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ENERGY AND ENVIRONMENT UPDATE **November 6, 2011**

Energy and Climate Debate

Now that it is November and deadlines for both the continuing resolution and the super committee are just weeks, rather than months away, appropriations and the deficit are more than ever holding the attention of policymakers on Capitol Hill. Despite money worries, energy issues continue to grab quite a bit of attention themselves, and some are just heating up.

The Joint Select Committee on Deficit Reduction is staring down a November 23 deadline to identify \$1.2 trillion in savings, and with the deadline fast approaching, Senate and House leadership have stepped in to take a strong hand in guiding negotiations. With tax revenues remaining a sticking point for the panel, there is some possibility that the group may have to settle on a smaller number and let automatic spending cuts cover the remaining balance.

The Joint Committee on Taxation estimated November 2 that Congress could eliminate every corporate tax incentive and preference in the tax code and still not have enough money to produce a revenue neutral cut to a 25 percent corporate tax rate. House Ways and Means Democrats said that the lowest corporate tax can go by eliminating tax expenditures is 28 percent, but Committee Chairman Dave Camp (R-MI) has a stated goal of producing a revenue-neutral tax reform plan that would reduce both the top corporate and individual income tax rates to 25 percent.

The Senate approved, 69-30, a fiscal 2012 spending bill (H.R. 2112) November 1 for the Agriculture, Commerce, Justice, Transportation, and Housing and Urban Development Departments. As amended by the Senate, the legislation allots \$2 billion for carbon capture and storage projects, restores \$161.5 million to the National Oceanic and Atmospheric Administration climate service that had been zeroed out by the House in July, and provides \$1 million for an Economic Development Administration pilot program that would offer on-bill financing of energy efficiency improvements. The first of the minibuses to pass the Senate, it remains unclear whether the House will take a similar approach to the funding, and if it does not, both chambers will be forced to resort to an omnibus or yearlong continuing resolution at a later date.

The next minibus, to see floor action this week, will include Energy and Water, Foreign Operations, and maybe Financial Services. The package is likely to have a \$31.6 billion price tag, with \$25.6 billion for DOE. That is a more than \$1 billion increase for DOE over a House-passed appropriations measure that included riders delaying the implementation of incandescent light bulb standards, among other things, and \$4 billion less than the amount originally requested by President Obama. Senator Dianne Feinstein

(D-CA) is trying to insert in Energy and Water appropriations language that clarifies the rights of states to impose feed-in tariffs. Additionally, funding for offshore wind demonstration projects and small modular reactors are on the table as possible additions to the next minibuss, each with their supporters and detractors in the Senate. President Obama made funding requests for both, and it seems that the two are joined at the hip, as Senators supporting one would not see it overlooked in favor of the other.

On the House side, Minority Whip Steny Hoyer (D-MD) and 182 other Democrats showed a near-united front November 1 in opposing efforts to roll back environmental regulations and other policies by attaching language to fiscal year 2012 appropriations measures. The group sent a letter to House Speaker John Boehner (R-OH) urging him to avoid partisan policy riders or risk a government shutdown.

While appropriations remain up in the air, the current continuing resolution expires November 18, and it is increasingly clear that a new temporary funding measure through the end of January will be necessary to keep the government open and running. House and Senate conferees began negotiations November 3 on H.R. 2112, and they have committed to passing it and attaching to it a new continuing resolution to cover all government agencies' spending, by the time the current resolution expires.

Congress

Cross-State Disapproval Resolution

The Senate is expected to vote this week on a resolution (S.J. Res. 27) from Senator Rand Paul (R-KY) to nullify the Cross-State Air Pollution Rule. The resolution declares that Congress disapproves the Environmental Protection Agency regulation, which requires power plants in 27 states to reduce interstate transport of sulfur dioxide and nitrogen oxides, and says that the rule shall have no force or effect.

Loan Guarantee Investigation

The House Energy and Commerce Subcommittee on Oversight and Investigations voted (14-9) November 3 to subpoena the White House for internal documents on the Solyndra loan guarantee. Committee Republicans moved forward with the vote even after the Obama administration delivered an additional 15,000 pages of documents to the committee the previous evening in an attempt to compromise. Prior to the subpoena, the Department of Energy had provided the committee with more than 80,000 pages of documents, participated in a full committee hearing, scheduled a hearing with Energy Secretary Steven Chu, and made numerous department officials available for briefings with committee staff beginning in March. The House Oversight and Government Reform Committee is also conducting an investigation into the loan guarantees, and Committee Chairman Darrell Issa (R-CA) sent a letter November 2 to Energy Secretary Chu saying that the investigation may require the use of compulsory processes. Secretary Chu defended the loan guarantee program at a Washington Post conference November 3, saying that the program could be improved to make it more flexible in the future; he also suggested the deployment of a clean energy bank that would not require taxpayer funding once it begins generating revenue from successful startups.

