technology and improvements in the storage and delivery of hydrogen fuel. The Initiative's goals are to develop:

- Hydrogen fuel cell power systems that are durable, and deliver higher efficiency at lower cost than today's systems;
- Transportation fuel cell systems that deliver greater efficiency and lower cost, and meet or exceed emissions standards;
- Hydrogen refueling systems that are highly efficient and deliver fuel at the market price of gasoline; and
- On-board hydrogen storage systems with improved energy density and cost over existing systems.

## Debate Over the Initiatives

The creation of FreedomCAR and the President's Hydrogen Fuel Initiative has raised debate over several issues. These issues include the proper role of the government in R&D, as well as the proper level of funding, and concerns over energy efficiency and fuel consumption.

Some environmental groups, including the Sierra Club, have criticized the initiatives. They argue that while funding will be increased for efficient technologies, the initiatives will not require auto manufacturers to make fuel cell vehicles available to customers by any specific time.<sup>9</sup> Also, groups such as the Natural Resources Defense Council argue that the initiatives were put in place to forestall significant increases in national fuel economy standards.<sup>10</sup>

On the other hand, the Administration argues that the increase in funding will provide significant impetus for advancements in hydrogen and fuel cell technologies, and that without those advancements, the technology would be unaffordable for consumers.<sup>11</sup> Further, some engineers argue that FreedomCAR's efficiency and cost goals may be difficult to attain in the time frame of the program, and that any sort of sales goal would be unrealistic.<sup>12</sup> Moreover, industry groups argue that an explicit sales goal could force manufacturers to abandon R&D on other promising technologies like gasoline-electric hybrids.

Even among supporters of the program, there is criticism that FreedomCAR and the President's Hydrogen Fuel Initiative are under-funded and that additional government commitments to hydrogen and fuel cells must be made. According to some proponents, these commitments could take the form of increased R&D funding, expanded demonstration programs, vehicle and fuel sales or production incentives, and other incentives to make these vehicles attractive to customers.<sup>13</sup>

## Research at Other Agencies

In addition to DOE, other government agencies are also involved in fuel cell vehicle R&D, although this funding is considerably lower. The National Automotive Center (NAC), part of the Army's Tank-Automotive Research, Development, and Engineering Center (TARDEC), coordinates fuel cell vehicle research between the Department of Defense (DOD) and private contractors, and partners with DOE, the Department of

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<sup>9</sup> J. L. Laws, "Budget II: Bush Ups Ante On Hydrogen-Powered Vehicles," *Greenwire*. January 29, 2003.

<sup>10</sup> Harry Stoffer, "Unmoved by Hydrogen, Critics Seek Higher CAFE," *Automotive News*. January 21, 2002. p. 3.

<sup>11</sup> Sheila Schimpf, "Abraham Says Hydrogen Plan to Focus On Lowering Costs, Developing Infrastructure," *Daily Environment Report*. February 10, 2003. p. A-11.

<sup>12</sup> Sheila Schimpf, "DOE Official Reaffirms Commitment to Developing Auto Fuel Cell Technology," *Daily Environment Report*. August 9, 2002. p. A-2.

<sup>13</sup> Carol Cole, "FreedomFuel Only 'First Step,' More Needed to Advance Hydrogen," *Octane Week*. February 10, 2003.

Transportation (DOT), the Environmental Protection Agency (EPA), academia, and industry. For example, through the NAC, Georgetown University is conducting a fuel cell bus demonstration program with \$5 million in annual funding provided by DOT. In another example, NAC is researching a fuel cell auxiliary power unit that could provide power for communications and other accessories without engine idling (a one-time appropriation of \$3 million in FY2001).<sup>14</sup> Other one-year research projects in FY2003 appropriations (P.L. 108-7) include fuel cell bus projects in Connecticut (\$3 million) and Alabama (\$1 million).

