



ML Strategies Update

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Energy & Environment Update

ENERGY AND CLIMATE DEBATE

Energy and environment debates are alive and well in Washington this week, as the Senate begins negotiations over the Keystone XL pipeline and President Obama delivers his State of the Union address.

The Senate voted January 12 to begin debate on legislation (S. 1) to support the construction of the Keystone XL pipeline. One Independent and ten Democrats joined Republicans in supporting the measure. Amendments began to fly January 20. Senate Energy and Natural Resources Committee Chair Lisa Murkowski (R-AK) offered a procedural amendment. Senators Rob Portman (R-OH) and Jeanne Shaheen (D-NH) offered a scaled-down energy efficiency package that would promote efficiency in government buildings and push back water heater regulations. Sense of the Senate Amendments from Senators Tim Kaine (D-VA), Brian Schatz (D-HI), Jeff Merkley (D-OR), Sheldon Whitehouse (D-RI), and Bernie Sanders (I-VT) call on the chamber to recognize that climate change is real and caused by human activity. An amendment from Senator Al Franken (D-MN) would require TransCanada Corporation to use U.S. materials to build the pipeline. An amendment from Senator Ed Markey (D-MA) would prevent the export of crude oil from the pipeline. An amendment from Senator Ted Cruz (R-TX) would lift restrictions on crude oil exports and hasten liquefied natural gas exports. Amendments from Senators Cruz, John Hoeven (R-ND), and Joe Donnelly (D-IN) would streamline the development of cross-border energy infrastructure. An amendment from Senator Deb Fischer (R-NE) would outlaw the use of greenhouse gas considerations in National Environmental Policy Act reviews. An amendment from Senator Orrin Hatch (R-UT) would leave fracking oversight primarily to states. An amendment from Senator Ed Markey (D-MA) would extend the wind production tax credit. An amendment from Senator Kirsten Gillibrand (D-NY) would define underground natural gas injection to include storage. An amendment from Senator Susan Collins (R-ME) would provide government assistance for school energy retrofits. An amendment from Senator Cory Gardner (R-CO) would promote federal building energy efficiency. An amendment from Senator Mike Enzi (R-WY) would limit the Environmental Protection Agency's power over state plans to limit visibility pollution near national parks. Amendments from Senator Pat Toomey (R-PA) would eliminate the corn ethanol fuel mandate (co-sponsored by Senator Dianne Feinstein (D-CA)), limit Environmental Protection Agency regulations on power plants that burn waste coal, and mandate a study of transitioning the federal government's vehicle fleet to natural gas vehicles. An amendment from Senator Gary Peters (D-MI) would mandate a study on the impacts of petcoke. An amendment from Senator Dick Durbin (D-IL) would designate petcoke as a hazardous waste. Amendments from Senator Amy Klobuchar (D-MN) would prevent metal theft and promote energy efficiency retrofits. Amendments from Senator Mike Lee (R-UT) would implement revisions to the Endangered Species Act. An amendment from Senator Ron Wyden (D-OR) would express the sense of the Senate that waste from oil and gas operations, particularly methane emissions, should be minimized. An amendment from Senator Maria Cantwell (D-WA) would require tar sands projects to pay a fee into the Oil Spill Liability Trust Fund.

Thus far, most amendments are either focused on Keystone related issues, climate issues, or political messaging. Many of the amendments serve as previews to energy and environment debates likely to return for discussion during the 114th Congress. The upper chamber has already backed the energy efficiency amendment from Senators Portman and Shaheen and a few other amendments during the process early this week, with more to follow in the coming days.

Nebraskan plaintiffs filed two new district court challenges January 16 against the state law that hastened a new route for the Keystone XL pipeline, the first step toward seeking a rehearing of the state Supreme Court case.

Secretary of State John Kerry has set February 2 as a deadline for other federal agencies to submit comments on the pipeline.

Speaking of the Keystone debate, President Obama said during his [State of the Union](#) address tonight that an infrastructure plan should be focused on something higher than a single oil pipeline. In the midst of language centered on economic growth and an ambitious middle class agenda, he also used the address to discuss the need to address climate change and to tout some of the administration's efforts to reduce greenhouse gas emissions and increase renewable energy production.

