



**ML**  
STRATEGIES

**David Leiter**  
**Sarah Litke**  
DJLeiter@mlstrategies.com  
SLitke@mlstrategies.com

**ML Strategies, LLC**  
701 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004 USA  
202 434 7300  
202 434 7400 fax  
www.mlstrategies.com

## **ENERGY AND ENVIRONMENT UPDATE**

### **October 14, 2012**

#### **Energy and Climate Debate**

Congress is in recess until after the November elections, but energy issues continue to make waves on the campaign trail and policymakers prepare to debate them during the lame duck session.

#### **Administration**

##### **Energy Saving Contracts**

The Office of Management and Budget sent guidance October 3 to agency heads allowing for the expanded use of streamlined accounting processes when special contracting authorities are used to help federal facilities reduce energy costs. The budget scoring method allows for certain energy saving contracts to be used in some circumstances for Utility Energy Service Contracts and on-site energy sources in Energy Savings Performance Contracts. An alternative to standard scoring, the memo outlines the criteria agencies must apply to score the annual budget costs of the contracts during the term of the contract.

#### **Department of Commerce**

##### **Chinese Solar Trade Case Final Determination**

The Department of Commerce finalized tariffs for crystalline silicon photovoltaic imports from China October 10, charging Chinese solar panel companies with illegal trade practices and increasing the countervailing duties from the March preliminary determination while retaining the May anti-dumping duties or slightly lowering them. The original countervailing duties ranged between 2.9 and 4.73 percent, while the final figures range between 14.78 and 15.97 percent, depending on the company. Anti-dumping tariffs range between 18.32 and 249.96 percent. The agency did not expand the scope of the duties to include products manufactured in other countries that are made with Chinese materials. The International Trade Commission has the final word on whether the tariffs will take effect, and is expected to decide by November 23 whether Chinese solar imports are harming domestic manufacturers. The commission unanimously agreed last year that they were. China's Ministry of Commerce released a statement October 11 condemning the determination.

##### **US-Japan RE Dialogue**

The International Trade Administration will lead a delegation of U.S. companies to participate in a Renewable Energy Policy Business Roundtable December 3-7 in Tokyo in conjunction with the U.S.-Japan Energy Policy Dialogue. Following the roundtable, the delegation will travel to the northeast region for site visits.

## **Department of Energy**

### \$1 Million for Hydrogen Fuel

The Department of Energy announced October 5 \$1 million to evaluate the most promising technology paths toward achieving \$2 to \$4/gallon gasoline equivalent of hydrogen fuel or less by 2020. The 2-4 selected projects will, over 3-4 years, help identify cost-effective and efficient materials and processes to produce hydrogen from renewable energy sources and natural gas, and will include annual analyses of technology challenges using the agency's Hydrogen Analysis models.

### Energy Content Up in MSW

The Energy Information Administration recently released an analysis finding that higher recycling rates over the last six years have increased the average energy content of municipal solid waste used to generate electricity. The report concluded that the proportion of nonbiogenic materials in the waste stream has increased while the share of biogenic components has declined. By the end of last year, the country had 2,238 MW of generating capacity using MSW.

### Decreased Ethanol Production

The Energy Information Administration released a report October 10, revising earlier forecasts of a 3 percent increase in ethanol production in 2013 compared with 2011 levels; the agency now predicts a 6.6 percent decrease. The report, *Short-Term Energy and Winter Fuels Outlook*, indicates that reduced corn output due to this year's Midwest drought will cause next year's reduced ethanol production. The study also predicted a 2.3 percent decrease in total 2012 renewable energy consumption, due in part to a decline in hydropower. According to the report, renewable energy use is expected to rebound 2.4 percent in 2013 as nonhydropower renewable output grows.

## **Department of Interior**

### Wind Project Approved

The Department of Interior approved October 9 a wind energy project in Wyoming capable of generating 3,000 MW of power. The 1,000-turbine Chokeycherry and Sierra Madre Wind Energy Project, which will generate enough power for nearly a million homes, puts the administration over its goal of authorizing 10,000 MW of renewable power on public lands.

