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ENERGY AND ENVIRONMENT UPDATE **January 8, 2012**

Energy and Climate Debate

Happy New Year and welcome to the first 2012 edition of the ML Strategies' weekly Energy and Environment Update. ML Strategies is glad to be back, with a slightly longer edition given the break. Though Congress will not begin the second session of the 112th Congress for several more days – the House returns on January 17 and the Senate returns on the 23rd – a number of significant energy developments have occurred since our last update, and debate over more is expected in the coming days.

In the final days of 2011, the House and Senate were finally able to send a two-month extension of the payroll tax bill to President Obama for his signature. Though no energy tax extenders were included in the measure, a provision requiring the administration to make a determination on the Keystone XL pipeline in the next 60 days did make the cut. Over the course of the next several weeks, Congress will work on a full year extension of the payroll tax cut, and a number of energy tax extender-type items may be included in the mix as well. Proponents of the 1603 Treasury Grant program, for example, are likely to attempt to include it in the longer-term legislation, even as many believe that a more likely opportunity for the extension of such programs, including the wind production tax credit, which while expire at the end of this year, will take place during the lame duck session after the November elections.

Also during the final days of the first session of the 112th Congress, the two houses were able to pass fiscal year 2012 omnibus appropriations legislation. The omnibus allocated \$1.825 billion to Department of Energy Energy Efficiency and Renewable Energy programs, about \$100 million less than fiscal year 2011 levels, but also provided funding to create two new Energy Innovation Hubs for batteries and critical materials. ARPA-E's budget is \$275 million, down from its original 2009 \$300 million allocation. Nuclear energy received over \$768 million, a \$30 million increase over FY2011. On the Environmental Protection Agency front, the omnibus included a \$233 million funding cut overall, reducing it to \$8.4 billion – higher than an agency-specific funding bill the House passed earlier in the year, but significantly less than the FY10 enacted budget of \$10.3 billion.

If this year's debate was difficult, we can expect fiscal year 2013 budget debates to be similarly fraught with tension. The White House, which will release the President's budget request on February 6, has directed agencies to propose FY13 budget levels at least five percent below FY11 enacted levels while also outlining reductions of at least ten percent below FY11. Agencies may also face mandatory funding cuts beginning in 2013 after the Congressional Joint Select Committee on Deficit Reduction failed to reach an agreement last year.

In addition to budget debates, Senate Majority Leader Harry Reid (D-NV) indicated at the end of the year that he hopes to spend part of 2012 focusing on reauthorizations of the Federal Aviation Administration and surface transportation programs. The Senate Environment and Public Works Committee reported out a two-year bipartisan highway reauthorization in November. In both the House and Senate, energy efficiency legislation is likely to play a central role in the energy debate, perhaps serving as a catalyst for other energy and climate debates throughout the course of the year.

Congress

Inhofe to Challenge Utility MACT

Senator James Inhofe (R-OK) sent a memo to a number of his colleagues December 16 in which he announced plans to introduce a joint resolution disapproving the Environmental Protection Agency's utility MACT rule. If Congress passed the resolution and it was signed into law, neither of which is likely, it would nullify the agency's rule aimed at reducing mercury and air toxics emissions from power plants.

Concerns Over Fracking Regs

Senators Lisa Murkowski (R-AK), James Inhofe (R-OK), John Hoeven (R-ND), and Mary Landrieu (D-LA) sent a letter to Environmental Protection Agency Administrator Lisa Jackson December 21 expressing their concerns about plans for regulating fracking under the Safe Drinking Water Act when diesel fuel is used in the fracturing fluid. The guidance, which has been sent to the White House Office of Management and Budget for interagency review, may contain a chemical content standard that causes definitional concern for the senators.

EPA Urged to Consider Costs

In a December 19 letter to Environmental Protection Agency Administrator Lisa Jackson, 68 House members urged the agency to consider costs and benefits when it proposed a rule to strengthen standards for sulfur content in fuel, contending that a more stringent rule could harm the fuel industry and the economy. The agency is expected to propose the Tier 3 rule in 2012, though a firm timeline has not yet been set.

