



ML Strategies Update

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Energy & Environment Update

ENERGY AND CLIMATE DEBATE

With just over two weeks until election day, Congress is preparing for a brief but intense Lame Duck session, while continuing final campaign pushes. With several races still in the too-close-to-call column, the Senate's balance of power remains uncertain, though Republicans will retain control of the House.

In the meantime, climate negotiators will spend the week in Bonn, Germany, with the last United Nations Framework Convention on Climate Change summit prior to the annual international climate negotiation this December in Lima, Peru. For more details about the summit, see the international section, below.

CONGRESS

Recess

Congress is in recess until after the November 4 elections.

ADMINISTRATION

AFPM Supports RFS Decrease

The American Fuel and Petrochemical Manufacturers sent a letter October 14 to President Obama in support of the Environmental Protection Agency's proposed 16 percent reduction of the 2014 Renewable Fuel Standards, siting the E10 blend wall. The Obama Administration plans to finalize the standards in the coming weeks.

DEPARTMENT OF AGRICULTURE

Climate Action CBA Necessary

The Government Accountability Office released a [report](#) October 16 advising the Department of Agriculture to make information on the farm-level economic costs and benefits of addressing climate change more available to farmers. Farmers told the agency that they currently make decisions based on short-term economic incentives because they are focused on producing commodities at the lowest price, but costs and benefits of climate adaptation and mitigation efforts often accrue over several years.

DEPARTMENT OF COMMERCE

Trade Mission

Commerce Secretary Penny Pritzker led a business development mission beginning October 18 focused on healthcare and energy sectors in Tokyo, Japan, and Seoul, Korea. This is Secretary Pritzker's first trade mission to

Asia since taking office in June 2013.

DEPARTMENT OF ENERGY

Green Building Standards

The Department of Energy published a [final rule](#) October 14 that lays out criteria federal agencies must follow when using green building rating systems. Under the new rule, rated buildings must be able to demonstrate continued energy and water efficiency gains at least every four years, and agencies may use the rating system most appropriate for their buildings. The rule goes into effect November 13.

ENVIRONMENTAL PROTECTION AGENCY

CPP Flexible But Complex

During a Resources for the Future and Electric Power Research Institute forum October 14, state officials said that while the Environmental Protection Agency's Clean Power Plan provides significant flexibility, the emissions targets are complex and overly aggressive. State officials voiced concerns over the proposal, including the decision to use a single year for the emissions baseline and a rate-based goal for each state rather than a mass-based goal, front-loading required emissions reductions, how nuclear construction and early action are factored into state goals, and whether the rule would provide the necessary flexibility to respond to changing market conditions. Other state officials contended that many of these concerns are alleviated through the creation of multistate emissions trading programs. Resources for the Future and the Electric Power Research Institute will hold a similar forum on energy efficiency's role in the proposed rule November 4.

CPP Underestimates RE Contribution

The Union of Concerned Scientists released a [report](#) October 14 finding that the Environmental Protection Agency's calculations for states' renewable power potential are half of what they could be under the Clean Power Plan. The agency estimated that renewables could make up to 12 percent of domestic power sales by 2030, but the report finds that a different approach could result in renewables contributing up to 23 percent of renewable power by then. Seven states already produce more renewable power than the agency proposed they could in 2030, and 17 states have existing laws that require more renewable power than the proposal suggests.

Reciprocating Engine Standard Reconsideration Suit

PSEG Power LLC and Calpine Corporation filed a lawsuit in the U.S. Court of Appeals for the District of Columbia Circuit October 14 asking the court to review the Environmental Protection Agency's decision to deny petitions seeking reconsideration of the national emissions standards for hazardous air pollutants for reciprocating internal combustion engines and the performance standards for stationary internal combustion engines. The utilities and environmental groups had petitioned the agency to reconsider a provision in the rule allowing the engines to operate up to 50 hours a year without emissions controls to provide non-emergency electricity. The agency finalized a rule in January 2013 allowing backup stationary engines to run without emissions controls for 100 hours a year during peak use periods and emergencies.

Ozone Compliance Costs Uncertain

The Congressional Research Service released a [report](#) October 15 finding that it is too early to know the compliance costs of a tighter Environmental Protection Agency ozone standard.

Mercury Rule at Supreme Court

The Environmental Protection Agency told the U.S. Supreme Court October 15 that it is only required by the Clean Air Act to consider the industry costs when it sets pollution emissions standards, not when it determines whether those emissions should be regulated. The agency urged the court to reject petitions from 21 states, the National Mining Association, and the Utility Air Regulatory Group seeking review of its mercury and air toxics standards for power plants

Costly CPP

NERA Economic Consulting released a [report](#) October 16 on behalf of the American Coalition for Clean Coal Electricity, American Fuel and Petrochemical Manufacturers, and other industry groups finding that the Environmental Protection Agency's Clean Power Plan could cost utilities and consumers \$40 billion a year. The study concluded that the rule would reduce CO2 emissions by 22 percent between 2017 and 2031, force 45 GW of coal-fired generation to retire, and increase electricity prices by 12 percent. The report is at odds with the agency's analysis, which anticipates that it could reduce retail electricity bills by 8 percent and produce net climate and health benefits of between \$48 billion and \$82 billion at a cost of between \$5.4 billion and \$8.8 billion to the industry in 2030.

