



ML Strategies Update

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Energy & Environment Update

ENERGY AND CLIMATE DEBATE

Congressional negotiations continue on the omnibus appropriations and tax extenders package, though after an arduous process, an end is in site. In the meantime, the 21st Conference of Parties to the United Nations Framework Convention on Climate Change concluded its international climate negotiations in Paris last week with a global accord.

Facing a December 11 continuing resolution expiration, Congress passed last week a five-day funding extension in the hope that they would be able to come to a final agreement on the Fiscal Year 2016 Omnibus Appropriations measure by Wednesday. Given that they have not yet finalized the deal, another short term CR, to expire December 22, will be required to keep the government open until a complete agreement is approved, most likely by the end of the week. While funding levels – \$1.1 trillion – have been agreed to, policy riders and the possibility of including a broader tax extenders package than the fairly clean Senate Finance Committee approved two-year bill have held up the package.

As of this evening, more details are leaking out about a potential agreement on a \$650 billion tax package. The proposal would permanently extend some of the so called tax extenders, such as several business tax breaks like the research and development credit; extend others for five years, such as bonus depreciation; and others for two years. It would also delay the Cadillac tax and the medical device tax. On the energy front, the measure lifts the four decade-old crude oil export ban and extends the Production Tax Credit and the solar Investment Tax Credit, among other things. The text is not final, but Congress is expected to vote on the measures Thursday or Friday. The House is expected to vote on the omnibus and tax extenders separately and then merge the two together into a Taxibus for the Senate to vote on shortly thereafter.

Once votes on the omnibus and tax extenders are complete, the House will return January 5 for 28 weeks of the second session of the 114th Congress, truncated by the presidential election, and the Senate will return January 11 for 31 weeks.

On the international front, [COP21](#) concluded its two-week talks December 12 with the announcement of a 31-page [international agreement](#) to reduce greenhouse gas emissions and mitigate climate change beginning in 2020. The accord calls for keeping global warming to below two degrees above pre-industrial levels and to pursuing efforts to limit the temperature increase to 1.5 degrees Celsius; achieving carbon neutrality by the second half of the century; adapting to adverse climate impacts and fostering climate resilience and low GHG development in a way that does

not threaten food production; making consistent financing flows with a pathway toward low GHG emissions and climate resilient development. A legally binding portion of the accord requires countries to reconvene and increase their GHG reduction commitments every five years beginning in 2020, and how well countries are meeting their commitments will be examined every five years beginning in 2023. The agreement addresses loss and damage and calls on developed nations to increase their financial support before 2020 to achieve the \$100 billion annual global climate fund goal for mitigation and adaptation efforts. The text sets up land use rules, REDD; and transparency frameworks, including independently monitoring, reporting, and verifying national emissions. With a unanimous vote, the pact now requires ratification beginning in April by legislatures from at least 55 countries representing 55 percent of the world's emissions or it to enter into force, which must happen by 2020.

Climate Action Tracker released a [report](#) last week concluding that if nations follow through on their Intended Nationally Determined Contributions, the globe would warm by about 2.7 degrees Celsius, so increasing ambition is necessary to reach the two degree Celsius and below goals. Of the 195 nations represented at the negotiations, 185 submitted Intended Nationally Determined Contributions. The ten nations, including Venezuela, Uzbekistan, Libya, North Korea, Syria, Nicaragua, Nepal, Panama, East Timor, and Saint Kitts and Nevis, who have not submitted pledges account for just over two percent of global emissions.

Secretary of State John Kerry pledged December 9 that the United States would double its grant-based climate adaptation funding to \$800 million a year by 2020 to help climate vulnerable nations adapt to rising sea levels and other climate impacts.

President Obama [praised](#) the [accord](#) December 12, as did Senators Sheldon Whitehouse (D-RI), Chris Murphy (D-CT), Jeanne Shaheen (D-NH), and others on Capitol Hill and in the environmental and public health communities, though Senate Environment and Public Works Committee Chair James Inhofe (R-OK) opposed it, and Senate leadership continues to reiterate that the United States is not legally bound to any international climate agreement without Congressional approval.

