



ML Strategies Update

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Energy & Environment Update

ENERGY AND CLIMATE DEBATE

President Obama and Chinese President Xi Jinping jointly [pledged](#) November 11 in Beijing to make significant CO₂ reductions in the next two decades. The United States will reduce its net greenhouse gas emissions by 26 to 28 percent below 2005 levels by 2025, accelerating the pace of reductions already planned by 2020. China will peak its CO₂ emissions no later than 2030, by which point the country will obtain 20 percent of its energy supply from non-fossil fuel sources. China's commitment marks the first time the country has pledged to stop its rapidly increasing emissions; the nation has previously resisted calls for reductions, saying that as a developing country, the pollution increases are necessary for its growth. China is the world's largest greenhouse gas emitter, and the United States ranks second. The surprise joint announcement precedes the 20th annual COP/MOP, scheduled to begin December 1 in Lima, Peru, and it further builds momentum for next year's international climate negotiations in Paris. The two countries had pledged to make their commitments by this coming March. The United States and China join the European Union in making early commitments for Paris. European Union leaders agreed in October to set a target of reducing greenhouse gas emissions to at least 40 percent of 1990 levels by 2030.

The United States committed in 2009 to reducing emissions 17 percent from 2005 levels by 2020. The new goal will double the pace of carbon reduction, from an average 1.2 percent from 2005-2020 to an average of 2.3 percent to 2.8 percent between 2020 and 2025. China will need to add 800-1,000 GW of nuclear, solar, wind, and other zero-emissions energy generation by 2030 in order to meet its target, as well as scale up its cap and trade program or potentially implement a carbon tax. The country plans to launch a national carbon trading market in 2016 that could become fully operational in 2020. China is currently testing pilot emissions trading systems programs in seven provinces.

Republican congressional leaders remain sharply critical of President Obama's announcement, promising to work against Environmental Protection Agency greenhouse gas proposals when they assume Senate leadership in January. Senate Minority Leader Mitch McConnell (R-KY) and Speaker of the House John Boehner (R-OH) called the agreement unrealistic and not sufficiently binding, and Senator James Inhofe (R-OK) is likely to use his new post as Chair of the Senate Environment and Public Works Committee to question the science behind climate change in an attempt to undercut environmental policies. Congressional Democrats, meanwhile, praised the announcement, saying that the agreement would increase the chances of a strong 2015 international climate agreement, and said that Congress no longer has the excuse of China not acting to address climate change as leaders in both chambers urge Congress to act.

Secretary of State John Kerry, an instrumental force, along with White House counselor John Podesta and their Chinese counterparts, in negotiating the deal, published an [opinion piece](#) in *The New York Times* after the announcement in which he framed the agreement as a landmark effort by the world's two largest economies to

address climate change and encourage the rest of the world to follow suit. Environmentalists, from the Natural Resources Defense Council to the Environmental Defense Fund, applauded the pact as a historic step. Several utility executives predicted blackouts and increased power bills if they are not given more time to achieve the reductions. White House counselor John Podesta said November 17 that Congressional Republicans would not be able to prevent President Obama from implementing his climate change agenda. He also noted that possible areas of bipartisan cooperation include energy efficiency and highway funding.

European Union carbon permits rose to their highest price in eight months on London's ICE Futures Europe exchange after the engagement was announced.

Looking toward upcoming Congressional action, Representative John Shimkus (R-IL), chair of the House Energy and Commerce Subcommittee on Environment and the Economy, said November 13 that he is likely to advance chemical safety reform, coal ash legislation, and Yucca Mountain nuclear waste repository legislation during the new Congress. He hopes to provide added certainty to energy markets and producers through legislative efforts the next two years. Representative Shimkus also expressed his dissatisfaction with the United States-China climate agreement, and said that he hopes to lift the ban on exporting crude oil.

The House approved, 252-161, November 14 the Keystone XL pipeline (H.R. 5682), but President Obama is indicating that he may veto the measure if it comes to his desk. The Senate is scheduled to vote on an identical bill (S. 2280) November 18, but the legislation may fall short one or two votes in the upper chamber. In other congressional matters this week, House and Senate negotiators hope to complete work on a defense authorization measure for 2015. House Republicans will make chairmanship decisions and House Democrats will hold leadership elections, while the Senate will consider childcare subsidies, telephone data collection curbs, and judicial nominees.