Gas Export Plans Questioned

Representative Ed Markey (D-MA) sent a letter to Energy Secretary Steven Chu January 4 asking for a number of details about the consequences of seven pending applications to export liquefied natural gas and the agency's review process. Congressman Markey is concerned that approval of the applications could harm the U.S. economy and slow the nation's transition away from coal and oil.

Legislation Introduced

Congressman Robert Aderholt (R-AL) introduced legislation (H.R. 3727) December 19 to allow for innovations and alternative technologies that meet or exceed desired energy efficiency goals.

Administration

Biobased Product Requirement

The White House Office of Management and Budget began review of a rule December 14 that would require government contractors to report on their purchases of biobased products under service and construction contracts. The rule, expected to be published in the near future, would help federal agencies comply with the requirement from the Food, Conservation, and Energy Act of 2008, and federal agencies are required under Executive Order No. 13, 514 to ensure that 95 percent of new contracts use biobased products when available.

Department of Commerce

Wind Companies File Trade Complaint

Four wind companies that manufacture steel filed a trade complaint with the Department of Commerce and the U.S. International Trade Commission last week against China and Vietnam, contending that the

two nations are providing unfair subsidies that hurt the domestic industry. The complaint, similar to that made by several solar firms in October, stems from the fact that much of the price of wind turbines comes from the steel used in the towers, which can weigh 350 tons and cost more than \$600,000. The department and commission are expected to initiate AD and CVD investigations within the next few weeks, with a preliminary injury determination from the ITC in February and determinations from Commerce within the next six months; a final determination is due in nine to 13 months.

Solar Tariff Decision Delayed

The Department of Commerce announced December 29 that it would delay for a month its decision on additional tariffs for Chinese solar-equipment imports. The agency will make a preliminary determination February 13, allowing more time for analysis of the situation.

Department of Energy

Rare Earth Minerals Concern

Speaking at a Center for Strategic and International Studies forum January 5, Department of Energy Assistant Secretary for Policy and International Affairs David Sandalow said that the agency has seen some successful substitution of different raw materials in the making of wind turbine magnets, but not enough to ease concerns about supplies of rare earth minerals for alternative energy technologies. Assistant Secretary Sandalow said that developing substitute materials is a central part of the administration's Critical Materials Strategy, about which a December 2011 research and development report was written that identifies neodymium, dysprosium, europium, terbium, and yttrium as the rare earth minerals of greatest supply concern.

Cybersecurity Program Created

Energy Secretary Steven Chu announced January 5 the creation of the Electric Sector Cybersecurity Risk Management Maturity project. The White House initiative, led by the Department of Energy in partnership with the Homeland Security Department, will involve working closely with private electricity and transmission providers, and emerged from growing concern about cybersecurity risks to the nation's electric grid, as smart-grid data capabilities are incorporated.

Buy American Partially Waived

The Department of Energy announced December 29 that it will waive Buy American requirements contained in the Recovery Act for a number of products after determining an insufficient quantity of the goods nationally. The agency made the waiver decision after collaborating with the Department of Commerce's National Institute of Standards and Technology Manufacturing Extension Partnership to scout domestic manufacturing in search of producers.

Top Energy Innovator Challenge Voting

The Department of Energy said December 19 that the American public will have a chance to vote for the most innovative and promising technologies supported by the America's Next Top Energy Innovator challenge beginning in mid January. In this first effort, 36 start-up companies elected to participate in 43 option agreements allowing them to license cutting-edge technologies developed and patented by one of the agency's 17 national labs and the Y-12 National Security Complex. Competitors used a streamlined application process and a significantly reduced upfront cost of \$1,000.

Cheaper Biofuels Breakthrough

Researchers at the Department of Energy's Joint BioEnergy Institute, part of the Lawrence Berkeley National Laboratory, unveiled December 22 a significant breakthrough in engineering systems of RNA molecules across a range of industries, including the development of less-expensive advanced biofuels. Scientists will use the new RNA machines to adjust genetic expression in the cells of microorganisms, enabling them to develop new strains of E. coli that are better able to digest switchgrass biomass and convert related sugars to form gasoline, diesel, and jet fuels.