CONGRESS

Legislation Introduced

Senators Bill Cassidy (R-LA) and Michael Bennet (D-CO) introduced legislation (S. 2378) December 9 to amend the Internal Revenue Code of 1986 to provide for an energy equivalent of a gallon of diesel in the case of liquefied natural gas for purposes of the Inland Waterways Trust Fund financing rate.

Representative John Sarbanes (D-MD) introduced the 21st Century Power Grid Act (H.R. 4206) December 9 to provide for a technology demonstration program related to the modernization of the electric grid.

Senator Jeff Flake (R-AZ) introduced the Ratepayer Fairness Act (S. 2384) December 10 to amend the Public Utility Regulatory Policies Act of 1978 to provide for the consideration by State regulatory authorities and nonregulated electric utilities of whether subsidies should be provided for the deployment, construction, maintenance, or operation of a customer-side technology.

Senators Bernie Sanders (I-VT), Jeff Merkley (D-OR), and Ed Markey (D-MA) introduced legislation (S.2391) December 10 to permanently extend certain energy tax provisions.

Senator Bernie Sanders (I-VT) introduced legislation (S. 2398) December 10 to provide benefits and services to workers who have lost their jobs or have experienced a reduction in wages or hours due to the transition to clean energy and to amend the National Labor Relations Act to establish an efficient system to enable employees to form, join, or assist labor organizations.

Senator Bernie Sanders (I-VT) introduced legislation (S. 2399) December 10 to provide for emissions reductions. He released earlier in the week an overview of his climate action plan in the case that he is elected president. The plan would reduce CO2 emissions by 40 percent from 1990 levels by 2030 and 80 percent by 2050 by eliminating fossil fuel subsidies; blocking liquefied natural gas and oil exports; banning Arctic and offshore drilling; banning mountaintop removal coal mining; increasing fuel economy standards up to 65 miles per gallon by 2025; establishing a carbon tax; establishing a nuclear-free clean energy system; and investing significantly in energy efficiency.

Representative Matt Cartwright (D-PA) introduced legislation (H.R. 4215) December 10 to require regulation of wastes associated with the exploration, development, or production of crude oil, natural gas, or geothermal energy under the Solid Waste Disposal Act.

DEPARTMENT OF COMMERCE

Chinese Solar Duties Upheld

The Court of International Trade ruled December 11 to uphold countervailing duty rates on Chinese solar cell imports, retaining the Department of Commerce's rates of 14.78 percent to 15.97 percent over the arguments of SolarWorld.

DEPARTMENT OF ENERGY

Energy Consumption Down

The Energy Information Administration released [data](#) December 7 finding that fiscal year 2014 federal energy consumption was at its lowest level since 1975. Most of the decreased energy use was due to the Department of Defense reducing its jet fuel consumption, though even with that reduction, the agency made up 78 percent of total federal energy consumption. Federal agencies account for one percent of total domestic energy consumption, and have reduced energy use 15 percent since 2010.

Second QER

Department of Energy Deputy Director for State and Local Cooperation Karen Wayland said December 8 that the agency plans to complete the second Quadrennial Energy Review by late next year. The second review will address United States' electricity from generation to end use. Stakeholders will start meeting early 2016, with an interagency review expected by late summer; 13 teams will consider electricity sector topics, including markets, finance, and grid operations.

RE Growth

The National Renewable Energy Laboratory released a report December 9 finding that renewable electricity in the United States climbed in 2014 to 15.5 percent of total installed capacity and 13.5 percent of total electricity generation. Renewable generation during that time made up more than half of all new capacity installations, including 5.5 GW of new solar generation capacity and 4.8 GW of new wind power capacity.

ENVIRONMENTAL PROTECTION AGENCY

CPP Legality Suit

Petitioners led by West Virginia, Luminant Generation Co., industry groups, and others filed a motion December 8 in the U.S. Court of Appeals for the District of Columbia Circuit asking the court to hear arguments over the Environmental Protection Agency's fundamental legal authority to issue the Clean Power Plan before considering challenges to the rule's implementation. The requested expedited schedule would mean that the case would be briefed and argued by next May. The agency must submit its response by December 21.

Power Plant Standard Lawsuits

The Utility Air Regulatory Group and the North American Coal Corporation filed lawsuits December 14 in the U.S. Court of Appeals for the District of Columbia Circuit December 14 challenging the Environmental Protection Agency's new source performance standards for new and modified power plants and the Clean Power Plan, respectively.