In other news, the House is scheduled to vote this week on legislation (H.R. 161) to expedite permits for natural gas pipelines.

CONGRESS

LNG Review Completion Urged

Senator John Barrasso (R-WY) and 13 other Western congressmen sent a [letter](#) January 12 to Federal Energy Regulatory Commission Chair Cheryl LaFleur urging the commission to complete a final environmental impact statement for the Jordan Cove liquefied natural gas export project as soon as possible.

House Subcommittee Agenda

House Energy and Commerce Subcommittee on Environment and the Economy Chair John Shimkus (R-IL) said January 14 that he hopes to move legislation to the House floor this summer to open Yucca Mountain for nuclear waste storage, overhaul the Toxic Substances Control Act, and prohibit the Environmental Protection Agency from regulating coal ash as hazardous waste.

Legislation Introduced

Representative Jared Huffman (D-CA) introduced legislation January 13 (H.R. 309) to abolish the 1986 per-gallon gas tax and replace it with a carbon tax of \$50 per metric ton CO₂e on all highway transportation fuels.

Senators Bill Cassidy (R-LA) and Dean Heller (R-NV) reintroduced January 14 legislation (S. 156) to require the Environmental Protection Agency to give Congress cost benefit analyses of proposed rules that would have an economic impact of \$1 billion or more. The measure would prohibit the agency from completing work on any rule that the Secretary of Energy finds economically harmful after discussions with other agencies. Senator Heller introduced the same bill in the Senate last Congress (S. 1363), and then-Representative Cassidy did the same in the House (H.R. 1582).

Representative Bill Johnson (R-OH) introduced legislation (H.R. 351) January 14 to require the Department of Energy to issue a final decision on applications to export liquefied natural gas within 30 days of the completion of a National Environmental Policy Act review.

Representative Blaine Luetkemeyer (R-MO) introduced legislation (H.R.) 383) January 14 to prohibit funds from being sent to the United Nations Intergovernmental Panel on Climate Change, Framework Convention on Climate Change, and Green Climate Fund.

Upcoming Hearings

The House Energy and Commerce Subcommittee on Environment and the Economy will hold a hearing January 22 on the Environmental Protection Agency's coal ash rule.

The Senate Energy and Natural Resources Committee will hold a hearing January 29 to consider liquefied natural gas export application legislation (S. 33) from Senators John Barrasso (R-WY) and Martin Heinrich (D-NM).

ADMINISTRATION

Caribbean Energy Summit

Vice President Joe Biden will host a summit on Caribbean energy security January 26, focusing on switching to renewable energy. The summit will include remarks from the vice president and energy security roundtable with Caribbean leaders.

CEQ Chair to Depart

White House Council on Environmental Quality Acting Chair Mike Boots will depart in March. Mr. Boots previously served as the council's chief of staff, but assumed the acting chairmanship last February when Nancy Sutley departed.

DEPARTMENT OF COMMERCE

Hottest Year on Record

The National Oceanic and Atmospheric Administration and the National Aeronautics and Space Administration announced January 16 that 2014 was the warmest on [record](#). The global annual average temperature was 57 degrees Fahrenheit, 1.24 degrees above the 20th century average, and 0.07 degrees above the previous records, from 2005 and 2010; record keeping began in 1880. 2014 was the 38th consecutive year that the annual global temperature exceeded the average. Analysis of the data has shown that greenhouse gas emissions primarily drive the long-term warming trend.

Trade Mission Announced

Secretary of Commerce Penny Pritzker and Secretary of Energy Ernest Moniz will co-lead a business development mission to China April 12-17. The mission will promote American clean technology products and services in the areas of green building and construction, energy efficiency, carbon capture, utilization, and storage, and environmental technologies in support of the Smart Cities-Smart Growth theme.

DEPARTMENT OF ENERGY

Energy Outlook Released

The Energy Information Administration released its [Short-Term Energy Outlook](#) January 13, predicting that the amount of domestic electricity generated from nonhydropower renewable sources will increase to 7.9 percent by the end of 2016, led by new wind and solar installations. Wind capacity is forecasted to increase by about 23 percent between 2014 and 2016, and solar capacity will increase more than 60 percent between the end of last year and the end of 2016, about half of that come from California.