The House will consider three measures this week to curtail the Environmental Protection Agency's procedures for writing new regulations. The first is the Secret Science Reform Act (H.R. 4012), which would require the agency to make public data used in writing regulations. The second, the EPA Science Advisory Board Reform Act (H.R. 1422), would alter the selection process for the panel and increase public participation in its activities. The third, the Promoting New Manufacturing Act (H.R. 4795), is aimed at reducing delays and increasing transparency in the agency's process for Clean Air Act preconstruction permits for new or modified stationary sources. The Senate will not take up the measures this year.

Both chambers are likely to adjourn by Thursday and not return until after Thanksgiving.

CONGRESS

Senate LNG Legislation on Hold

Senator John Hoeven (R-ND) said November 12 that he will hold his bill (S. 2638) expediting liquefied natural gas exports until next Congress after receiving a commitment from Energy Secretary Ernest Moniz to work out remaining obstacles to the agency endorsing the measure.

Agency Report Elimination Approved

The House voted unanimously November 12 to abolish certain mandatory agency reports from 17 agencies, including the Department of Energy and the Environmental Protection Agency. President Obama is expected to sign the measure (H.R. 4194). House Oversight and Government Reform Committee Chair Darrell Issa (R-CA) called the legislation a good start toward eliminating roughly 50 reports, and said that he would like to annually review and potentially delete mandatory government reports.

Whitfield on Climate

Representative Ed Whitfield (R-KY) said November 13 that he believes in climate change but disagrees with President Obama's use of executive action to combat it. The House Energy and Commerce Subcommittee on Energy and Power Chair said that the lower chamber would work to pass legislation to limit the administration's authority on energy and environmental issues, particularly the Environmental Protection Agency's Clean Power Plan.

Unrealized Ozone Costs

Twelve Republican members of the House Energy and Commerce Committee sent a [letter](#) November 13 asking the Environmental Protection Agency to detail the unrealized cost of meeting the current ozone standard of 75 parts per billion. The agency is under a court-ordered December 1 deadline to issue a proposal on whether to retain or revise the current national ambient air quality standard for ozone. The White House Office of Management and Budget is currently reviewing the proposal.

Gradual PTC Phaseout Option

Senator John Thune (R-SD) said November 13 that a gradual phase out of the wind energy production tax credit could be a “good middle ground” as Congress decides whether to extend dozens of expired tax credits during the lame duck session. Senator Majority Leader Harry Reid (D-NV) has promised a vote on the EXPIRE Act (H.R. 3474) this month or next; among other things, the measure would extend the production tax credit for two years at an estimated cost of \$13.4 billion.

Coal Ash Legislation Forthcoming

Senator John Hoeven (R-ND) and Representative David McKinley (R-WV) said November 13 that they will introduce and advance coal ash legislation next Congress, regardless of how the Environmental Protection Agency structures its forthcoming final rule, which is due December 19. Senator Hoeven’s measure is a slightly modified version of the 2012 Coal Ash Recycling and Oversight Act (S. 3512). Representative McKinley will reintroduce his Coal Residuals Reuse and Management Act (H.R. 2218), which the House passed last July.

Legislation Introduced

Representative Bill Cassidy (R-LA) introduced legislation (H.R. 5682) November 12 to approve the Keystone XL Pipeline.

Upcoming Hearings

The Senate Permanent Subcommittee on Investigations will hold a hearing November 20-21 on Wall Street banks’ involvement in the markets for physical commodities such as oil and metals. The hearing is a culmination of a two-year, bipartisan investigation.

ADMINISTRATION

APEC Goals

The Asia-Pacific Economic Cooperation economies endorsed November 11 an [aspirational goal](#) of doubling the share of renewables in APEC countries’ energy mix by 2030. The countries also reaffirmed their pledge to reduce their energy intensity by 45 percent by 2035 and to phase out inefficient fossil fuel subsidies.

