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## **ENERGY & ENVIRONMENT UPDATE**

### **January 27, 2014**

#### **ENERGY AND CLIMATE DEBATE**

While Congress was in recess last week, many Obama Administration and Congressional officials traveled to Davos, Switzerland, to participate in the annual World Economic Forum. About a third of the panels addressed climate issues; please find more information below.

Congress returns this week, and President Obama will give his State of the Union address January 28. The president aims to outline a “year of action,” which builds on his call last year to not necessarily await Congressional action as he moves forward with a broad range of executive efforts. In addition to outlining his plans for education, job training, and manufacturing, we anticipate that the president will point to his climate action plan as an area of potential significant development. Though it is not yet clear whether President Obama will announce any new energy or environment initiatives, several Environmental Protection Agency regulations are ripe for release. Discussion of clean energy, particularly as it relates to natural gas, energy exports, and transitioning to a carbon-constrained world, is probable, though a mention of the Keystone XL pipeline is unexpected.

In addition to energy-related hearings in both the House and Senate this week, which are outlined below, the Senate will continue its work on the flood insurance measure (S. 1926) and the potential extension of unemployment benefits (S. 1845), while House and Senate negotiators are expected to produce a conference agreement on a five-year farm bill (H.R. 2642).

Though the fiscal year 2015 budget is officially due this time next week, the White House announced last week that it will release it March 4, pointing to the recent budget debates as cause for the delay.

#### **CONGRESS**

##### **Utility Renewable Energy Tax Credit Legislation**

Senators Amy Klobuchar (D-MN) and John Hoeven (R-ND) are leading a bipartisan proposal to create a tax incentive for utilities to increase their investment in wind and solar power. The measure (S. 1899) would provide a consumer renewable credit, based on a utility's investment in

renewable energy production and its renewable portfolio, or its share of total production from renewable sources. The credit would start at 0.1 cents/KWh of renewable energy produced for utilities with a renewable portfolio of 6 to 8 percent, and range up to 0.6 cents/KWh for utilities with a renewable portfolio of more than 24 percent. The measure will match efforts by 37 states that have mandatory standards or voluntary goals for renewable portfolios. Representatives Erik Paulsen (R-MN) and Ron Kind (D-IN) have offered a similar House proposal (H.R. 3838).

### **RFS Modification Urged**

Senate Majority Whip Dick Durbin (D-IL) led 30 of his colleagues in a [letter](#) to Environmental Protection Agency Administrator Gina McCarthy January 22 charging that the agency's proposal to decrease the amount of renewable fuel required by the renewable fuel standard is a step back. In November, the agency proposed a first-time 3 billion gallon reduction in the amount of renewable fuel that refiners are required to blend into the motor fuel supply in 2014. A group of representatives, led by Congresswoman Cheri Bustos (D-IL) sent a [letter](#) January 16 calling on the agency to finalize a mandate that sets volumes based on production in order to protect farmers and promote domestic energy production. Seven Midwestern House Democrats are also [seeking](#) a meeting with the White House to discuss the proposed requirements. Thirty senators led by Senator Heidi Heitkamp (D-ND) sent a [letter](#) to Administrator McCarthy January 27 asking the agency to reverse course on their proposal.

### **PTC Extension Urged**

The Advanced Energy Economy sent a letter signed by more than 60 businesses and other groups January 23 to Senate Finance Committee Chair Max Baucus (D-MT) and House Ways and Means Committee Chair Dave Camp (R-MI) urging them to extend the renewable energy production tax credit and other energy tax credits that expired at the end of 2013.

### **Keystone Decision Sought**

Senate Minority Leader Mitch McConnell (R-KY) led the entire Senate Republican caucus in sending a letter to President Obama January 24 asking him to make a decision on the Keystone XL pipeline soon. The Department of State is expected to complete its environmental review within weeks.