## Current Legislation

The appropriations processes for FY2006 through FY2008 will directly affect the future of FreedomCAR and the President's Hydrogen Fuel Initiative. Between FY2004 and FY2008, the Administration is requesting \$720 million in funding above FY2003 levels for the initiatives. This may lead to concerns over budgetary constraints. As some of this funding increase may be offset through reductions in other research, development, and demonstration programs (such as the Clean Cities Program), concerns may be raised over the future of those other programs, as well. For FY2004, Congress agreed to increase funding for the initiatives at roughly \$60 million above FY2003 levels (See **Table 1**).<sup>15</sup> For FY2005, Congress provided nearly all of the requested funding, increasing the appropriation by approximately \$25 million above the FY2004 level.<sup>16</sup>

In addition to appropriations legislation, hydrogen and fuel cell vehicles were addressed by other bills in the 108<sup>th</sup> Congress. On November 17, 2003, the conference committee on the energy bill (H.R. 6) issued its report (H.Rept. 108-375). In addition to other provisions, the bill authorized appropriations for hydrogen and fuel cell research at a level slightly higher than that requested by the President — \$2.15 billion over five years, as opposed to the requested \$1.8 billion. In addition to R&D funding, the bill provided tax incentives for the purchase of new fuel cell vehicles.<sup>17</sup> The House approved the conference report on November 18, 2003. On November 21, a cloture motion on the bill was rejected in the Senate. It is likely that these issues will be addressed again in the 109<sup>th</sup> Congress.

Another key piece of legislation that could affect hydrogen and fuel cell R&D is the highway reauthorization bill. The main highway transportation authorization statute, the Transportation Equity Act for the 21<sup>st</sup> Century (TEA-21), expired in the 108<sup>th</sup> Congress.

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<sup>14</sup> Engine idling is a key source of emissions from heavy vehicles, especially long-haul trucks. Currently, climate control, electronics, and other accessories require the vehicle to idle, consuming fuel and emitting pollutants at its lowest efficiency point.

<sup>15</sup> Energy and Water Appropriations Bill (P.L. 108-137; H.Rept. 108-357) and Interior and Related Agencies Appropriations Bill (P.L. 108-108; H.Rept. 108-330)

<sup>16</sup> FY2005 Consolidated Appropriations Act (P.L. 108-447; H.Rept. 108-792).

<sup>17</sup> This provision was taken from stand alone legislation, H.R. 1054 (Camp) and S. 505 (Hatch), known as the CLEAR ACT. The CLEAR ACT provides incentives for the purchase of alternative fuel and advanced technology vehicles, as well as for the development of alternative fuel infrastructure. For more information on the CLEAR ACT, see CRS Report RS21277, *Alternative Fuel Vehicle Tax Incentives and the CLEAR ACT*.

As TEA-21 funds programs to develop and demonstrate alternative fuel vehicles and infrastructure, its successor may include provisions for hydrogen and fuel cell vehicle development and demonstration.

Other bills related to hydrogen and fuel cells would create tax credits for the purchase of stationary fuel cells or fuel cell vehicles, establish other incentives for their use (e.g., HOV exemptions for fuel cell vehicles), and provide additional funding for R&D on hydrogen and fuel cells.

## **Issues for Congressional Consideration**

FreedomCAR and the President's Hydrogen Fuel Initiative raise several key issues for Congressional consideration. Some of these issues are:

- Given rising federal deficits and the potential for increased defense costs, can the federal government afford the \$720 million increase for hydrogen and fuel cell R&D?
- Should the federal government be picking hydrogen and fuel cell vehicle technologies over other technologies, such as hybrid vehicles and lean-burn engines?
- Would the designation of a target deadline for commercialization of fuel cell vehicles help focus the program and make better use of funding resources? Alternately, would such a deadline force manufacturers to abandon other promising technologies or create an unfair burden on the industry?
- Should the government focus on long-term research or should it focus on technologies closer to commercialization, or both?