Overseas Coal Funding Language

Eleven environmental groups called on President Obama November 13 to reject congressional attempts to roll back his policies designed to prohibit American financing of overseas coal fired power plants. The Consolidated Appropriations Act of 2014 and the current continuing resolution (H.J. Res. 124) both included language designed to roll back the policies. The debate will resume in December when Congress considers bills to extend funding into 2015.

Green Climate Fund Pledge

The Obama Administration announced November 14 that President Obama will pledge \$3 billion to the United Nations Green Climate Fund to help developing countries increase their use of renewable energy and undertake climate change adaptation and mitigation efforts. The United States and other developed countries pledged ahead of the 2009 Copenhagen climate summit that they would provide \$100 billion annually in combined private and public money beginning in 2020 to undertake the climate efforts. Congress must approve the funding. White House Counselor John Podesta expressed confidence November 17 that the administration would be able to obtain the necessary congressional appropriation.

Climate Task Force

The State, Local, and Tribal Leaders Task Force on Climate Preparedness and Resilience [recommended](#) November 17 that the Obama Administration take into account climate change related risks when designing and implementing all federal policies. The task force also recommended that the administration strengthen “coordination and partnerships” across federal agencies and local jurisdictions, provide “actionable data and information on climate change impacts,” and consult with tribal and indigenous groups on climate preparedness.

DEPARTMENT OF DEFENSE

Solar for 6,000

Lincoln Military Housing, through a public-private partnership with the Navy, and SolarCity announced a deal November 12 to equip almost 6,000 homes in the San Diego, California area with rooftop solar energy systems. Navy and Marine Corps housing in 27 neighborhoods from Imperial Beach to Vista will receive the solar systems, saving at least \$60 million over the term of the 20-year power purchase agreement.

DEPARTMENT OF ENERGY

Loan Guarantee Success

Energy Secretary Ernest Moniz said November 14 that the renewable energy loan program is an enormous success, pointing to recent news that the program expects to earn \$5 billion to \$6 billion throughout the life of current investments. The agency has granted about half of the \$32.4 billion authorized to encourage energy innovations, though it has faced strong criticism for the failed Solyndra solar investment. Program losses to date are about \$780 million, and losses are inherent in any lending portfolio, particularly one that works to finance high risk, high reward innovative technologies.

LNG Exports Approved

The Department of Energy approved November 14 Freeport LNG Development's liquefied natural gas export project in Texas to export domestically produced LNG to countries that do not have a free trade agreement with the United States. The approval comes a day after the Federal Energy Regulatory Commission denied a request from environmental groups for a rehearing on the agency's July 30 decision to approve the project.

LNG Growth Stability

Energy Information Administration Administrator Adam Sieminski said November 14 that the growth in domestic shale oil production the last three years may have saved consumers and businesses from oil price spikes that would have been triggered otherwise by supply disruptions elsewhere. Domestic shale oil production has added roughly 3 million barrels a day to global oil supply during three years of unplanned production interruptions in Iran, Iraq, Libya, Nigeria, Sudan, and elsewhere.

DEPARTMENT OF INTERIOR

RE Federal Water Transmission

The Bureau of Ocean Energy Management offered November 14 the first right of way grant for renewable energy transmission in federal waters to Deepwater Wind Block Water Transmission System LLC. The project would feature a submerged transmission cable between Block Island and the Rhode Island mainland, connecting a proposed 30 MW Block Island Wind Farm to the rest of the state and carrying electricity from the onshore electric grid to Block Island.

DEPARTMENT OF STATE

Oil Sands Suit

Eight environmental groups filed a legal challenge in Minnesota federal court November 11 to the State Department's approval of a plan for Enbridge to ship extra heavy Canadian crude across the United States' northern border without seeking a Keystone XL-style permit. The complaint charges that the agency violated the National Environmental Policy Act by failing to conduct a pre-approval review of the plan. The first phase of the oil sands pipeline expansion project is already operational.

DEPARTMENT OF TREASURY

EV Credit Form

The Treasury Department asked the Office of Management and Budget November 17 to review Form 8834, Qualified Electric Vehicle Credit. The form is used to claim qualified electric vehicle passive activity credits for the current tax year. The department uses the information to determine that the credit is allowed and has been properly computed.