Low-Sulfur Fuel Standard Considerations

Representatives of the American Petroleum Institute and the National Petrochemical and Refiners Association testified before the House Science, Space, and Technology Subcommittee on Energy and Environment November 2 that a pending Environmental Protection Agency rule that would limit the sulfur content of gasoline could conflict with other air pollution regulations and drive up fuel production costs. EPA is expected to propose the Tier 3 rule, which would establish emissions standards for light-duty vehicles and their fuels, in December, with a final rule by October 2012. Upon releasing a cost report October 31, the National Association of Clean Air Agencies said that EPA should propose strengthening standards for sulfur content in vehicle fuel and vehicle emissions standards this year. To help meet air quality standards for ozone and other pollutants, state and municipalities need the agency to update Tier 3 standards for light-duty vehicles and to lower the sulfur content in fuel. State regulators and clean air advocates favor reducing the allowable sulfur content in gasoline from 30 parts per million to 10 ppm, which is estimated to increase gasoline prices by less than 1 cent per gallon.

Recovery Act Overwhelming

Energy Department Inspector General Gregory Friedman told the House Oversight and Government Reform Subcommittee on Regulatory Affairs, Stimulus Oversight, and Government Spending November 2 that about 45 percent of the \$35.2 billion in Recovery Act funding received by the agency remains to be spent. He attributed the number to the overwhelming of recipients at the state and local level because of the large and rapid influx of money, saying that despite pressure to spend the funds quickly, recipients of grants and other financial assistance were often ill-prepared for the extensive planning, organization, staffing, and training that was needed.

ENR Plans

Senate Energy and Natural Resources Committee Chairman Jeff Bingaman (D-NM) is backing away from plans for a pre-Thanksgiving hearing on the Department of Energy loan guarantee program to focus instead on the financing gap with other countries, particularly China.

Climate Hearings Sought

Congressmen Henry Waxman (D-CA) and Bobby Rush (D-IL) have requested another hearing on climate change science, this time on the impact of global warming on crop yields.

Reliability Not Threatened

Environmental Protection Agency Deputy Administrator Bob Perciasepe told the House Oversight and Government Reform Committee November 1 that the Cross-State Air Pollution Rule and the proposed Utility MACT rule will not threaten electricity reliability because the power plants that are anticipated to retire because of regulation are older and less efficient facilities. The agency is on track to issue the final air toxic rules by December 16.

Two-Year Surface Transportation Reauthorization Unveiled

On November 4, Senate Environment and Public Works Committee chairman Senator Barbara Boxer (D-CA), ranking member Sen. James Inhofe (R-OK), chairman of the Transportation and Infrastructure Subcommittee Sen. Max Baucus (D-MT), and subcommittee ranking member Sen. David Vitter (R-LA) unveiled a two-year surface transportation reauthorization. The bill will be marked up on November 9, and will reduce the number of core highway programs from seven to five and create the National Highway Performance Program.

Legislation Introduced

Senator Debbie Stabenow (D-MI) introduced legislation (S. 1764) October that extends and modifies the Advanced Energy Project Credit. The Grow it Here, Make it Here initiative would provide a 30 percent tax credit for new, expanded, or re-equipped biomanufacturing products.

The following day, Senators Jon Tester (D-MT) and Jim Risch (R-ID) introduced legislation (S. 1775) that streamlines permitting for renewable energy projects on public lands. The Public Lands Renewable Energy Development Act will create a leasing pilot project to help create clear development process that treats renewable energy similar to traditional sources of energy.

Congressman Bill Flores (R-TX) introduced legislation (H.R. 3306) to repeal the Advanced Technology Vehicle Manufacturing Department of Energy loan program. Congress funded the ATVM program at \$7.5 billion in September 2008 to support up to \$25 billion in loans, but the program currently has \$4 billion in unused funding.