### **Upcoming Hearings**

- The Senate Energy and Natural Resources Committee will consider the bipartisan Critical Minerals Policy Act of 2013 on January 28.
- Two days later, the committee will hold a hearing to explore the opportunities and challenges associated with lifting the ban on U.S. crude oil exports.
- On January 28, the House Energy and Commerce Committee will mark up Representative Ed Whitfield's (R-KY) H.R. 3826, which would delay the Environmental Protection Agency from limiting greenhouse gas emissions from new power plants until carbon capture and storage technologies are commercially demonstrated at six different sites for at least a year. The committee will also vote on a building energy efficiency bill (H.R. 2126) from Representatives David McKinley (R-WV) and Peter Welch (D-VT).
- The Senate Environment and Public Works Committee will host all five Nuclear Regulatory Commissioners January 29 at a hearing on the implementation of the Fukushima near-term task force recommendations and other safety issues.

## ADMINISTRATION

### **U.S. Climate Leadership Crucial for Globe**

In an interview with the New Yorker's David Remnick January 23, President Obama said that he will place a high priority on his climate action plan in order to retain the viability of fossil fuels as the world works to mitigate and adapt to climate change. Saying that China, India, and other nations are likely to continue building coal-fired power plants, the president reiterated the importance of developing strong carbon capture and storage technologies.

### **President Applauds Mayors**

Addressing the U.S. Conference of Mayors January 23, President Obama commended the nation's mayors for their commitment to addressing climate change and promised to coordinate with them as effectively as possible, even in the face of Congress' inability to act on the issue, to achieve shared climate goals.

### **Social Cost of Carbon Comment Period Extended**

The Office of Management and Budget published a [notice](#) in the Federal Register January 27 extending the public comment period by 30 days on technical changes to the Administration's estimate of the social cost of carbon. Comments may be made through February 26.

## DEPARTMENT OF COMMERCE

### **AD/CVD Investigation Launched**

The Department of Commerce announced January 23 that it would initiate new anti-dumping and countervailing duty investigations of crystalline silicon photovoltaic products from China and Taiwan. The inquiry was spurred by a petition from SolarWorld that contended that Chinese solar manufacturers are avoiding 2012 tariffs by exploiting loopholes in the earlier investigation. The International Trade Commission will make its preliminary injury ruling by February 14.

## DEPARTMENT OF ENERGY

### **Moniz Addresses Conference of Mayors**

Speaking to the Conference of Mayors January 22, Secretary of Energy Ernest Moniz said that the agency is still planning to issue a new loan guarantee solicitation for renewable energy projects in 2014. The agency has roughly \$3 billion in loan guarantee authority for renewables in the 1703 program. The same afternoon, he told the conference that he believes the national laboratories have a greater potential to bring their work to the private sector than they are currently achieving.

### **\$50 Million for Advanced Vehicles**

Secretary of Energy Ernest Moniz made available January 22 \$50 million for advanced vehicle projects. The [funding](#) will be directed through the agency's 2012 electric vehicle program, which aims to make plug-in electric vehicles more affordable than existing gasoline vehicles within a decade. Applications are due April 1. During remarks at the Washington Auto Show the same day, Secretary Moniz said that the agency is considering reviving the Advanced Technology Vehicles Manufacturing program, and is open to ideas about how to do so. The program has \$16.6 billion in loan authority remaining.

## DEPARTMENT OF TRANSPORTATION

### FAA Cape Wind Determination Upheld

The U.S. Court of Appeals for the District of Columbia Circuit [ruled](#) January 22 that it would not review the Federal Aviation Administration's determination that Cape Wind's turbines pose no air traffic hazard. Barnstable, Massachusetts, challenged the agency's 2012 determination. In the hope of repeating a 2011 victory, when the court ruled that its first determination did not properly consider visual flight rule operations.

## ENVIRONMENTAL PROTECTION AGENCY

### SAB Advises No Further Review

The Environmental Protection Agency's Science Advisory Board determined January 21 that it need not review the science underlying the Environmental Protection Agency's proposed greenhouse gas limits for new power plants, specifically as it relates to carbon capture and sequestration. The board said that it still has concerns that the agency has not completely evaluated the viability of CCS and further review is warranted, and will address them in an upcoming letter to the Administrator Gina McCarthy.