ENVIRONMENTAL PROTECTION AGENCY

Pellet Product as Fuel

The Environmental Protection Agency concluded in an October 31 [comfort letter](#) that a pellet product derived from pre-consumer paper and manufacturing company waste products may be regulated as a fuel rather than a solid waste when burned in certain kilns, incinerators, or boilers. As such, the pellets are subject to less strict Clean Air Act requirements – Section 112 instead of Section 129.

CO2 Waste Rule Challenge

The Environmental Protection Agency argued November 6 that it used its discretion fairly in crafting a narrow hazardous waste exemption under the Resource Conservation and Recovery Act for CO2 streams used in geologic sequestration operations. The agency claims that industry petitioners challenging the January 3 final rule lack

standing and urged the U.S. Court of Appeals for the District of Columbia Circuit to dismiss their challenges.

Alternative Compliance Method

Environmental Protection Agency Administrator Gina McCarthy signed a [final rule](#) November 7 establishing an alternative method for compliance with mercury and air toxics standards during power plant startup and shutdown. The alternative method is expected to result in significant emissions reductions.

CPP Comment Extension Sought

The National Association of Manufacturers and 15 other trade associations asked the Environmental Protection Agency November 12 to extend the comment period on its proposed Clean Power Plan by 60 days in light of the agency's October 30 supplemental notice.

Grid Reliability Test

The North American Electric Reliability Corporation released a report November 12 finding that the domestic electric grid will face significant reliability challenges over the next decade, including an increased reliance on natural gas as well as Environmental Protection Agency regulation-triggered power plant retirements.

Title V Permits

The Environmental Protection Agency agreed November 12 to deadlines to act on petitions submitted by the Environmental Integrity Project and the Sierra Club requesting the agency object to Title V permits Texas issued to three Luminant Generating Company power plants. The agency will sign a response later no later than January 23. The agency will accept public comments on the agreement through December 15.

Oil, Gas Methane Reduction Guidance

Environmental Protection Agency Associate Assistant Administrator for Climate and Senior Counsel Joe Goffman said November 13 that the agency is nearing completion of guidance to reduce methane emissions from oil and natural gas wells.

CH4 Reporting Rule

The Environmental Protection Agency signed a [final rule](#) and a proposed rule November 14 intended to bolster the measuring and reporting of methane emissions by oil and gas companies. The rules alter the agency's five-year old Greenhouse Gas Reporting Rule.

GOVERNMENT ACCOUNTABILITY OFFICE

FTA Partners' Environmental Challenges

The Government Accountability Office released a [report](#) November 13 concluding that Chile, El Salvador, Guatemala, and Peru have passed or made changes to their environmental laws and established or strengthened environmental institutions since signing free trade agreements with the United States. Each of the nations still faces capacity and enforcement challenges, including limited technical capacity and inadequate resources for enforcing environmental protections.

Spent Fuel Acceptance

The Government Accountability Office released a [report](#) November 12 finding that the Department of Energy should develop a strategy to build and sustain public acceptance of spent fuel management. The agency will continue to reach out to states, tribes, and stakeholders.

NUCLEAR REGULATORY COMMISSION

Baran Renominated

President Obama nominated Jeffery Baran November 13 to fill the term of office for outgoing Nuclear Regulatory Chair Allison Macfarlane. Mr. Baran joined the commission October 14 to fill a one-year vacancy left by the departure of Bill Magwood. Dr. Macfarlane, whose term expires June 30, 2018, will leave the commission at the end of the year to take the directorship of George Washington University's Center for International Science and Technology Policy.

INTERNATIONAL

EU CO2-Fix Vote Method

A European Union rule took effect November 1 that will provide the bloc's governments with two options for calculating what voting majority is needed to reach an agreement on a proposed CO2 market fix. Any draft measure

from the European Commission needs the support of at least 55 percent of European Union member nations representing 65 percent or more of the bloc's total population in order to move forward. Until March 2017, any government may request the use of the previous voting system, under which the majority threshold was set at around 74 percent of government votes, with each country assigned an population-based weight.

