



ML Strategies Update

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Energy & Environment Update

ENERGY AND CLIMATE DEBATE

The winter weather postponed much congressional and Administrative action on energy, environment, and other issues this week, but the Senate has now officially begun floor debate on the first broad bipartisan energy package in nearly ten years.

The Energy Policy Modernization Act of 2015 (S. 2012), which cleared, 18-4, the Senate Energy and Natural Resources Committee last summer, includes, among other things, language to increase energy efficiency, renewable energy, energy infrastructure, and grid security, as well as to impose deadlines on the Department of Energy to make final decisions on natural gas exports, permanently reauthorize the Land and Water Conservation Fund, and expedite the licensing process for hydropower projects. Senate Democrats unveiled an alternative package focused on clean energy last fall that could preview some of the amendments likely to surface during floor debate. Other amendments could include opposition for Obama administration regulations, the validity of climate science, and more. The amendment process, while likely to remain fairly open, will prevent some amendments from being considered germane. There is no guarantee that a bill will move in 2016, though there may be scaled back package, most likely before late fall. After a bipartisan effort fell apart last year in the House, the lower chamber approved its own energy bill (H.R. 8) before the close of the year on a near party line vote. House Energy and Commerce Committee Chair Fred Upton (R-MI) said at the beginning of the year that he is open to removing some of the more controversial measures of the package in order to craft a more bipartisan measure. Representative Upton is interested in pursuing a measure that replaces the crude oil export language of the House-passed package with LNG language to reflect the Senate bill as well as return to a more bipartisan approach along the lines of what he had initially intended.

With the three-year reauthorization of the Land and Water Conservation Fund causing Senators Richard Burr (R-NC) and Kelly Ayotte (R-NH) to lift their holds on the bipartisan compromise Toxic Substances Control Act reform legislation, the Senate approved the measure (H.R. 2576) with a substitute amendment from Senator James Inhofe (R-OK) just before departing for the year. The Senate and House will conference their bills shortly, with the hope of finalizing TSCA reform early this year. It is very likely that a conference will take the form of informal negotiations, with conferee appointments at the very end.

Also on the agenda through the end of the month includes efforts from tax writers in both chambers to start making significant changes to international corporate taxes, though it remains uncertain whether a bill can be completed this year. Looking at the energy-related agenda between now until the March 18 Easter Recess, Congress is likely to focus on the FAA reauthorization, which may potentially include a tax title, in which not only efforts to fix issues left out of the end of the year package will take place, but some new tax issues may also be included; TSCA reform; pipeline reauthorization; and a bipartisan energy bill. Appropriations will be the primary focus in the post-Easter

work period before the November election, and a Lame Duck session may include a debate over the 2016 expiring tax extenders, among other things.

In addition to the delay or cancellation of several energy and environment hearings in both chambers, the House Ways and Means Committee was scheduled to go on a retreat earlier this week, but due to the storm, tax writers will now get together next week. House Democrats will still go on their retreat tomorrow and Friday in Baltimore.

CONGRESS

Clean Water Rule Opposition

The House approved a joint resolution of disapproval (S.J. Res. 22) January 13 to overturn the Waters of the U.S. rule. President Obama vetoed the measure January 19, and the Senate was unable January 21 to override the veto, or even bring the measure to the floor.

ADMINISTRATION

Methane Rule Review Complete

The White House Office of Management and Budget completed its review January 22 of the Department of Interior's methane rule.

DEPARTMENT OF COMMERCE

Hottest Year on Record

The National Oceanic and Atmospheric Administration released last week data finding that 2015 was the hottest year since record keeping began in 1880, breaking the previous record from the year before. 2015 global temperatures rose 1.62 degrees Fahrenheit over the 20th century average and surpassed the 2014 record by 0.29 degrees.