Nuke Office Hire

The Department of Energy announced January 14 that John Kotek, former staff director of the Blue Ribbon Commission on America's Nuclear Future, will become the Office of Nuclear Energy's principal deputy assistant secretary, the number two spot behind Assistant Secretary Pete Lyons.

Commercial Furnace Efficiency

The Department of Energy announced January 16 energy efficiency [standards](#) for commercial furnaces that would save consumers as much as \$2.7 billion over 30 years in natural gas savings. The standards would increase the minimum required efficiency of gas- and oil-fired commercial furnaces to 82 percent. Commercial furnaces are typically used to provide space heating for low-rise buildings such as schools, restaurants, big-box stores, and small office buildings.

DEPARTMENT OF TREASURY

Small Wind Credit Guidance

The Internal Revenue Service issued guidance January 13 on performance and quality standards that small wind energy property must meet to qualify for the Section 48 energy tax credit. The credit for qualified small wind energy property is 30 percent for periods ending before January 1, 2017.

ENVIRONMENTAL PROTECTION AGENCY

2015 Agenda

Environmental Protection Agency Acting Assistant Administrator for Air and Radiation Janet McCabe outlined last week the office's agenda for 2015, noting that finalizing national ambient air quality standards for ozone and

CO2 standards for new, modified, and existing power plants and implementing the Cross-State Air Pollution and Mercury Rules top the issues list.

Methane Plan

The Environmental Protection Agency announced January 14 that it will directly regulate methane and volatile organic compound emissions from new and modified oil and natural gas wells as part of the Obama Administration's [Methane Strategy](#), which is expected to reduce emissions by between 40 and 45 percent by 2025 from 2012 levels. The agency, the Bureau of Land Management, the Department of Energy, and the Pipeline and Hazardous Materials Safety Administration will propose a rule this summer with a final rule in 2016. Methane, a short-lived greenhouse gas, accounted for nearly ten percent of domestic greenhouse gas emissions in 2012. Methane emissions from the oil and natural gas sector have dropped by 16 percent since 1990, but they are projected to grow by more than 25 percent by 2025 without new measures to control emissions.

RFS Delay Lawsuit

Plant Oil Powered Diesel Fuel Systems Inc. filed a lawsuit in the U.S. Court of Appeals for the District of Columbia Circuit January 15 against the Environmental Protection Agency for failing to issue renewable fuel standards for 2014 and 2015. The agency announced in November that it would not finalize the 2014 standard by the end of the year, instead stating its plan to issue standards for 2014, 2015, and 2016 this year in an effort to get the program back on schedule.

Mum on Keystone

Environmental Protection Agency Administrator Gina McCarthy said January 16 that the agency would await a move from the State Department before commenting on the Final Environmental Impact Statement for the Keystone XL pipeline. She also said that the agency might not issue a comment on the national interest determination.

2015 Agenda

Environmental Protection Agency Administrator Gina McCarthy outlined January 16 the agency's 2015 agenda, saying that priorities include finalizing CO2 emission limits on new, modified, and existing power plants; finalizing a regulation clarifying the jurisdiction of the Clean Water Act; proposing methane emission standards for new sources and working with industry to reduce emissions from existing sources; and proposing emissions limits for heavy-duty vehicles.

FEDERAL ENERGY REGULATORY COMMISSION

New Energy Capacity

Federal Energy Regulatory Commission Commissioner Tony Clark sent a letter to the House Energy and Commerce Committee January 16 saying that the commission had limited input on the development of the Environmental Protection Agency's Clean Power Plan. The committee released four [letters](#) from commissioners in response to a December 22 request from Senator Lisa Murkowski (R-AK) and Representatives Fred Upton (R-MI), and Ed Whitfield (R-KY).

INTERNATIONAL

World Bank Green Bonds

The World Bank sold \$91 million in green bonds tied to an index of ethical companies, the largest green bonds offering linked to an equity index and the first to be offered to individual investors. The securities, sold over a six-week period in November and December 2014, are linked to the performance of the Ethical Europe Equity Index, and the seven-year notes were sold in \$100 denominations in Belgium and Luxembourg.