Congressman Dave Reichert (R-WA) introduced legislation (H.R. 3307) to extend the renewable energy credit. The American Renewable Energy Production Tax Credit Extension Act would provide a four year extension of the existing Section 45 production tax credits for wind, biomass, geothermal, small irrigation, landfill gas, trash, and hydropower.

Congressman Mike Pompeo (R-KS) introduced legislation (H.R. 3308) to terminate energy tax subsidies and lower the corporate income tax rate. The Energy Freedom and Economic Prosperity Act, if enacted, would permanently end all taxpayer subsidies for the energy industry.

Senator Jeff Merkley (D-OR) introduced the EV Charge and Ride Act (S. 1797) November 3. The EV CAR Act would allow states to build electric vehicle charging stations in new or existing park and ride facilities to help boost deployment of EVs and facilitate carpooling.

The same day, Senator Mike Johanns (R-NE) introduced legislation (S. 1805) to prohibit the Environmental Protection Agency Administrator from rejecting or otherwise determining to be inadequate a state implementation plan in any case in which the state submitting the plan has not been given at least two years to develop and submit the plan in accordance with the Clean Air Act.

Senator Jeff Bingaman (D-NM) introduced legislation (S. 1807) to amend the Federal Nonnuclear Energy Research and Development Act of 1974 to provide for the prioritization, coordination, and streamlining of energy research, development, and demonstration programs to meet current and future energy needs.

On November 3, Representative Jim Sensenbrenner (R-WI) introduced the Federal Accounting of Renewable Energy Act (H.R. 3331); the legislation requires independent audits of all renewable energy loan guarantees as well as independent reviews for all future loans.

On November 4, Representative Lisa Sanchez (D-CA) introduced the American Microturbine Manufacturing and Clean Energy Deployment Act that will boost the investment tax credit for microturbines from 10 percent to 30 percent.

Upcoming Hearings

The Senate Energy and Natural Resources Committee will hold a hearing November 8 to consider market developments for U.S. natural gas, including the approval process and potential for liquefied natural gas exports.

Administration

GreenGov Symposium Held

During last week's 2011 GreenGov Symposium, White House Council on Environmental Quality Chairwoman Nancy Sutley was joined by former CEQ chairmen in saying that the Department of Energy's loan guarantee program is an important tool in the global race to capitalize on clean energy, and that failures among loan guarantee recipients were anticipated.

Adaptation and Freshwater Reports

The Interagency Climate Change Adaptation Task Force released a report October 28 outlining the federal government's progress in expanding and strengthening domestic capacity to better understand, prepare for, and respond to extreme weather events and other climate change issues. At the same time, the White House Council on Environmental Quality announced a final action plan to be used as the foundation for federal energy efforts to manage freshwater resources as the climate changes.

Sustainability Plans Released

The White House Council on Environmental Quality released a report October 31 that identified ways in which the federal government can conserve resources and reduce pollution. The 2012 Strategic Sustainability Performance Plans, developed and submitted by 45 federal agencies, are an annual requirement under Executive Order 13514, and include suggestions such as installing high efficiency plumbing fixtures and putting solar-powered lights in parking lots. CEQ and the White House Office of Management and Budget are reviewing the plans.

NAM Challenges GHG Limit Case

The National Association of Manufacturers and the federal government petitioned the U.S. District Court for the Northern District of California last week to defeat a public trust claim that seeks a court order to force federal agencies to take steps to limit greenhouse gas emissions. If successful, the lawsuit would result in a requirement that the government implement a strategy by January 2013 that would keep domestic CO2 emissions from exceeding September 2011 levels and reduce emissions by at least six percent a year through 2099, until atmospheric levels of CO2 return to 350 parts per million. A hearing is

set for November 28 to consider NAM's motions and the government's motion seeking dismissal of the lawsuit against the Environmental Protection Agency and the departments of Agriculture, Energy, Interior, Commerce, and Defense.

Department of Agriculture

Education Is Key

During the second annual GreenGov Symposium last week, Department of Agriculture BioPreferred Program Manager Ron Buckhalt said that the biggest challenge for federal agencies seeking to purchase more energy-efficient products is educating them on how to do so. The BioPreferred Program certifies products composed of biological materials, which federal agencies are required to purchase under several federal mandates.

\$44 Million for Biofuels

The Department of Agriculture announced October 31 payments totaling \$44.6 million for 156 advanced biofuel producers in 38 states to support the production and expansion of advanced biofuels. The funding is provided through the Bioenergy Program for Advanced Biofuels program.