DEPARTMENT OF DEFENSE

Largest RE Contract

The Army signed January 20 its largest renewable contract to date with a plan to supply 65 MW of solar and wind energy to Fort Hood, Texas. The project is expected to save the base at least \$168 million over 28 years and is the first contract to include two different renewable energy technologies.

DEPARTMENT OF ENERGY

\$18 Million for Solar Storage

The Department of Energy awarded January 19 six three-year grants totaling \$18 million for integrated photovoltaic and energy storage projects as part of its Grid Modernization Initiative. The intends for the projects to increase domestic solar energy storage in order to integrate that energy more into the country's electrical grid.

Central AC Efficiency Standards

The Department of Energy's Appliance Standards and Rulemaking Federal Advisory Committee [approved](#) January 20 a negotiated agreement for energy efficiency standards for central air conditioning and heat pump systems that is expected to save consumers \$38 billion and 300 billion kWh over the next 30 years, reducing CO2 emissions by 175 MMT over the same period. The new standards, scheduled to become effective in 2023, are expected to be published as a direct final rule in the coming months.

DEPARTMENT OF INTERIOR

Venting, Flaring Reduction Proposal

The Bureau of Land Management released January 22 a [proposed rule](#) to reduce emissions and natural gas waste in oil and gas fields on federal and Indian lands. The rule could increase royalties and other costs for oil and gas companies. Despite the fact that 84 percent of oil and gas wells already meet the proposed standards, the rule would reduce the venting, flaring, and leaking of methane emissions and volatile organic compounds by 50 percent after being phased out over three years. The agency will hold public meetings on the proposal in February and March before completing the rule by the end of the year.

ENVIRONMENTAL PROTECTION AGENCY

Chamber on CPP

The U.S. Chamber of Commerce released a [report](#) January 19 contending that the Environmental Protection

Agency based the Clean Power Plan on flawed assumptions about renewable energy availability, resulting in unrealistic and expensive targets.

CPP Litigation

The U.S. Court of Appeals for the District of Columbia Circuit ruled January 21 that it would not issue a stay of the Environmental Protection Agency's Clean Power Plan. Twenty-five states [responded](#) January 26 by [asking](#) the Supreme Court to block the rule, though if the court grants the stay, the suits would still move forward first in the circuit court before any expected appeal to the high court. The circuit court will hear arguments over the validity of the rule June 2.

FEDERAL ENERGY REGULATORY COMMISSION

CPP Modeling

The Federal Energy Regulatory Commission released January 19 a [white paper](#) offering guiding principles to transmission planners and utilities as they evaluate the Clean Power Plan and work with numerous states on their compliance plans.

January Meeting

Federal Energy Regulatory Commission Commissioner Tony Clark announced January 21 that he would depart the agency after his term ends June 30. During the commission's monthly meeting, commissioners also proposed lifting the price cap for generators, and comments will be due 60 days after the rule is published in the Federal Register. The commission also approved a [final rule](#) on cybersecurity reliability standards and opened investigations into natural gas rate setting.

Order 745 Upheld

Overturing a U.S. Court of Appeals for the District of Columbia Circuit ruling, the Supreme Court [upheld](#) January 25 the Federal Energy Regulatory Commission's demand response program. Justices found that the Federal Power Act permits the commission to regulate demand response programs and that doing so does not impinge on states' authority. The high court also found that the commission's decision to compensate demand response providers at the same price paid to generators is not arbitrary and capricious.

INTERNATIONAL

Doubling RE Benefits

The International Renewable Energy Agency released a [study](#) January 17 projecting that doubling global renewable energy, as agreed to in Paris, would create jobs and boost national economies, with the greatest gains in Australia, Brazil, Germany, Japan, Mexico, South Africa, and South Korea. Doubling renewable energy to 36 percent by 2030 would increase the gross domestic product by up to \$1.3 trillion, or 1.1 percent, and create 15 million new jobs. Increased renewable energy is expected also to shift trade patterns and significantly improve human welfare indices.