\$7 Million for EV Chargers

The Department of Energy awarded nearly \$7 million in research and development funding December 21 to four projects that will help to reduce the current costs of electric vehicle chargers by 50% over the next three years. Two of the projects will focus on improving electric vehicle chargers that attach to consumers' homes and are used by the owners to charge their vehicles while they are at home; two others will focus on chargers used at commercial and public locations to charge large numbers of vehicles, including commercial fleets.

Forecasting Key to Wind Integration

On behalf of the Department of Energy, Alstom Grid Inc. and AREVA Federal Services released a report December 19 finding that wind power can be reliably integrated into electricity grids if grid operators have accurate wind forecasts. The report, *Strategies and Decision Support Systems for Integrating Variable Energy Resources in Control Centers for Reliable Grid Operations: Global Best Practices, Examples of Excellence and Lessons Learned*, surveyed 33 power system operators in 18 countries about wind integration and best practices; eighty percent said a centralized wind forecasting program is necessary to ensure transmission reliability. At the same time, some North American transmission systems are considering a hybrid approach that would include both centralized and decentralized forecasting. Additionally, 94 percent of those surveyed said that it is necessary to provide control room operators with the tools to plan for and integrate electricity from wind, and that they need more transmission capacity and flexibility for conventional units in order to fully integrate wind into their networks.

Department of Interior

Uranium Mining Moratorium

Interior Secretary Ken Salazar is scheduled to announce January 9 a moratorium on new mining claims on about a million acres of federal land surrounding Grand Canyon National Park. The 20-year ban, a win for those concerned about waterway pollution, is likely to draw criticism from Republicans in the House, where a bill that would block the ban is in committee. Under the moratorium, existing mining claims will still be able to be developed, and eight mines have been developed in the area over the past two decades.

Competitive Bidding for Renewable Energy Land

In an advance notice of proposed rulemaking published December 29, the Department of Interior's Bureau of Land Management said that it is considering competitive bidding for public land leased to solar and wind energy developers to obtain market value for the land and to ensure a fairer selection process. The proposal would apply only to public land within designated solar and wind energy development areas and would give the bureau the authority to offer right-of-way leases through a nomination and competitive process instead of the current application process. The agency currently has proposed the designation of 17 tracts of land in Western states as solar energy zones and wind energy development areas.

2 Renewable Energy Project OK'd

The Department of Interior approved two renewable energy projects December 29 totaling 379 MW, powering 112,500 homes, and using transmission lines across public lands. The Centelina Solar Energy Project in California will generate 275 MW and was approved with the condition that 80 acres of flat-tailed horned lizard habitat be purchased as an offset. The North Steens Transmission Line Project in Oregon will be 44 miles long and help transmit 104 MW from a wind farm.

Eagle Take Permit Requested

The Department of Interior's Fish and Wildlife Service said January 3 that it is considering an application from West Butte Wind Power to become the first wind energy company to receive a take permit to kill or harm eagles. The 104 MW central Oregon project would consist of 45 to 56 turbines and has requested a permit for the legal take of one or two Golden Eagles over the 20 to 30 year life of the project. A final rule published in September 2009 allows Interior under the Bald and Golden Eagle Protection Act to issue programmatic take permits to industries that may disturb eagles on an ongoing operational basis.

Utility-Scale Renewable Energy Projects Approved

The Department of Interior announced December 20 the approval of two utility-scale renewable energy projects, including the first on public lands in Arizona and a solar project in California. Combined, the two projects will generate 500 MW and create 700 construction jobs. The Sonoran Solar Energy Project, proposed by a subsidiary of NextEra Energy Resources, will use PV panels to generate 300 MW in the southwest Arizona desert. The Tule Wind Power Projects, proposed by a subsidiary of Iberdrola Renewables, will produce 186 MW via 62 wind turbines on public lands east of San Diego.