Department of Defense

Army Pursuing Net Zero

The Army announced November 1 that it is using more energy efficient technologies and renewable energy in both military installations and operations to reach a goal of net zero energy use by 2030. As the largest energy consumer in the federal government, the Army operates 165 U.S. installations, and selected in April 17 of them for a pilot program to achieve net zero waste, energy, and water use. The biggest value that Army has found in using energy efficient technologies and renewable energy has been in military operations because of the high cost of delivering liquid fuel to the field to generate power.

First EE Customer

During last week's GreenGov Symposium, the Department of Defense announced efforts to drive innovation in the energy-efficiency sector by being the first customer of as many technologies as possible for its 5,000 installations, and 300,000 buildings, worldwide. The agency also announced an expansion in its use of renewable energy, unveiling both a Defense Intelligence Agency plan to install 160 solar parking lot lights by 2015 and a planned assessment of 14 landfills for methane gas potential.

Department of Energy

Potawatomi PV

The Forest County Potawatomi Tribe completed a solar photovoltaic installation project in Milwaukee November 4. The project, one of five Community Renewable Energy Deployment projects that received funding through the Recovery Act, is the first to be completed, and was funded in part with \$2.6 million from the Department of Energy.

Beacon Bankruptcy

Massachusetts-based energy technology company Beacon Power Corporation filed for Chapter 11 restructuring in the U.S. Bankruptcy Court for the District of Delaware October 30. The company received a \$43 million Department of Energy loan guarantee in August 2010 to build a 20 MW flywheel energy storage facility in Stephentown, NY, and told the court last week that it has a viable business model with revenue generating assets that should enable the company to achieve profitability in the future. The technology is viewed as a quicker, clean energy alternative to reliability services currently provided by constantly increasing and lowering the output of conventional fossil fuel power plants.

LED Webcast Forthcoming

The Department of Energy will host a webcast November 15 on new recommendations for implementing energy-saving street lighting projects. The Model Specification for LED Roadway Luminaries was

developed by the agency's Municipal Solid-State Street Lighting Consortium to assist with the selection and securing of the best LED lighting solutions.

Department of Interior

Water Plans Should Consider Climate

The U.S. Geological Survey released a study November 2 that concludes that rising sea levels, higher temperatures, and other climate change impacts should be factored into plans being developed to manage California's water resources and restore the West Coast's largest estuary. The report, *Projected Evolution of California's San Francisco Bay-Delta-River System in a Century of Climate Change* examined impacts to the San Francisco Bay/Sacramento-San Joaquin River Delta from 2010-2099 and found that climate-driven changes to the area over the next several decades will intensify the ecological stresses already plaguing the estuary and reduce freshwater supplies.

Environmental Protection Agency

Greenfields Considered

The Environmental Protection Agency and the Department of Energy's National Renewable Energy Laboratory announced November 4 that they would partner together to evaluate the feasibility of developing renewable energy production on Superfund, brownfields, and former landfill or mining sites. As part of the RE-Powering America's Land Initiative, the EPA is investing roughly \$1 million for projects across the country aiming to revitalize abandoned sites while protecting human and environmental health and providing economic benefits to local communities.

GHG Arguments Scheduled

A three-judge panel of the U.S. Court of Appeals for the District of Columbia Circuit scheduled last week oral arguments in three lawsuits challenging the Environmental Protection Agency's greenhouse gas regulations for February 28 and 29. The court will consider suits from industry and state groups challenging the agency's GHG endangerment finding, its vehicle emissions standards, and a rule limiting GHG permitting to the largest stationary sources of emissions.

Hydrogen Sulfide Inventory

The Environmental Protection Agency announced November 4 that it is reinstating Toxic Release Inventory reporting requirements for hydrogen sulfide. The move is part of Administrator Lisa Jackson's efforts to provide citizens with helpful information on chemicals they may encounter in their daily lives.

Fracking Study Plan

The Environmental Protection Agency issued its *Final Plan for Study of Risks Posed to Drinking Water by Hydraulic Fracturing* November 3. The study plan will be organized around the water life cycle for the oil and gas drilling process of fracking, which consists of water acquisition, chemical mixing, well injection, flowback, produced water, wastewater treatment, and waste disposal. The study will rely on existing data, retrospective case studies where contamination has occurred, prospective case studies where fracturing is planned, computer modeling, laboratory studies, and toxicological assessments.