China's Mobile Emissions Standards

China's State Council announced January 18 that it will implement its China V vehicle emissions standards for gasoline and diesel-powered passenger vehicles and heavy-duty diesel vehicles sold, imported, or newly registered by the beginning of 2018. All gasoline-powered light passenger vehicles and diesel-powered heavy-duty vehicles used in public transportation, sanitation, or postal services will have to comply with the standards by next January. Other heavy-duty diesel vehicles must comply nationally by next July, and light-duty diesel vehicles must comply by January 2018.

Low Oil Prices Could Benefit RE

United Nations Framework Convention on Climate Change Executive Secretary Christiana Figueres said during Abu Dhabi Global Action Day January 18 that low oil prices could increase renewable energy if governments remove direct and indirect fossil fuel subsidies and direct some of the savings into rapid renewable energy development. Her comments contradict conventional wisdom on the subject, though the world spends almost \$500 billion a year on fossil fuel subsidies.

China's Energy Use

China's National Energy Administration released data January 19 finding that the country's renewable and nuclear energy industries are benefitting at the expense of coal as the country moves away from heavy industry; power consumption increased only slightly last year in the midst of broad structural changes. The country's gross domestic product expanded by 6.9 percent in 2015 from the previous year, the least since 1990, while power consumption only rose 0.5 percent, down from a 3.8 increase in 2014. Due to reduced coal usage, national emissions fell two percent last year, a 144.9 MMT CO₂ reduction. Furthermore, the country plans to increase wind and solar capacity

by more than 21 percent this year.

Slower Solar Growth

GTM Research released a report January 22 predicting that global solar power installations will slow by three quarters this year as governments reduce incentives in China, Japan, and the United Kingdom. Global solar demand increased 34 percent last year to 59 GW, while the solar industry is expected to install 64 GW this year, an 8.5 percent increase.

India Solar Trade Case

The World Trade Organization Dispute Settlement Body will rule January 29 on the legality of India's solar program. The decision could require the country to scale back its local content requirements to comply with its international trade obligations, thus benefitting the United States' solar industry.

Canadian Pipeline, LNG Terminal Test

Canada will release next month a new climate test for pipelines and a liquefied natural gas terminal to determine the greenhouse gas implications of each project.

STATES

NY Clean Energy Fund

New York approved January 21 one of the country's most aggressive plans to make the state more reliant on solar and wind energy. The \$5.3 billion Clean Energy Fund will help the state's electrical grid obtain half of its power from renewable sources within 15 years, leveraging \$29 billion in private investment.

City RE Use Urged

The Sierra Club urged January 21 more than 100 U.S. cities to commit this year to obtaining all of their electricity from renewable sources.

NV Solar

The Nevada Public Utilities Commission announced January 26 that it would seriously consider allowing the state's 15,000 rooftop solar customers to sell their power back to the grid for 20 years. The commission finalized last month a rule that effectively gutted the state's solar rooftop net metering program and applied grid charges to new and existing participants, but will reconsider whether existing customers should be grandfathered.

MISCELLANEOUS

Residential EE Tax Incentives

The Congressional Research Service released a report January 21 finding that some energy saving tax incentives, particularly on the residential energy efficiency side, may not yield their expected outcomes. The study concluded that many people who invest in energy efficient products would have done so for other reasons.

GHG Reductions Sans Rate Increases

Nature Climate Change published a study January 25 finding that reducing the United States' greenhouse gas emissions may not be incredibly costly. The report concluded that shifting to solar and wind power and expanding the electric grid would allow the country to reduce electricity related emissions by as much as 80 percent without raising power costs.

Social Cost of Carbon Update

The National Academies of Sciences [recommended](#) January 26 that the federal government not update its social cost of carbon right now because several parts of the formula were recently adjusted. In the meantime, the organization is preparing a report about possibilities for more comprehensive and longer-term changes to the cost calculation.

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