Offshore Wind Transmission

The Department of Interior announced December 20 the first major step in developing an offshore wind transmission line on the Atlantic Outer Continental Shelf. Atlantic Grid Holdings requested a right-of-way grant to develop the Mid-Atlantic Wind Energy Transmission Line, a high voltage direct-current line that would collect power generated by wind turbine facilities off the coasts of Delaware, Maryland, New Jersey, New York, and Virginia. With the line, up to 7,000 MW of wind turbine capacity could be delivered to the grid. The agency's Bureau of Ocean Energy Management opened a 60 day public comment period on the potential environmental impacts of the project, and is also seeking information about whether other developers are interested in constructing transmission facilities in the area. The agency will announce in the next few months whether the 800 mile line will be allowed to proceed.

Department of State

Inclusion of U.S. Airlines in EU Scheme Objected

Secretary of State Hillary Clinton and Transportation Secretary Ray LaHood sent a letter December 16 to the European Union and member states asking them to halt, delay, or suspend a plan to subject U.S. airlines to a CO2 cap and trade system that began this month. Listing 42 countries besides the United States that oppose applying the scheme to non-European airlines, Secretaries Clinton and LaHood cited legal and policy objections to the move.

Department of Transportation

Tire Information Rule Revised

The Department of Transportation's National Highway Traffic Safety Administration issued a final rule December 21 that revised the reporting requirements for information generated by manufacturers on tire rolling resistance, safety, and durability. The revisions come in response to petitions for reconsideration of a March 30, 2010 final rule that set test methods tire manufacturers must use to generate comparative performance information on rolling resistance, safety, and durability of replacement passenger car tires. The information aims to educate consumers about their tires' safety and durability as well as the impact of tires on a vehicle's fuel efficiency. The final rule becomes effective January 20.

\$1 Million for Adaptation Assessments

The Federal Transit Administration posted December 22 that more than \$1 million in grants will be divided among seven recipients to conduct climate change adaptation assessments under a pilot transit program. Recipients will evaluate how transit systems could be affected by climate change and develop adaptation strategies; they will have 15 months to complete their projects and report to the agency on how the assessments were conducted as well as the results. The pilot program is part of the agency's climate adaptation initiative to address the vulnerability of transit systems to flooding, extreme heat, and other climate impacts, and the agency will hold a technical assistance workshop March 21-22.

Environmental Protection Agency

Utility MACT Finalized

The Environmental Protection Agency released a final rule December 21 setting national emissions standards for hazardous air pollutants for power plants to reduce emissions of mercury and other air toxics. Under the rule, power plants that cannot meet the new standards within four years but are necessary for electricity reliability can request an additional year to come into compliance. The regulation will cost \$9.6 billion for the power industry per year, and will apply to 600 power plants that have 1,400

generating units – 1,100 coal-fired units and 300 oil-fired units. The agency anticipates that the rule will prompt the retirement of 4.7 GW of the nation's 1,000 GW of electricity-generating capacity.

Toxic Releases Up

The Environmental Protection Agency released an analysis of toxic chemical release data January 5 that found that 3.93 billion pounds of toxic chemicals were released into the environment nationwide in 2010, a 16 percent increase from 2009. The increase is mostly due to changes in the metal mining sector. Under the Emergency Planning and Community Right-to-Know Act, covered facilities in the manufacturing, metal mining, electric utilities, and commercial hazardous waste facility industries are required to report by July 1 releases of certain chemicals that exceed a certain threshold.

Feedstocks and Processes Approved Under RFS

The Environmental Protection Agency published direct final rules January 5 approving new feedstocks and processes as acceptable under its renewable fuel standard. Under the rule, which will take effect March 5, fuels derived from camelina oil, energy cane, giant reed, and napiergrass meet the GHG reduction requirements of the federal renewable fuel program, and several new processes for producing cellulosic biofuel, biomass-based diesel, and advanced biofuels were approved also.

Reciprocating Engines Standards Eased

The Environmental Protection Agency agreed January 4 to revise national emissions standards for hazardous air pollutants for reciprocating internal combustion engines to settle a court challenge to a 2010 rule that plaintiffs argued was too strict for emergency operations. EnerNOC and three other petitioners filed a pair of lawsuits in the U.S. Court of Appeals for the District of Columbia Circuit in October 2010 challenging the NESHAP. Under the proposed settlement, the agency agreed that by April 20 it will sign a notice of proposed rulemaking to revise the standards to allow for as much as 60 hours per year of operation of the engines in emergency conditions.