### Solar Zones Finalized

Department of Interior Secretary Ken Salazar signed a record of decision October 12 adopting the Final Solar Energy Development Programmatic Environmental Impact Statement to designate 17 solar energy zones on 285,000 acres of Bureau of Land Management property in Arizona, California, Colorado, Nevada, New Mexico, and Utah. The zones, a final environmental assessment for which was completed in July, will help accelerate permitting for utility-scale solar projects by identifying sites away from projected habitats and other concerns. Individual projects will be required to undergo additional environmental reviews before receiving final permits. An additional 19 million acres of federal land that falls outside of the zones could be opened for development via the plan's "variance process".

### \$10 Million for Adaptation Projects

Interior Secretary Ken Salazar announced October 10 that the agency will provide more than \$10 million for projects to improve the ability of managers of national parks and other resources to help species and ecosystems adapt to climate change. The agency's eight regional Climate Science Centers will award funding for 69 projects to teams of university scientists, Landscape Conservation Cooperatives, nongovernmental organizations, and others.

## **Department of Treasury**

### 1603 Investigation

The Treasury Department's Office of Inspector General confirmed October 11 that it is investigating the 1603 Grants in Lieu of Tax Credits program. SolarCity Corp. outlined the investigation October 5 in a

Securities and Exchange Commission filing. The filing states that the investigation will examine possible misrepresentations concerning the fair market value of the solar power systems submitted for grants.

## **Environmental Protection Agency**

### WY Groundwater Pollution Data

The Environmental Protection Agency released October 10 monitoring data on groundwater contamination in a natural gas field near Pavillion, Wyoming, which it had previously linked to fracking. The agency resampled and reanalyzed its two deep monitoring wells in conjunction with the U.S. Geological Survey. The new data are consistent with the monitoring data in the agency's draft report.

### \$30 Million for Clean Diesel

The Environmental Protection Agency awarded \$30 million for clean diesel projects October 11 as part of its ongoing campaign to reduce harmful diesel exhaust. The Diesel Emission Reduction Program is designed to replace, retrofit, or repower older diesel-powered engines, and the project recipients will work to address the more than 11 million older diesel engines that continue to emit high levels of pollution.

### E-Monitoring Up

Speaking October 11 at a meeting of the American Bar Association's Section of Environment, Energy and Resources, Suzanne Murray, counsel for Environmental Protection Agency Region 6, and Todd Chenoweth, special counsel in the water office at the Texas Commission on Environmental Quality, said that the availability and affordability of digital technology are driving federal and state agencies to transition toward e-reporting and enhanced monitoring. The Environmental Protection Agency hopes to increase compliance due to the use of e-reporting and enhanced monitoring, and is expanding their use and integrating them into their rules.

### Coal Ash Regulations

The Environmental Protection Agency's director of resource conservation and recovery, Suzanne Rudzinski, stated in a declaration filed October 11 in the U.S. District Court for the District of Columbia that it would take at least one year to complete revisions of the toxicity characteristic and toxicity characteristic leaching procedure regulations. Revisions to the toxicity characteristic may have an effect on other Resource Conservation and Recovery Act rulemakings, including proposed coal ash regulations.

## **Federal Energy Regulatory Commission**

### Additional Compliance Time for Transmission Planning

The Federal Energy Regulatory Commission granted October 11 additional time for electricity transmission owners and regional organizations to file compliance plans to Order 1000, a historic rulemaking aimed at building long-distance transmission lines and promoting renewable generation. The transmission planning and cost allocation rule would require more regional planning for building transmission; would require transmission owners to take into account public policy goals like renewable generation targets; would eliminate preferences for incumbent utilities; and would spread the costs of new transmission lines across more customers and states. Industry stakeholders have challenged the rule in federal court, contending that the commission has exceeded its authority under the Federal Power Act.

## **Government Accountability Office**

### Regulatory Challenges of Oil and Gas Development

The Government Accountability Office released two reports October 9 concluding that federal and state regulators face challenges in developing environmental and public health regulations for the shale oil and gas boom because of a lack of risk data; neither study includes recommendations. One study focused on the development of oil and natural gas in shale formations, and the agency determined that the risks cannot be quantified because there are too many uncertainties with the recent production boom. The other examined the status of significant federal and state environmental laws and regulations in unconventional oil and gas development.

