



ML Strategies Update

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Energy & Environment Update

ENERGY AND CLIMATE DEBATE

The bipartisan Senate energy bill is on hold, following a disagreement over federal aid to address the Flint, Michigan, water crisis. In the meantime, President Obama released his fiscal year 2017 budget request February 9 and the Supreme Court stayed the Environmental Protection Agency's Clean Power Plan the same day.

The Energy Policy Modernization Act of 2015 (S. 2012), which cleared, 18-4, the Senate Energy and Natural Resources Committee last summer, includes, among other things, language to increase energy efficiency, renewable energy, energy infrastructure, and grid security, as well as to impose deadlines on the Department of Energy to make final decisions on natural gas exports, permanently reauthorize the Land and Water Conservation Fund, and expedite the licensing process for hydropower projects.

The floor debate the past two weeks offered substantial opportunity for senators to file a wide-ranging and lengthy list of amendments. Ultimately, debate on the measure came to a halt last Thursday when senators could not agree on the size and scope of an aid package offered by Senators Debbie Stabenow (D-MI) and Gary Peters (D-MI) to help Flint, Michigan. The senators sought to include language in the measure to provide about \$600 million in federal funds to address pipe replacement and for lead-impacted health costs. Several of their Republican colleagues preferred to add \$50 million in offset, direct federal funding and \$550 in loan guarantees as needed. As a result, Senate Majority Leader Mitch McConnell's (R-KY) February 4 cloture votes on the energy bill – both the underlying bill and the manager's amendment – failed. Senate Energy and Natural Resources Committee Chair Lisa Murkowski (R-AK) and Ranking Member Maria Cantwell (D-WA) worked diligently the past several days to get the measure back on track by having it move separately from the Flint measure, but the energy bill is not likely to move forward at least until the next work period, when the upper chamber may return to it.

After a bipartisan effort fell apart last year in the House, the lower chamber approved its own energy bill (H.R. 8) before the close of the year on a near party line vote. House Energy and Commerce Committee Chair Fred Upton (R-MI) said at the beginning of the year that he is open to removing some of the more controversial measures of the package in order to craft a more bipartisan measure that better reflects the Senate bill. The White House released a [Statement of Administration Policy](#) late January praising the bipartisan Senate effort and cautioning against some aspects of the legislation. The Administration has previously threatened to veto the House passed bill.

Congress will be in recess next week for the President's Day holiday.

[President Obama released his final budget request February 9.](#)

The budget request includes \$32.5 billion for the [Department of Energy](#), up from the \$29.7 billion Congress approved for the agency in December for fiscal year 2016. The request calls on the agency to increase clean

energy efforts and spending, including \$7.7 billion for clean energy across several agencies, about 76 percent of which would go to the Department of Energy for vehicle and building efficiency programs, weatherization, and ARPA-E. Among other things, the budget request provides \$25 million for the agency to launch an Energy Innovation Hub focused on energy-water desalination and proposes adding five manufacturing institutes next year across the Commerce, Defense, and Energy departments.

The request calls on Congress to make renewable tax incentives permanent and refundable, make permanent and provide full funding for the Land and Water Conservation Fund, and double clean energy research and development to \$12.8 billion in 2021 from \$6.4 billion in 2016 as part of the U.S. commitment to [Mission Innovation](#). The fiscal year 2017 budget request [includes](#) \$7.7 billion for clean energy research and development, a 20 percent increase in clean energy research from the fiscal year 2016 enacted level. Most of that funding would go to research and development programs across [12 agencies](#), with the [Department of Energy](#) receiving about 75 percent of the funds, including more than \$2 billion for energy efficiency and renewable energy technologies, as well as bioenergy, nuclear energy, electric grid technologies, carbon capture and storage, and advanced transportation systems and fuels.

The budget request seeks \$8.27 billion for the Environmental Protection Agency, down 3.8 percent from last year's request, but 6 percent more than what Congress allocated in the fiscal year 2016 budget. It also seeks \$235 million for the agency's climate programs, an almost 50 percent increase from the 2016 enacted levels. The budget request proposes separately a \$1.65 billion fund over the next decade to pay for climate infrastructure projects.