CO Standards Challenged

On October 31, Communities for a Better Environment and WildEarth Guardians filed a petition for review in the U.S. Court of Appeals for the District of Columbia Circuit of the Environmental Protection Agency's final rule that retained the existing primary, health-based national ambient air quality standards for carbon monoxide. While the agency found the standards to be sufficient to protect public health, the environmental groups say that scientific evidence indicates the standards should be strengthened.

Building Winner Announced

The Environmental Protection Agency announced November 2 that the University of Central Florida is the winner of the 2011 Energy Star National Building Competition: Battle of the Buildings. The second annual competition featured teams from 245 buildings across the country in a battle to save energy, reduce costs, and protect people's health and the environment. The winning building was a parking garage on

the university's main campus where energy use was decreased by 63.2 percent; together, competitors reduced their energy costs by \$5.2 million.

SO2 Limits Granted

The Environmental Protection Agency granted October 31 a petition from the New Jersey Department of Environmental Protection to limit sulfur dioxide emissions from a Pennsylvania power plant that are adversely impacting air quality in several New Jersey counties. This is the first single-source petition the agency has granted and it will require the Portland Generating Station in Pennsylvania to significantly reduce its SO2 emissions within three years.

Climate Legal Threats

Environmental groups led by the Environmental Defense Fund sent a letter to the Department of Justice October 28 saying that they will give the Environmental Protection Agency until November 30 to issue its draft rules for power plant greenhouse gas regulations before taking legal action. The rules have twice been delayed already, but it is unclear whether the agency will be able to meet the deadline.

Joint DOE Analysis of Renewable Development on Contaminated Properties

On November 4, the Environmental Protection Agency and the Department of Energy announced the two agencies will conduct feasibility analyses of renewable energy project developments at twenty-six currently or formerly contaminated properties. EPA's RE-Powering America's Land Initiative, started in 2008, is overseeing the initiative, which will investigate former mines as well as superfund and brownfield sites. While not actually developing any projects, the feasibility studies will prove to be vital to municipalities and companies seeking to develop the projects.

Environmentalists Challenge EPA Ruling on CA Power Plant

On November 3, the Sierra Club, the Center for Biological Diversity, and Greenaction for Health and Environmental Justice filed a petition for review in the U.S. Court of Appeals for the Ninth Circuit challenging the Environmental Protection Agency's decision to grant a prevention of significant deterioration permit to Avenal, California's Avenal Power Center LLC for its proposed 600-megawatt natural gas-fired facility.

General Services Administration

Sustainability Issues Considered

During an interview at the 2011 GreenGov Symposium, General Services Administration Urban Development and Good Neighbor Director Frank Giblin said that the federal government is considering sustainability factors in the siting and construction of its buildings, including access to public transportation and the structure's potential use as a public resource. Nancy Gillis, director of federal supply chain emissions at the agency said that environmental sustainability is being considered along with cost and mission goals as the federal government weighs procurement purchases. Ms. Gillis, who chairs an interagency group that addresses supply chain sustainability issues for the federal government, said that procurement officials are considering not only the environmental footprint of products but company supply chain footprints also.

Internal Revenue Service

Biodeisel Definition

On November 4, the Office of Chief Counsel at the Internal Revenue Service released an advice memorandum explaining how renewable diesel will be taxed on removals, entries, and sales under Section 4081. This is the exact same treatment given petroleum-based diesel, since, chemically and legally, both are diesel fuels.

Personnel

The Senate confirmed Eric Hirschhorn as Undersecretary of Commerce for Export Administration October 31. Mr. Hirschhorn will head the agency's Bureau of Industry and Security.

The Senate confirmed Rebecca Blank as Deputy Secretary of Commerce November 1. Ms. Blank had served as acting secretary of commerce after Gary Locke left to become U.S. ambassador to China, and has also served as the agency's acting chief operating officer.

The Senate Energy and Natural Resources Committee will vote November 10 on several Department of Energy nominees, including: Gregory Woods to be general counsel, David Danielson to be Assistant Secretary of Energy for Energy Efficiency and Renewable Energy, and Charles McConnell to be Assistant Secretary of Energy for Fossil Energy.