CH4 Regulation Urged

An environmental advocacy group coalition sent a [letter](#) to President Obama October 16 urging him to immediately begin a rulemaking process to reduce methane emissions from oil and gas development. The Environmental Protection Agency is considering whether to craft regulations for methane from oil and gas activity. Senate Democrats sent a similar letter late last month.

CPP Nuclear Concerns

The National Rural Electric Cooperative Association and American Public Power Association said October 17 that the Environmental Protection Agency's Clean Power Plan does not properly credit nuclear power plants under construction. Georgia, South Carolina, and Tennessee have five nuclear reactors under construction, and could be penalized under the proposed standard because the associated emissions reductions have already been factored into those states' targets, making them more stringent than they would otherwise have been.

FEDERAL ENERGY REGULATORY COMMISSION

LNG Export Reconsideration Requested

The Chesapeake Climate Action Network announced October 16 that EarthJustice filed a [petition](#) with the Federal Energy Regulatory Commission requesting that the agency withdraw its approval of construction of Dominion Energy's liquefied natural gas export terminal at Cove Point, Maryland. The environmental group coalition also filed a [petition](#) asking the commission to order work at the facility to cease, pending the results of the challenge.

ROE Reduced

The Federal Energy Regulatory Commission voted October 16 on two orders that will reduce the return on equity for financial investments in new electric transmission in New England and the Midwest. The commission is making adjustments in order to have the returns on equity correctly reflect the economic conditions in which the developers are operating.

Order 1000 Rehearing Denied

The Court of Appeals for the District of Columbia Circuit rejected October 17 a rehearing request on an August decision that unanimously backed the Federal Energy Regulatory Commission's 2011 transmission planning and cost allocation rule, Order No. 1000.

NUCLEAR REGULATORY COMMISSION

Baran Sworn In

Jeff Baran was sworn in October 14 as the newest member of the Nuclear Regulatory Commission. He will serve the remainder of a term ending next June, which Commissioner Bill Magwood vacated August 31. Stephen Burns will join the commission in early November for a full five-year term through June 2019.

Yucca Mountain Safety Report Released

The Nuclear Regulatory Commission released its long sought-after safety evaluation report on Yucca Mountain October 16. Nuclear Energy Institute Chief Marv Fertel said that the release of the report ought to encourage the Department of Energy to reengage on the issue. Senate Majority Leader Harry Reid (D-NV) said that he remains opposed to the project.

INTERNATIONAL

Chinese Emissions Fees Increase

China Environment's Chamber of Commerce released a report October 9 finding that the penalties companies must pay for air and water pollution increased in about half of China's regions in the past seven years. Sixteen provincial-level administrative regions have increased discharge fees since 2007. The fees are being raised to bring them in line with a forthcoming environmental tax system, which would replace the current nominal fee system.

Climate Market Requires Independence

Dow Chemical Company said October 13 that the world's first global carbon market would need less regulatory intervention to succeed. European Union leaders will discuss this week how to reform its emissions trading system and set targets for 2030 as part of a planned international climate accord.

New Zealand Plan Praised

During a speech at Yale University October 14, United States Special Envoy for Climate Change Todd Stern praised New Zealand's proposal for a 2015 global climate agreement that would require each nation to submit a broad schedule to reduce GHG emissions but would not require the pledged reductions to be legally binding at an

international level.

NOx Emissions Exceed EU Limit

The International Council on Clean Transportation released a [study](#) October 14 finding that “real world” NOx emissions from modern diesel cars are seven times the limit set by the new Euro 6 emission standards. The European Commission is finalizing an auto emission testing procedure in order to achieve a more accurate analysis of NOx exhaust and fuel efficiency standards.

EU ETS Permit Glut to Double

The environmental lobby group Sandbag released a report October 15 finding that Europe’s carbon permit surplus may more than double by 2020, rendering the emissions trading system irrelevant for the foreseeable future. The allowance glut may increase to 4.5 billion metric tons in the next six years, from 2.1 billion tons at the end of last year.

Shipping GHG Emissions

The International Maritime Organization released preliminary [figures](#) October 15 finding that the economic downturn has caused GHG emissions reductions in the global shipping market. The report cautions that without significant policy changes, shipping emissions could more than double by 2050.

Realistic but Hopeful About Negotiations

United States Special Envoy for Climate Change Todd Stern told the Brookings Institution October 16 that he is realistic about the challenges world leaders faces as the work toward an international climate accord, but he is hopeful that the process will be successful. He also said that the United States plans to make a pledge to the Green Climate Fund, but offered no specifics.