RFS in Federal Register

The Environmental Protection Agency [published](#) its Renewable Fuel Standard volume mandates for 2014-2016 in the Federal Register December 14, kicking off litigation from the oil and refining industries, biofuel producers, and corn growers, all challenging parts of the rule and defending others. Lawsuits can be filed through February 12.

MATS to Remain in Place

The U.S. Court of Appeals for the District of Columbia Circuit ordered December 15 that it would leave in place the Environmental Protection Agency's Mercury and Air Toxics Standard while the agency fixes the regulation. The agency must do so by April 15.

FEDERAL ENERGY REGULATORY COMMISSION

Order 745 Decision

December 14 marked the Supreme Court's last opinion day for 2015 and the justices have yet to resolve the future of the Federal Energy Regulatory Commission's demand response rule, Order No. 745. The court will sit next January 11, and the next set of opinions could come that week. Oral arguments in the case were held October 14.

INTERNATIONAL

Australian Wind

Australian Prime Minister Malcolm Turnbull lifted his predecessor's, Tony Abbott's, ban December 3 on state investment in wind power. Environment Minister Greg Hunt ordered the Clean Energy Finance Corp. to cancel the directive prohibiting the \$7.2 billion renewable energy fund from investing in new wind projects. The fund can now invest in clean energy projects that involve emerging and innovative technology, including offshore wind, as commercial sources can pay for established onshore technologies.

EU-Chinese Solar Case

The European Union threatened December 5 to restart tariffs on solar panels from China, potentially renewing the bloc's biggest trade dispute of its kind. The European Commission is considering whether to reimpose two duties introduced December 2013 to counter dumped solar panel imports and alleged Chinese subsidies.

Declining GHGs

Researchers at the University of East Anglia and the Global Carbon Project published a [study](#) in *Nature Climate Change* December 7 [finding](#) that greenhouse gas pollution probably declined this year after slowing in 2014, the first time a decline occurred during a period of strong economic growth. China's slowing economy and efforts to limit pollution contributed to CO2 emissions from fossil fuels and industry declining by as much as 1.6 percent in 2015.

Untaxed Emissions

The Organization for Economic Cooperation and Development released a [report](#) December 7 [finding](#) that most energy related CO2 emissions are not taxed or otherwise subjected to carbon pricing and urging G-20 leaders to better price carbon.

Chinese Pollution Red Alert

The Beijing Municipal Environmental Protection Bureau issued for the first time December 7 its most severe smog warning, a red pollution alert, for December 8-10, after acrid-smelling haze returned to the Chinese capital. The alert required some industrial companies to stop or limit production, banned outdoor construction work, and advised schools to cancel class.

Business' Climate Efforts

More than 100 businesses [pledged](#) December 8 to reduce their CO2 footprints in a way that contributes to meeting a two-degree Celsius climate goal. About ten have already set such science-based targets, and more than 100 others have promised to eventually follow suit.

China's Climate Investments

The Research Center for Climate and Energy Finance under the Central University of Finance and Economics released a study December 9 [finding](#) that China needs to invest about \$389 billion a year to achieve its goal of peaking CO2 emissions by 2030. Climate investments would need to grow by more than four percent each year through 2020.

Mexican Energy Legislation

Mexico's Congress passed December 11 its Energy Transition Law, legislation intended to ensure clean energy development as part of its effort to open its energy sector to private investment. The measure establishes intermediate targets and incentives for clean energy development and provides additional detail on how the country plans to meet its 35 percent clean energy by 2024 target. It also provides more details on how the country's clean energy certificate program will operate when it begins in 2018.

STATES

WA EVs

Washington State Governor Jay Inslee (D) [announced](#) December 7 a state mandate requiring 20 percent of all new state-owned passenger vehicle fleet purchases to be electric vehicles by 2017, up from the current one percent. The state currently has nearly 13,000 registered electric vehicles on the road.

Solar Storage

Duke Energy and Green Charge Networks LLC announced December 8 that they will jointly offer solar energy and lithium-ion battery storage systems to businesses in California and Hawaii, allowing REC Solar customers in the

two states to reduce their utility bills by decreasing grid demand during the highest priced hours of the day.

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