RE Capacity Increase

GDF Suez SA announced last week that it plans to double renewable power production capacity in Europe, from 8,000 MW in mid-2014 to 16,000 MW by 2025, as it shifts its focus away from developing more natural gas and nuclear energy sources.

\$491 Million for Brazilian Wind

General Electric agreed last week to supply 346 MW of wind turbines worth as much as \$491 million to Brazilian renewable energy developer Casa dos Ventos.

EU 2015 Issues

The European Union [outlined](#) last week its agenda for 2015, noting that it will work on legislation to reduce

greenhouse gas emissions 40 percent from 1990 levels by 2030; review proposals for increased power generation from renewable energy, ways to promote energy savings, and to integrate member state energy markets; and resubmit air quality and waste legislation.

Mexico 2015 Issues

Mexico outlined last week its agenda for 2015, noting that plans to encourage greater use of renewable energy will be the country's top environmental agenda for 2015. Other top issues include the National Industrial Safety and Environmental Protection Agency ensuring that the oil and gas sector follows environmental rules; clarifying regulations regarding the use of water for fracking; increasing the carbon tax; opening the Clean Energy Certificate market; encouraging geothermal energy; revising efficient building standards; increasing fuel quality standards; and establishing more recycling and waste disposal requirements and efficient forestry conservation standards.

Danger Zone

Researchers led by Stockholm University published findings in *Science* last week urging policymakers to redouble their efforts to reduce greenhouse gas emissions, saying that human activities are risking turning even rich nations into a global warming danger zone, as they have pushed the planet across four of nine environmental boundaries.

Indian Solar

Helping to advance Indian Prime Minister Narendra Modi's effort to reduce pollution by expanding renewable energy, SunEdison Inc. announced last week that it will invest \$4 billion to build the largest solar panel factory in the country. The American manufacturer will form a venture with Indian power provider Adani Enterprises Ltd. to build the 7.5 GW of annual production capacity photovoltaic plant. Construction will begin this year.

IMO 2015 Issues

The International Maritime Organization said January 13 that reducing CO2 emissions from ships and improving their energy efficiency top their environmental priorities for the year. Implementing the Ballast Water Management Convention and adopting the environmental provisions of the Polar Code are also high on the organization's list.

Pope on Climate Change

Pope Francis said January 15 that climate change is mostly due to human activity. He criticized United Nations climate negotiations for exhibiting a lack of courage and said that we have "exploited nature too much." Vatican City became the world's first carbon-neutral nation through its use of carbon offsets in 2010.

STATES

LA Electricity Savings Motivation

Environmental economists from UCLA published a paper in PNAS last week finding that the least effective way to get a Los Angeles family to save electricity is by telling them how much they will save in the process. Instead, they found it much more persuasive to tell consumers how many pounds of pollution their power usage generated, and how that pollution is linked to diseases.

CA Market Success

The Environmental Defense Fund released a [report](#) January 14 finding that California's economy has thrived in the two years since it launched its multisector greenhouse gas emissions cap and trade program under A.B. 32. The carbon market is strong and stable, companies are participating in the program, leaders are committed to its integrity and to investing in a clean energy economy, and the state is working with other states and nations to adopt climate policies of their own.

CO Underestimating Emissions

Gabrielle Petron, an atmospheric scientist with the National Oceanic and Atmospheric Administration Cooperative Institute for Research in Environmental Sciences at the University of Colorado-Boulder told a special [task force](#) on oil and gas at its January 15 meeting that Colorado is significantly underestimating greenhouse gas emissions and air pollutants emitted from oil and gas operations.

MISCELLANEOUS

Social Cost of Carbon Figure

Stanford University scientists published a study January 12 in *Nature Climate Change* finding that the economic

damage from one ton of CO2 emissions could be six times higher than the federal government's current estimate. The scientists estimated that the social cost of carbon totals \$220 per metric ton, higher than the \$37/MT that federal agencies use to calculate the impact of climate change in their regulations.

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