## **International**

### Chinese Provincial Caps May Impact Large Projects

China's Ministry of Environmental Protection said September 26 that planned caps on SO<sub>2</sub> and NO<sub>x</sub> in the air and levels of chemical oxygen demand and ammonia nitrogen in wastewater could impact whether large projects in certain provinces have their environmental impact assessments approved. Henan province will be the first to implement the 12th Five-Year Plan pollutant caps, and pilot provinces will have a three-part system for monitoring progress: a cap for each pollutant, an incremental emissions projection for each, and a calculation of current emissions.

### Global Warming Data Frightening

World Bank President Jim Yong Kim affirmed October 11 that climate change is real and that it has had alarming impacts, including food price fluctuations and natural disasters. Dr. Kim, a physician, anthropologist, and former president of Dartmouth University, said that the bank's task is to find ways to help countries adapt to and mitigate climate change, and that it will prioritize the latter through innovative technologies.

### Norwegian Carbon Taxes Increase

Norway announced October 8 a significant increase in carbon taxes, changes to the rules on the deductibility of bad debts between related companies, and an expansion of the oil industry's petroleum tax. The changes were announced in the last budget plan before the September 2013 general election, and parliament is expected to approve them by the end of the year. The carbon tax on petroleum activities will be increased by \$35/MT, nearly doubling the current rate. The plan also includes increases in the CO<sub>2</sub> and NO<sub>x</sub> elements of the tax levied on new vehicle purchases, and a reduction in the vehicle re-registration tax.

### EU GHG Reporting

The European Parliament's Environment Committee backed a draft rule October 10 that would require European Union members to monitor and report on greenhouse gas emissions arising from forestry activities and changes in agricultural land use, as well as emissions attributed to changes to wetlands.

### Chinese Computer Product Environmental Standards

The Chinese Ministry of Environmental Protection released proposed limits September 29 on the amounts of toxic and hazardous substances allowed in particular computers, computer monitors, and displays. Additionally, the ministry released draft labeling, energy efficiency and recycling requirements for those products, and restrictions on heavy metal concentrations in their packaging. The proposed rules will be open for public comment until January 25. China manufactured 90.6 percent of the global supply of computers in 2011.

## **States**

### CA Low-Carbon Fuel Standard Challenged

The U.S. Court of Appeals for the 9th Circuit will hear October 16 a lawsuit brought by industry groups, including the Renewable Fuels Association and the National Petroleum & Refiners Association, challenging California's landmark low-carbon fuel standard. The standard requires transportation fuels to be 10 percent less carbon-intensive by 2020. Should the standard be deemed unconstitutional, the state would have to find a new way of meeting its mandate to reduce greenhouse gas emissions to 1990 levels by 2020.

## **Miscellaneous**

### Fuel Economy Improves 18 Percent

The University of Michigan's Transportation Research Institute released an analysis October 8 finding that average fuel economy for light-duty vehicles increased 18 percent between October 2007 and September 2012. The report, *Benefits of Recent Improvements in Fuel Economy on Overall Fuel*

*Consumption and Emissions*, concluded that tougher fuel economy requirements saved 6.1 billion gallons of fuel and prevented 120 billion pounds of CO2 emissions over five years.

#### Additional CCS Investment Necessary

The Global CCS Institute released a report October 10 finding that more investment in carbon capture and storage projects is needed to meet the international goal of limiting the global temperature rise to 2 degrees Celsius by 2050, and that government support will be critical. The report, *The Global Status of CCS: 2012*, concluded that 130 projects would need to be in operation by 2020 in order to achieve that goal, but that only 51 projects are expected to be in operation by 2020, some of which may be cancelled; 16 projects are currently in operation or under construction worldwide, while 75 large-scale projects are in some stage of development.

#### Report Challenges Electric Vehicle Incentives

A report released this month by the Information Technology Innovation Foundation argues that government incentives, including a \$7,500 tax credit for purchases of electric vehicles and a proposed carbon tax, do not effectively encourage growth in the battery electric vehicle industry. The report, *Shifting Gears: Transcending Conventional Economic Doctrines to Develop Better Electric Vehicle Batteries*, suggests that Congress eliminate the electrical vehicle credit and use the funds to encourage development of longer lasting vehicle batteries. The report urged better coordination between the Departments of Defense and Energy on their respective battery research and development efforts.