The budget proposal would reduce fossil fuel energy program funding, repeal oil and gas industry tax breaks, and create a \$10.25 per barrel tax on oil that would be used to fund clean transportation programs.

Mentioning multiple times that climate change is a significant global threat, the budget request [includes](#) \$1.3 billion in international climate change assistance through the Global Climate Change Initiative, including \$750 million for the Green Climate Fund and \$12.5 million for climate insurance initiatives President Obama pledged in Paris last year to help small island nations join the global climate agreement.

Congressional budget hearings are already underway.

Responding to emergency stay applications from 29 states and state agencies and several industry and trade groups, the Supreme Court [stayed](#) February 9 the Environmental Protection Agency's Clean Power Plan until all legal challenges are complete. The court's decision reverses the U.S. Court of Appeals for the District of Columbia Circuit's January 21 decision, but does not guarantee that the rule will ultimately be struck down. Lawsuits over the rule will continue at least into 2017, and the Supreme Court is expected to be the final arbiter of the regulation.

CONGRESS

FERC Commissioner Sought

Representative Joe Kennedy III (D-MA) and Senator Ed Markey (D-MA) sent a letter February 2 to President Obama urging him to nominate before June a fifth commissioner to the Federal Energy Regulatory Commission, which has had only four commissioners since Commissioner Philip Moeller's departure in October. Commissioner Tony Clark plans to depart after his term ends in June.

Energy Tax Hearings Requested

All twelve Senate Finance Committee Democrats sent a [letter](#) to Committee Chair Orrin Hatch (R-UT) February 3 urging him to hold hearings on energy tax issues. Specifically, letter signatories are interested in holding hearings to consider more than a dozen different energy tax bills that senators from both parties have introduced during the 114th Congress.

Climate Solutions Caucus

Representatives Carlos Curbelo (R-FL) and Theodore Deutch (D-FL) filed a petition with the Committee on House Administration last week seeking to create the bipartisan Climate Solutions Caucus. The caucus is intended to educate members of Congress on economically viable options to reduce climate risk and protect the country's economy, security, infrastructure, agriculture, water supply, and public safety.

Emissions Compliance Votes

The House Energy and Commerce Subcommittee on Energy and Power will mark up February 11 12 bills, including legislation that would alter the regulation of coal refuse to energy power plants under the Environmental Protection Agency's Cross State Rule and the Mercury and Air Toxics Standards (H.R. 3797); and the BRICK Act, which would stay compliance obligations under emissions standards for the brick industry until litigation is resolved.

Legislation Introduced

Senator Rob Portman (R-OH) introduced legislation (S. 2476) February 1 to exclude power supply circuits, drivers, and devices designed to be connected to, and power, LEDs or organic LEDs providing illumination or ceiling fans using direct current motors from energy conservation standards for external power supplies.

Representative Paul Tonko (D-NY) introduced legislation (H.R. 4423) February 1 to provide for a program of wind energy research, development, and demonstration.

Senator Bill Nelson (D-FL) introduced legislation (S. 2481) February 2 to amend the Water Resources Development Act of 2000 to provide for expedited project implementation relating to the comprehensive Everglades restoration plan.

Representative Mike Pompeo (R-KS) introduced legislation (H.R. 4427) February 2 to amend section 203 of the Federal Power Act.

Representative Chris Gibson (R-NY) introduced legislation (H.R. 4434) February 2 to extend the deadline for commencement of construction of a hydroelectric project.

Representative Alcee Hastings (D-FL) introduced legislation (H.R. 4436) February 2 to amend the Water Resources Development Act of 2000 to provide for expedited project implementation relating to the comprehensive Everglades restoration plan.

Representative Candice Miller (R-MI) introduced legislation (H.R. 4438) February 2 making emergency supplemental appropriations to the Environmental Protection Agency to assist the state of Michigan and its residents impacted by the contaminated water crisis.

Upcoming Hearings

The Senate Environment and Public Works Committee will hold a hearing February 10 on the importance of enacting a new Water Resources Development Act.

The House Science, Space, and Technology Committee will hold a hearing February 10 examining Administration midnight regulations.