Cross-State Rule Delayed

On December 30, the U.S. Court of Appeals for the District of Columbia temporarily blocked the Environmental Protection Agency's Cross-State Air Pollution Rule, which was slated to go into effect January 1, leaving an existing air pollution reduction program in place for the next several months. The new rule, which the agency released in July, would require power plants in 28 states to reduce emissions of nitrogen oxides and sulfur dioxide that migrate across state lines. The court intends to hear challenges to the rule by April.

HCFC Revisions

In response to a 2010 federal court decision, the Environmental Protection Agency proposed revisions January 4 to its methods for allocating consumption and production allowances for two hydrochlorofluorocarbons for 2012-2014. The proposed rule would establish company specific baselines for HCFC-22 and HCFC-142b production and consumption and clarify the procedures for intercompany transfers of the ozone-depleting substances.

15.2 Billion Gallons Renewable Energy Required

The Environmental Protection Agency issued a final rule December 27 that will require the total volume of fuel sold in the United States in 2012 to contain 15.2 billion gallons of renewable fuels. The final rule establishes volume standards for biomass-based diesel (1 billion gallons), advanced biofuels (2 billion gallons), and cellulosic biofuels (8.865 million gallons) for 2012, and biomass-based diesel requirements for 2013 will be finalized in a separate rule. In total, renewable fuels would represent 9.23 percent of all fuel used in the US; the agency required 12.95 billion gallons of biofuels in 2011.

States May Trade to Reduce Haze

The Environmental Protection Agency published a proposed rule December 30 to allow a number of states to use the emissions trading program under the Cross-State Air Pollution Rule to reduce regional haze as an alternative to requiring best available retrofit technology for power plants. The proposed rule covers implementation plans for Alabama, Florida, Georgia, Indiana, Iowa, Louisiana, Michigan, Mississippi, Missouri, North Carolina, Ohio, Pennsylvania, South Carolina, and Texas. Additionally, on

December 15, the agency required Iowa, Michigan, Missouri, Oklahoma, and Wisconsin to reduce summer emissions under the rule, but found that it lacked the authority to include Kansas.

43 Areas Miss Ozone Standard

The Environmental Protection Agency designated December 20 43 areas in 26 states and the District of Columbia as being in nonattainment of the 2008 ozone standard of 0.075 part per million. Of the 43 areas, states had recommended 185 whole or partial counties be designated as nonattainment, but the agency says its data show 229 to be in nonattainment. Comments on its responses to the states' recommendations will be accepted through January 19, and final designations will be made by May 31.

South Coast Air Monitoring Plan Challenged

On January 3, Physicians for Social Responsibility-Los Angeles, the Natural Resources Defense Council, and Communities for a Better Environment filed a petition in the U.S. Court of Appeals for the Ninth Circuit challenging the Environmental Protection Agency's approval of the South Coast Air Quality Management District's 2011 air monitoring network plan.

Federal Energy Regulatory Commission

EPSA Challenges Compensation Method

The Electric Power Supply Association asked the U.S. Court of Appeals for the District of Columbia Circuit December 23 to review a March 2011 Federal Energy Regulatory Commission rule that requires compensation for demand response programs that are aimed at reducing the demand for wholesale electricity during peak hours. EPSA contends that the rule is well-intentioned but unworkable because it believes that the compensation method will undermine wholesale electricity markets.

Forest Service

Green Mountain Wind Farm Approval

On January 3, the U.S. Forest Service gave approval to Deerfield Wind LLC, a subsidiary of Iberdrola Renewables, for construction of a 15-turbine, 30-megawatt wind farm in Vermont's Green Mountain National Forest. The permit was first sought in 2004, and given a special expedited status as part of the White House's "high priority" projects as listed online on the Federal Infrastructure Projects Dashboard.

Nuclear Regulatory Commission

New Nuke Reactor Design Approved

The Nuclear Regulatory Commission voted December 22 to approve a new nuclear reactor design that will be used as a template for building new domestic nuclear power plants. The Westinghouse AP1000 reactor design is expected to be deployed first at Southern Company's Vogtle nuclear power station in Georgia as the Commission moves closer to approving the first license to build a new nuclear reactor in the United States in 30 years. The Department of Energy agreed to an \$8.3 billion loan guarantee in February 2010 for the project, conditioned on NRC license approval, and participated in cost-sharing agreements with industry to develop new designs. The \$12 to \$14 billion project, a joint venture between Southern and three public power utilities, will be operational in 2016 and 2017.