EU Adaptation Goals

The European Environment Agency released an [analysis](#) October 16 finding that most – 21 of 28 – European Union member states have crafted climate change adaptation policies. The report is designed to enhance member state readiness to address climate change-triggered extreme weather events. The bloc will adopt new climate change and energy policy October 23-24.

EU to Formalize GHG Reduction Target

The European Union will unveil a target of reducing greenhouse gas emissions by 40 percent compared with 1990 levels by 2030 at the United Nations Framework Convention on Climate Change summit, which begins October 20 in Bonn. The European Commission released its 2030 Framework for Climate and Energy earlier this year, in which it also said that it would produce at least 27 percent of the bloc’s energy from renewable sources by 2030.

UNFCCC Bonn Summit

The United Nations Framework Convention on Climate Change summit takes place October 20-25 in Bonn, Germany, at which participating nations will focus on at least two key issues: the extent to which a 2015 global climate agreement will be legally binding and steps that nations can take to increase national short- and long-term commitments. Delegates will also discuss carbon capture and storage technologies, a rulebook for non-CO2 GHGs, financing, and consensus on parts of the text for the 2015 Paris agreement that can be adopted at this December’s Conference of the Parties in Lima.

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STATES

NM Fracking

Mora County, New Mexico Commissioners voted 2-1 October 14 to retain an ordinance banning oil and gas drilling, including fracking, in their jurisdiction. The ban is expected to remain in place only temporarily, as one of the commissioners supporting the ban lost his reelection bid and will leave the panel at the end of the year. His opponent supports lifting the ban.

WSPA CARB Report

The Western States Petroleum Association released a [report](#) October 16 identifying design flaws in California’s cap and trade program, noting that those flaws may trigger spikes in allowance prices next year. The state plans to

expand the market in January to include downstream transportation fueling.

NY Fracking Suit

The New York Court of Appeals denied a motion October 16 to rehear its landmark decision upholding the right of local governments to ban fracking. Appeals in the case have been exhausted, leaving local governments with authority to bar or allow fracking.

KS Cellulosic Plant Opens

Secretary of Energy Ernest Moniz, Kansas Governor Sam Brownback (R), Senator Pat Roberts (R-KS), former Secretary of Interior Ken Salazar, and Abengoa CEO Manuel Sanchez Ortega celebrated the grand opening of Abengoa's commercial-scale advanced cellulosic ethanol plant in Hugoton, Kansas October 17. The facility is the second domestic cellulosic ethanol refinery to open in the last two months, with Poet-DSM's Project Liberty opening in Iowa in September, and DuPont is putting the finishing touches on its Iowa facility.

Support for Curbing Waste

New [polling](#) from the Western Values Project last week shows overwhelming bipartisan support for curbing energy waste from development on public lands. Additionally, 69 percent of likely voters in Colorado, New Mexico, North Dakota, and Utah support limits to venting and flaring.

LA Solar Array Suit

PLH LLC and Foothill Solar LLC are suing Los Angeles after their plan to install an array of 3,500 solar cells on the northeast edge of the San Fernando Valley was thwarted by the North Valley Area Planning Commission. Los Angeles is the largest municipality in the country with a Feed-in Tariff program.

SF Solar Rooftops

San Francisco Board of Supervisors President David Chiu will introduce a proposal this week to require solar panels, rooftop gardens, or both on new commercial and residential buildings in San Francisco. The Solar Vision 2020 legislation would encourage existing apartment building owners to plant photovoltaic arrays on their roofs as well.

MISCELLANEOUS

CPLI Released

CDP, formerly the Carbon Disclosure Project, released the [2014 Climate Performance Leadership Index](#) October 15. Apple, Bank of America Merrill Lynch, CVS Health, and Wal-Mart are among 187 companies around the world that made the list of corporate climate leaders making progress in measuring, verifying, and managing their carbon footprints this year.

Natural Gas' Climate Impact

A study released in [Nature](#) October 15 found that increased natural gas use from fracking would not slow climate change because the fuel will replace cleaner energy sources rather than coal.

States Turn Green

Stanford University and the Hoover Institution released the [State Clean Energy Cookbook](#) recently, finding that politically "red" and "blue" states are increasingly turning "green" as they encourage energy efficiency and renewable energy to save money, address climate change, and improve electric grid reliability by diversifying power sources.

Natural Gas CCS Project

Exelon Generation and several funders have signed on to build NET Power's first demonstration-scale zero-emissions natural gas-fired power plant, which will produce CO₂ for industrial processes. Exelon will operate the \$140 million CB&I Technology plant using a Toshiba supercritical CO₂ turbine. The company expects to commission the plant in 2016 and complete it in 2017.

IKEA Carbon Pricing

IKEA Group is considering introducing an internal carbon emissions price as it works to protect the environment and better the company. IKEA is the world's largest furniture retailer, is on target to invest \$1.5 billion in solar and wind power by 2015, and purchased a higher proportion of its wood and cotton from sustainable sources this year.

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