Quebec to Study Oil Sands Impact

Quebec's National Assembly unanimously adopted November 6 a resolution to assert its right to conduct a comprehensive assessment of all environmental impacts of the planned \$10.6 billion TransCanada Energy East pipeline project, rather than deferring to the National Energy Board. The provincial government will investigate the climate implications of piping more than a million barrels of oil per day nearly 3,000 miles from the Alberta oil sands to the Atlantic Ocean.

Chinese Solar

BrightSource Energy Inc. and Shanghai Electric Group announced November 10 that they plan to build two 135 MW solar thermal power plants in China's Qinghai province, the first proposal under a joint venture to develop utility-scale projects. Construction will begin in 2015, with completion scheduled for 2017.

Netherlands Begins Solar Roads

SolarRoad, a project that tests roadways as a way to collect solar energy, began November 11 in the Netherlands with about 230 feet of bike path in Krommenie, near Amsterdam. Each square meter of road is expected to generate 50 to 70 kWh of energy per year, enough for the initial strop to supply power for one or two households. The \$3.7 million test will run for three years.

Alberta to Follow US-China Lead

Alberta Premier Jim Prentice said November 12 that the province, home to Canada's oil sands, is prepared to follow the United States and China will stronger greenhouse gas regulations for the fossil fuel industry. Alberta's oil sands are the fastest growing source of GHG emissions in Canada, and Premier Prentice has promised to update the province's carbon levy of \$13.25/MT on large emitters by the end of the year.

Biodiversity Report Cards

The United Nations Environment Program and the International Union for the Conservation of Nature released updates November 14 on a pair of reports. The [Protected Planet](#) reports on progress since 2012 toward meeting a key target under the Convention on Biological Diversity. The [World Heritage Outlook](#) provides a three-year update on the condition of sites the United Nations Educational, Scientific, and Cultural Organization deemed of special global significance because of their natural values.

Australian Coal

Australian Prime Minister Tony Abbott defended coal before the G20 leaders gathered over the weekend. Australia is the world's largest producer for coal.

STATES

TX Battery Fix

Oncor Electric Delivery, owner of the largest power line network in Texas, is planning to spend more than \$2 billion on batteries to solve the problem of fluctuating wind and solar output. The company has asked state legislators to change a law that prevents it from owning power plants before it invests in battery storage. Oncor has talked to Tesla Motors Inc. about using its batteries for the grid.

Palen Solar Proposal

Abengoa announced last week that it would propose a single solar tower, with energy storage capacity, to the California Energy Commission for its Palen project. California state regulators were set to approve the project earlier this year before Abengoa and BrightSource Energy dropped the project in September. Abengoa bought out BrightSource's interest in the project last week, and though details are still forthcoming, the company is working on a new plan.

VA Residential Solar

Loudoun County, Virginia is piloting a program this month aimed at making solar power more affordable for Northern Virginia residents. The Solarize NOVA program allows Loudoun homeowners to take advantage of free home assessments and bulk purchasing discounts to reduce the costs of powering their homes with solar energy. The Northern Virginia Regional Commission and the Local Energy Alliance Program plan to expand the program to Prince William and Fairfax counties next year.

CO Fracking Case

The Eighth Judicial District of Colorado denied November 6 a request by Fort Collins, Colorado to stay a ruling striking down the city's five-year fracking moratorium within city limits.

CA RE Comments Extended

The Bureau of Land Management, Fish and Wildlife Service, California Energy Commission, and California Department of Fish and Wildlife announced November 13 that they would accept public comment on the draft [Desert Renewable Energy Conservation Plan](#) for another 45 days. The September plan would guide and streamline the development of geothermal, solar, and wind projects in the California desert. Written comments will now be accepted through February 23.

MISCELLANEOUS

E85 Growth

The National Association of Convenience Stores' Fuel Institute released a [report](#) last week finding that sales of E85 blends will double by 2023, and could potentially undergo a 20-fold sales increase by then. Only 2.2 percent of retail fueling stations currently carry the fuel, and most of those are within 10 states.

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