Nuke Siting Comments Sought

The Nuclear Regulatory Commission published a notice December 30 seeking input on an updated draft guide regarding the selection of suitable sites for potential nuclear plants. The guide considers major site characteristics related to public health and safety and environmental issues. Public comments on draft regulatory guide DG-4021, General Site Suitability Criteria for Nuclear Power Stations, must be received by February 25.

Personnel

Dr. Paul Anastas, director of the Environmental Protection Agency's Office of Research and Development and chief science adviser, is leaving the agency in mid-February to return to Yale, where he was a

professor of chemistry and the environment before joining the agency in 2009. Known as the father of green chemistry, Dr. Anastas launched the agency's program supporting the design of chemical products that reduce or eliminate hazardous substances.

State

CA Fuel Standard Legal Battle

The California Air Resources Board, the Natural Resources Defense Council, Sierra Club, Environmental Defense Fund, and Conservation Law Foundation filed an appeal in the U.S. Court of Appeals for the Ninth Circuit January 5 to overturn a federal district court decision that temporarily blocked the state from implementing its low-carbon fuel standard. The appeal seeks to overturn a preliminary injunction granted by the U.S. District Court for the Eastern District of California December 29 that found the low-carbon fuel standard violated the dormant commerce clause.

OH Wells Closed to Study Earthquake Linkage

Ohio's Department of Natural Resources announced January 3 that it is investigating whether wells used to dispose of hydraulic fracturing fluids have contributed to a series of earthquakes in the northeastern part of the state. Operations at five injection wells near Youngstown have suspended indefinitely pending results of the assessment, which will consider whether the fluids triggered an unidentified fault.

NY State of the State

New York Governor Andrew Cuomo (D) proposed expanding the state's renewable energy programs in his annual State of the State address to the Legislature January 4. Governor Cuomo suggested quadrupling customer-sited photovoltaic capacity over the next two years and announced that the state's electric and gas utilities have agreed to implement the state's new on-bill financing program in January – six months earlier than required by the 2011 law. He also proposed improvements in energy infrastructure to bring hydropower, wind power, and excess energy capacity across the state to New York City.

VA Energy Budget Released

Virginia Governor Bob McDonnell (R) released a two year budget January 5 that directs half a million dollars for offshore wind data collection and an initiative to convert the state fleet to alternatives fuels. A provision allowing utilities to receive certificates for renewable energy research and development is facing objections from renewables proponents, who argue that it makes it easier to meet voluntary standards.

NY Fracking Contamination Fund

New York State Comptroller Thomas DiNapoli (D) urged the Department of Environmental Conservation to establish an industry-supported fund to cover remedial costs for contamination from hydraulic fracturing. In comments to the agency's proposed fracking regulations, Comptroller DiNapoli suggested that rules be modeled after the state's oil spill fund, jointly administered by the comptroller, the agency, and the attorney general.

MD Energy Consumption Reductions

The Maryland Public Service Commission ordered electric utilities in the state to expand their programs for reducing energy consumption on December 22. The order, which implements modifications required by the EmPOWER Maryland Act of 2008, largely approves changes to the utilities' plans, including increases in rebates for residential and commercial energy efficient equipment; increases in rebate amounts from 15 to 50 percent of the cost of residential energy makeovers through the home efficiency rebate program; and the administration of limited-income efficiency programs by the Department of Housing and Community Development.

WA Climate Transportation Impacts

Washington State's Department of Transportation issued a report December 21 determining that a draft climate change risk assessment model developed by the Federal Highway Administration offers an important starting point for state transportation agencies assessing the vulnerability of their assets. The *Climate Impacts Vulnerability Assessment Report* used the draft model developed by the agency as part of its process to evaluate climate impacts on state transportation infrastructure.