### RFS Renewable Reduction Could Harm Biofuel Sector

The Renewable Fuels Association, Abengoa Bioenergy, and other industry representatives said January 22 that the Environmental Protection Agency's proposal to reduce the renewable fuel volume requirement in the renewable fuel standard would stunt the advanced and cellulosic biofuels sector's growth and development. The industry is also concerned that the rule would limit second generation technology investments in the United States.

### Cellulosic Volume Requirements Reconsidered

The Environmental Protection Agency notified the [American Petroleum Institute](#) and the [American Fuel and Petrochemicals Manufacturers](#) January 23 that it would reconsider the 2013 volume requirements for cellulosic biofuels in response to below-forecast industry production.

### Integrated City Climate Planning Sought

Deputy Environmental Protection Agency Administrator Bob Perciasepe told the U.S. Conference of Mayors January 23 that the agency may attempt to develop an integrated planning process for communities adapting to climate change impacts, similar to a process it developed for water infrastructure.

### Tier 3 Standards Finalized

The Environmental Protection Agency sent the Tier 3 vehicle emissions and gasoline standards final rule to the White House Office of Management and Budget for interagency review January 24. The agency intends to issue the final rule in February. The rule proposed to reduce the allowable sulfur content of gasoline from 30 parts per million to 10 ppm beginning in 2017 and includes volatile organic compound, nitrogen oxide, and particulate matter emissions standards for new light- and heavy-duty vehicles, as well as new evaporative emissions standards.

### Record Biodiesel Production

The National Biodiesel Board announced January 25 that it had produced a record 1.8 billion gallons in 2013, 1.52 billion gallons of traditional biodiesel, and 260 million gallons of renewable

diesel. The industry will use the figure as it urges the Environmental Protection Agency to increase its proposed 2014 volume mandate.

### **Ozone Rule Forthcoming**

The Environmental Protection Agency announced January 24 that it plans to propose by October new regulations to reduce ozone pollution that crosses state lines in the eastern United States. The rule would replace parts of the Cross State Air Pollution Rule.

## **FEDERAL ENERGY REGULATORY COMMISSION**

### **Order 1000 Oral Arguments Set**

The U.S. Court of Appeals for the District of Columbia Circuit will hear oral arguments March 20 on the Federal Energy Regulatory Commission transmission planning rule, Order 1000.

## **NATIONAL AERONAUTICS AND SPACE ADMINISTRATION**

### **Temperature Rise Continues**

The National Aeronautics and Space Administration's Goddard Institute for Space Studies released a [study](#) January 21 finding that the long pattern of rising global temperatures continued last year, tying 2009 and 2006 for the seventh warmest year since 1880. Global temperatures have increased about 1.4 degrees F since records were first kept in 1880.

## **INTERNATIONAL**

### **Chinese Manufacturing's Traveling Emissions**

The National Academy of Sciences published a paper January 20 finding that Chinese manufacturing pollution is reaching the United States' West Coast. The study concluded that Los Angeles experiences at least one extra day a year of smog that exceeds federal limits because of nitrogen oxides and carbon monoxide emissions by Chinese export-specific factories.

### **Chinese Polysilicon Duties Imposed**

China affirmed import tariffs on United States and South Korean polysilicon companies January 20. Imports from the U.S. will be subject to anti-subsidy duties at a rate of 2.1 percent, and to antidumping duties at rates of up to 57 percent. The final rule upholds preliminary July 18 antidumping duties on solar cells, and exempts Korean producers and some U.S. companies from lower anti-subsidy fees.

### **Water Initiative Launched**

During the World Future Energy Summit January 21, the World Bank launched a [Thirsty Energy Initiative](#) in an attempt to coordinate investments between the water and energy sectors. The bank has set goals to identify areas of collaboration and quantify trade-offs between energy development and water usage; guide energy and water investment planning; and develop direction-making tools for government planning purposes.

### **Fracking Not Recommended in EU**

The European Commission released a nonbinding [recommendation](#) January 22 that European Union countries should not permit fracking unless operators comply with a set of criteria designed to prevent environmental harm. Member countries must report in six months on their adoption of the recommendation.