Miscellaneous

UN Environment Report Released

The U.N. Environment Program released an environmental update November 1 in which it found that greenhouse gas emissions are increasing, glaciers are retreating, sea levels are rising, ocean acidity is growing, and more people than ever are living in climate vulnerable areas. The report, *Keeping Track of Our Changing Environment: From Rio to Rio+20 (1992-2012)*, is part of the Program's Global Environmental Outlook series, and will be released in May prior to the June U.N. Conference on Sustainable Development in Rio de Janeiro.

Clean Tech Investment Report

Third Way released a report November 2 in which it concluded that global demand for clean energy tech is expected to exceed \$2.3 trillion over the next decade, but that the United States is in the middle of a severe crisis for clean technology venture capital investment. Broad venture capital investment gains made between 2003 and 2007 have been essentially zeroed out by the recession and the funds left in the clean tech sector are moving toward less-risky, later stages of innovation where more mature companies are looking to surpass their competition.

NY Clean Heating Credit

Taking effect October 14, New York enacted legislation (A.B. 7793) extending until January 1, 2017, the clean heating fuel credit allowed for bioheat used in residential space heating or hot water production.

Diagnostic Systems Alignment

Environment Canada published draft regulatory amendments October 29 that would require on-board diagnostic systems for all new heavy-duty vehicle engines to monitor emissions of nitrogen oxides, particulate matter, and volatile organic compounds. The regulations would harmonize Canadian requirements with those already in place in the US and ensure a level North American playing field for manufacturers. Public comments are due January 12.

ICAO Opposes Airline Inclusion

The U.N. International Civil Aviation Organization approved November 2 a non-binding declaration calling on the European Union to not include non-EU carriers in its regulation of aircraft's greenhouse gas emissions. The statement was based on a September 30 declaration in New Delhi by 26 members of the Council, including the United States and China.

Chinese Carbon Implementation Slow

Experts at the China International Forum on Climate Change announced last week that almost a year into the country's 12th Five Year Plan, the government has announced few specific measures to move the country toward a 2020 goal to reduce carbon intensity. China has laid out a number of strategies to reduce intensity by 40 to 45 percent by 2020 based on 2005 levels, including developing low-carbon pilot cities and provinces, increasing energy efficiency, and developing emissions trading platforms, but many of the initiatives are still in exploratory phases.

Taiwan Reduces Nuke Dependence

Taiwan's President Ma Ying-jeou said November 3 that the country will gradually reduce its dependence on nuclear power by closing its three aging plants earlier than planned and delaying commercial

operation of a new fourth plant until 2016. The country launched a comprehensive examination of its nuclear program shortly after the Japanese crisis, and also halted construction on the fourth plant, which had been scheduled to become operational in late 2011 or early 2012. Taiwanese nuclear's share of electricity production will fall from 19 percent in 2010 to 8 percent in 2025 to 5 percent in 2030.

NE Keystone Development

The initial phase of a Nebraska special legislative session on the Keystone XL pipeline ended November 3, with five bills filed on the state's authority over the pipeline route. The Keystone XL pipeline is a planned crude oil pipeline from the oil sands of Alberta, Canada, to Texas. President Barack Obama said last week that the Department of State, which has default authority to decide whether or not to approve the Keystone XL pipeline, will send him a report in the next several months that will help him to decide how to proceed.

Keystone XL Pipeline Opposition

On November 4, the Sierra Club, the Natural Resources Defense Council, 350.org, and various other environmental groups publicly demanded President Obama deny TransCanada a permit for the proposed Keystone XL pipeline, or delay a decision pending an independent environmental review.

New Building Efficiency Coalition

On November 3, the Natural Resources Defense Council, Real Estate Roundtable, and the United States Green Building Council announced the formation of the Coalition for Better Buildings to push for myriad energy efficiency policies and initiatives. Each of the three groups supported the Obama administration's Better Building Initiative since it was announced earlier this year.

Pass-Through for South Carolina Biomass Tax Credit

On November 4, the South Carolina revenue agency announced that a biomass energy equipment tax credit can now be applied to an individual's income taxes. The tax credit is for the purchase and installation of equipment, using a fuel with at least 90 percent of a qualifying biomass resource, deployed in creating energy for commercial consumption. A 25 percent credit for qualifying costs, not exceeding \$650,000 per year, is applied against an entity's income tax or license fees. Now, a limited liability company taking the credit could pass through the credit to its shareholders, provided there are at least four and they are all South Carolina residents, of an S Corporation owning 60 percent of the parent LLC.