CA Portable Equipment Ruling

The California Court of Appeal, Third Appellate District ruled December 27 that the Sacramento Metropolitan Air Quality Management District has the authority to determine whether a statewide registration for portable equipment is valid, and if not, to require that the owner obtain a local permit. The opinion marked the first appellate level ruling finding that local districts have the right to determine the validity of registrations issued under the statewide program.

MA Upholds Wind Purchase Agreement

The Massachusetts Supreme Judicial Court upheld a 15 year power purchase agreement between Cape Wind and National Grid December 28. Though a number of hurdles still remain, under the decision, the 130 turbine Cape Wind project could be up and running within a year. On a related note, NRG Energy recently decided to terminate its power purchase agreement with Delmarva Power over the proposed Bluewater Wind offshore wind farm after failing to find a buyer for the project by the deadline.

WA Vehicle Charging Stations

The Washington Department of Transportation began installing the first in a series of electric car charging stations along Interstate 5 December 28. The West Coast Electric Highway will link British Columbia with Oregon. The contract, funded by the Recovery Act, is worth a million dollars to build and operate the charging station, and the Oregon program will cost \$700,000.

International

EU Automakers on Pace to Meet GHG Limits

The European Commission and European Environment Agency said December 20 that most automakers that sell vehicles in the European Union are on pace to meet CO2 limits that go into effect this year, but a few risk a collective fine of up to \$13 billion. The average CO2 output of the 13 million new cars sold in the EU in 2010 was 140 g/km, and according to legislation finalized in 2009, 65 percent of the new car fleet must achieve an average of 130 g/km in 2012; the average limit will apply to 100 percent of the new fleet in 2015.

EU Court Confirms Inclusion of International Airlines in ETS

The European Union's Court of Justice ruled December 21 that an attempt by United States airline operators to avoid inclusion in the EU's Emissions Trading System is invalid and not justified by international law or specific agreements between the two parties. The judgment confirmed an earlier opinion of its advocate general, concluding that the EU has the right to permit a commercial activity in its territory only on condition that operators comply with EU criteria. The court rejected the argument from Airlines for America and a number of U.S. commercial airlines that the ETS could not apply to flights that mostly take place outside EU territory. Meanwhile, the China Air Transport Association suggested January 4 that Chinese airlines would not comply with the trading system, but officials from the European Commission have said that Chinese airlines have thus far complied with their ETS obligations. Airlines are required by March 31, 2013, to report on their 2012 emissions.

Gothenburg Protocol

The Executive Body of the Convention on Long-range Transboundary Air Pollution met in Geneva December 12-16 and agreed to add particulate matter to the list of controlled pollutants, with black carbon as a specific component targeted for its climate effects. The convention's Gothenburg protocol seeks to end acidification, eutrophication, and ground-level ozone in its signatory countries; the next meeting will be held April 30-May 4 to finalize negotiations and adopt amendments to the protocol.

EU Carbon Price

Using an advisory vote on draft European Union energy efficiency legislation December 20, the European Parliament's environment committee said that the EU's carbon price is too low and policymakers should intervene to ensure that it is high enough to achieve the bloc's climate and energy goals; they called for the cancellation of 1.4 billion carbon allowances. The credits currently trade at about \$9, and the bloc has a binding target to reduce emissions by 20 percent by 2020 compared to 1990.

South Africa RE Bidding

South Africa's Department of Energy is inviting independent power producers to submit bids to provide a total of 2,209 MW of renewable energy capacity. The department selected projects worth 1,415 MW, split almost evenly between solar and wind, during a first round of bids in December, and a second round of bidding will close March 5.

Japanese Recycling

Japan's Ministry of the Environment issued a proposal December 27 that would promote recycling of 80 consumer and industrial electrical and electronic products as a way to reduce illegal waste exports and recover precious metals contained in the used products. The proposal would designate 16 of those products as semi-compulsory, meaning manufacturers would be urged to recover, extract, and recycle the products to reuse precious metals and other elements rather than merely import new raw materials. The country already requires mandatory recycling of televisions, air conditioners, refrigerators, freezers, washing machines and dryers, and personal computers.