The House Appropriations Subcommittee on Energy and Water Development will hold a hearing February 10 to consider the commission's 2017 budget request.

The House Agriculture Committee will hold a hearing February 11 to consider the impacts of the Environmental Protection Agency's actions on the rural economy.

Secretary of Energy Ernest Moniz will testify at a field hearing in Alaska February 15 during which the Senate Energy and Natural Resources Committee will examine opportunities for energy innovation and technology deployment in high cost areas in Alaska and around the country.

ADMINISTRATION

Electrify Africa

President Obama signed February 8 the Electrify Africa Act of 2015 (S. 2152) to hasten and encourage increased power generation investment in sub-Saharan Africa by using loan guarantees to leverage private funding to add 20,000 MW to the region's power grid by 2020. The House approved the measure by a voice vote February 1, and the Senate approved it under unanimous consent December 18.

DEPARTMENT OF ENERGY

Second QER

During a public [meeting](#) February 4, stakeholders told the Department of Energy that the second installment of the Quadrennial Energy Review should focus on how to integrate renewable energy on the electric grid. The public comment period ends July 1, and the agency plans to complete a second installment of the review, which will address electricity from generation through end use, by the end of the year. Last year's review focused on transmission, storage, and distribution infrastructure.

\$21 Million for Solar Deployment

The Department of Energy announced February 8 \$21 million to reduce solar energy deployment barriers and expand solar energy access to all Americans. The agency is making \$13 million available to help states take advantage of falling solar prices and increase solar benefits through energy and economic strategic planning, with

an additional \$8 million for solar energy innovation and technology adoption pattern research.

\$11.3 Million for Biofuels

The Department of Energy [announced](#) February 8 up to \$11.3 million in funding to develop flexible biomass to hydrocarbon biofuels conversion pathways that can be modified to produce advanced fuels and products based on external factors like market demand. The agency will accept applications that focus on early technology research and development as well as middle technology research and development.

ENVIRONMENTAL PROTECTION AGENCY

Refrigerant Phaseout

The Air Conditioning, Heating, and Refrigeration Institute and the Natural Resources Defense Council asked the Environmental Protection Agency February 1 to require the phaseout of certain refrigerants – R-134a, R-410A, and R-407C – currently used in liquid chilling packages by 2025. The agency expects to modify its SNAP program this spring.

SECURITIES AND EXCHANGE COMMISSION

Climate Change Disclosure Review

The Securities and Exchange Commission [told](#) the Government Accountability Office February 8 that it does not plan to specifically address corporate climate reporting anymore, but that it may consider it as part of financial reporting in general. The commission issued guidance in 2010 explaining that existing disclosure requirements apply to business risks posed by climate change.

INTERNATIONAL

Portfolios and Climate Risks

The International Finance Corporation said February 3 that [insurers](#) responsible for pricing climate related physical risks have not generally carried that expertise to their trillion dollar investment portfolios, but that they need to better share [knowledge](#) within the industry as climate-related financial risks increasingly come into focus.

China's Green Bonds

HSBC Holdings Plc said February 4 that China is growing rapidly in the emerging climate bond market and eroding Europe's leadership in green bond sales. Two Chinese banks have raised \$4.6 billion already this year after the country permitted the first sales of securities late last year, encouraging renewable energy investment. Europe issued \$18.4 billion in green bonds last year and the United States issued \$10.5 billion.

Aircraft GHG Standards

The United Nations' International Civil Aviation Organization set February 8 the first greenhouse gas emissions limits for the world's aircraft. Under the standards, large commercial aircraft will have to reduce their cruising fuel consumption by four percent beginning in 2028, with overall reductions ranging from 0-11 percent, depending on aircraft size.

EU Biofuel Concerns

115 civil society groups from around the world [called](#) on the European Commission February 10 to keep industrial biofuels and wood-based biomass out of new renewable rules over concerns that they are more harmful than helpful.