### **Uncertain Regulatory Scheme Stalls Investment**

CDP, formerly the Carbon Disclosure Project, released a [report](#) January 22 concluding that regulatory uncertainty has slowed corporate investment in greenhouse gas emissions reductions and supply chain sustainability. Related investments plateaued in 2013 at \$77 billion, compared to \$76 billion in 2012. The organization urged companies to engage with governments to ensure clear energy efficiency, clean energy, and climate policies in the long term in order to increase investment.

### **EU Energy Plan Unveiled**

The European Commission released a [proposal](#) January 22 finding that renewable energy should provide 27 percent of the European Union's energy consumption by 2030 as a way to help the region reduce greenhouse gases while ensuring secure, affordable energy supplies for companies and consumers. The commission declined to enhance legally binding renewable energy commitments for the transportation sector, impose binding targets for energy efficiency, or set state-specific targets. The European Parliament and member states must approve the legislation, which proposes a binding 40 percent greenhouse gas emissions reduction target by 2030.

### **Renewable Energy Doubling Possible**

The International Renewable Energy Agency released a [report](#) January 22 finding that countries could meet or exceed a United Nations goal to double the global share of renewable energy by 2030 at almost no additional cost. Targeted action by the public and private sector is necessary to accelerate renewable energy deployment across the building, transportation, industry, and electricity sectors.

### **Davos Talks**

The United States, the European Union, China, and several other countries announced January 24 at the World Economic Forum in Davos that they will begin negotiating a deal to reduce tariffs on the world's \$955 billion in annual environmental goods trade. The effort is similar to a recent deal among Asia-Pacific Economic Cooperation countries, and will build on those efforts to make renewable and clean energy technologies cheaper and more broadly accessible. The group accounts for 86 percent of the world's trade in related products, and has already been praised by businesses and trade groups and questioned by environmentalists for its actual impact on climate change. Environmental Protection Agency Administrator Gina McCarthy attended the forum, as did Secretary of State John Kerry, Treasury Secretary Jacob Lew, Commerce Secretary Penny Pritzker, and several other administration officials and high-ranking members of Congress. The forum devoted a full day to addressing the economic costs of climate change, and the costs to businesses and governments of solving the problem. Global development leaders, led by the World Bank Group, urged governments and the private sector to put a price on carbon and encourage more low-carbon investment.

## **STATES**

### **VA Hybrid Tax**

Virginia's House of Delegates voted January 23 to repeal the hybrid tax, though electric vehicle owners will still have to pay the annual fee. The state imposed an annual \$64 annual license tax as part of its transportation funding package last year. The state Senate has passed a similar bill.

### **NV ON Line Operational**

The One Nevada Transmission Line became operational January 23. The high-voltage power line will carry renewable energy from eleven projects, transmitting up to 800 MW of electricity. The Department of Energy provided a \$343 million loan guarantee in February 2011 for the project.

### **CA Low-Carbon Fuel Standard Upheld**

The U.S. Court of Appeals for the Ninth Circuit [rejected](#) petitions January 22 from farming, ethanol, and petroleum groups seeking an en banc rehearing of their challenges to California's low carbon fuel standard. The majority court voted against hearing petitioners' claims that an appellate panel erred in September when it upheld the low-carbon fuel standard.

## **MISCELLANEOUS**

### **Cost of Green Business**

Trucost released a Natural Capital Leaders [Index](#) January 21, finding that Intel Corp., PG&E Corp., and Kimberly-Clark Corp. top a list of 34 companies across the world that have increase revenue while reducing their natural capital impacts the past five years. The organization screened 4,600 companies to translate their environmental impacts into financial metrics.

### **ACCCE Fossil Benefits**

The American Coalition for Clean Coal Electricity released a [report](#) January 22 concluding that using fossil fuels for energy creates benefits to society between 50 and 500 times greater than the social costs associated with their use.

### **Solar Job Growth**

The Solar Foundation released a jobs [census](#) January 27 finding that the United States solar industry added 23,682 jobs in 2013, increasing its employment 19.9 percent to 142,698 people. The industry expects to add an additional 22,000 jobs this year. The Federal Energy Regulatory Commission concluded the same day that the domestic solar industry added more megawatts than coal for the first time, with new installations increasing 43 percent from 2012, and solar comprising almost 21 percent of new generating capacity in 2013.