EU E-Waste Rules Revised

Under a provisional December 21 agreement between the European Parliament and EU Council negotiators, EU countries in 2016 would be required to collect and separate 45 percent of their electrical and electronic waste from the larger waste stream. Under the agreement, which would revise the 2002 waste electronic and electrical equipment directive (2002/96/EC), targets for collection and separation would be based on the volume by weight of new electronics introduced into the marketplace in each country, and the figure would rise to 65 percent in 2019.

Vancouver Non-Road Diesel Bylaw

A new Vancouver, British Columbia, air pollution regulation requires owners and operators of older backhoes, forklifts, and other diesel-powered non-road machines in the area to register the vehicles beginning in 2012 and pay fees to comply with the new regulations. The Non-Road Diesel Engine Emission Regulation Bylaw took effect January 1.

Brazilian Ethanol Exports to Expand

A Brazilian trade association official said December 29 that the country's ethanol industry anticipates sales to the United States to increase significantly by 2016 due to the expiration of a harsh duty on ethanol imports. The U.S. Congress recessed for the year without extending the 54-cent per gallon tax on imported ethanol or the 45-cent per gallon Volumetric Ethanol Excise Tax Credit offered to domestic companies that blended ethanol with gasoline, causing them to expire December 31. As a result, Brazil, the world's largest ethanol exporter (combined with the US, the two countries produce 90.8 percent of the world's ethanol), expects shipments of sugar cane-based ethanol to the U.S. market to expand in the long term.

China Tax Changes

On January 6, China's Finance Ministry announced it would both consider a carbon tax being introduced by 2015 and raise the exemption threshold as applied to the windfall tax imposed on oil producers. The Fiscal Science Research Center completed its overhaul of the Chinese tax system and presented it to the Finance Ministry for review, which included the greenhouse gas tax. Businesses using large amounts of coal, natural gas, or crude oil would be taxed, while firms seeking to lower the emissions would receive tax breaks. These changes should help China reduce by 17% the amount of carbon dioxide produced for each unit of gross domestic product by 2015.

Miscellaneous

WCI Finalizes Offset Evaluation Process

On December 19, the Western Climate Initiative finalized a four-step process that government entities participating in a regional greenhouse gas emissions trading program can employ to ensure market participants have access to an adequate supply of high-quality emissions offsets. The Offset Protocol

Review and Recommendation Process outlines procedures for reviewing and recommending protocols for use in North America.

Solar Associations Merge

The Solar Energy Industries Association and the Solar Alliance announced January 3 that they will merge. SEIA represents 1,100 solar companies around the country, and the Solar Alliance advocates for solar energy at the state level. As part of the merger, SEIA is establishing a department for state affairs, and Solar Alliance President Carrie Cullen Hitt will become vice president for state affairs at SEIA while Rhone Resch remains SEIA president.

API Urges RFS Changes

The American Petroleum Institute said January 4 that the U.S. renewable fuel standard should be changed because of a lack of progress in the production of cellulosic ethanol. The 2007 standard requires the country's motor fuel supply to include set amounts of ethanol and mandates that all oil companies that market petroleum in the US produce a given quantity of renewable fuel or purchase renewable identification numbers. However, the cellulosic ethanol industry has yet to begin producing at a commercial scale, leading the Environmental Protection Agency to frequently lower the requirement.

Climate Research Expansion Applauded

The National Research Council applauded the federal government's plan to expand research into climate-related risks in a January 5 report. At the same time, the council posited that the U.S. Global Change Research Program lacks the full resources and expertise necessary to integrate new areas into its 10 year research plan.

Forests Would Play Major Role in US Cap-and-Trade

On December 21, the Electric Power Institute released "Case Studies of Greenhouse Gas Emissions Offset Projects Implemented in the United Nations Clean Development Mechanism: Learning by Doing and Implications for a Future United States Offsets Program" examining agricultural methane destruction, landfill gas, afforestation and reforestation, waste heat recovery, renewable energy, and hydrofluorocarbon-23 destruction projects undertaken through the United Nations' Clean Development Mechanism (CDM). The report found that, under any future U.S. cap-and-trade program for greenhouse gas emissions, domestic forest management and planting projects would likely constitute the largest segment of offsets.