STATES

RGGI CPP Compliance

Regional Greenhouse Gas Initiative members met February 2 to evaluate Environmental Protection Agency Clean Power Plan compliance options. The trading program offered two policy scenarios for reducing GHG emissions between 2020 and 2030, one that would adopt agency targets and another that would go beyond its requirements, reducing the cap annually by 2.5 percent from its 2020 level while eliminating cost containment reserves and carbon offsets. The group is also considering trading with other states. Public comments on the various scenarios will be accepted through February 19, and the next stakeholder meetings are scheduled for April, July, and potentially September.

NH Net Metering

The New Hampshire Senate passed a bill February 4 to increase the existing rooftop solar market cap from 50 MW to 75 MW. The measure also requires a commission to review the program and revise it within 10 months. Governor Maggie Hassan (D-NH) encouraged the state House to quickly approve the measure.

OR RE Legislation

The Oregon House Energy and Environment Committee approved legislation (H.B. 4037) February 5 to give five years of power production incentive payments for up to 150 MW of new utility scale solar built in the state the next two years. The bill, which would result in up to 18 new projects, will now be considered by the House Ways and Means Committee, and both chambers must pass it before the legislature adjourns March 6. The panel also heard testimony the same day on legislation (H.B. 4036) that would double the state renewable energy mandate to 50 percent by 2040 and require large utilities to move away from coal by 2035.

Solar Jobs

The Solar Foundation released a report February 10 finding that California had 75,600 solar jobs in 2015, more than any other state. Massachusetts had more than 15,000 solar jobs, and Nevada and New York each had more than 8,000 solar jobs. Solar jobs are expected to grow 14.7 percent nationally in 2016.

SUSTAINABILITY

Solar PPA

Lockheed Martin and Duke Energy entered February 1 a 17-year power purchase agreement for solar generated electricity. The renewable power purchase is expected to produce 30 MW of solar energy for the national grid, providing clean energy across all of Lockheed Martin's domestic business segments. The new solar facility, in North Carolina, is currently the largest solar power generating facility east of the Mississippi River, producing 80 MW of total energy.

Reporting and Disclosure MOU

The Sustainability Accounting Standards Board and Institute of Management Accountants [signed](#) February 3 a memorandum of understanding to work together to produce stronger sustainability data reporting and disclosure.

MISCELLANEOUS

Clinton Building Efficiency Plan

Hillary Clinton's presidential campaign unveiled February 3 a [plan](#) to reduce building energy waste by a third within a decade of her taking office. The plan would save the average household \$600 a year in energy costs by improving building codes, encouraging mortgage agencies to account for energy efficiency when valuing homes, and extending energy efficiency appliance standards. The plan intends to phase out heating oil used to warm buildings in New England by providing grants to cities and states to replace oil-fueled boilers and furnaces with cleaner options.

RE Development

Bloomberg New Energy Finance released its [Sustainable Energy in America Factbook](#) with the Business Council for Sustainable Energy February 4, finding that renewable energy provided the most new power to the domestic electricity grids last year, as falling prices and government incentives made solar and wind power increasingly viable alternatives to fossil fuels. Developers installed 16 GW of clean energy in 2015, 68 percent of all new capacity, eclipsing fossil fuel development for the second year in a row. At the same time, energy demand remained steady, even as the gross domestic product grew 2.4 percent. U.S. energy consumption has dropped 2.4 percent while the GDP has grown 10 percent since 2007.

Solar Markets

GTM Research released a [report](#) February 10 finding that residential solar is competitive with utility supplied power in 19 states and Washington, D.C., in part due to federal incentives combined with declining installation costs. The report found that another 22 states could have positive solar economics by 2020, noting that state net metering, the federal tax credit, and incentive funding programs are important parts of a successful industry.

Sustainable Campus

Hampshire College in Amherst, Massachusetts, announced recently that it would soon become the only residential college to generate 100 percent of its electricity from solar panels. In compliance with the Living Building Initiative, a strict set of standards that requires net-zero energy, waste, and water systems and sustainable, local construction materials, the R.W. Kern Center will become the ninth building in the world to achieve the self-sustaining living building certification. Working with SolarCity, the college will install 19 acres of solar panels next year and will use Tesla batteries to store 10 KW of power to address electric generation peaks and valleys during winter months. Additionally, the college is installing an LED lighting system in the performing arts center and making changes to its dining facilities in part using a campus farm and locally sourcing much of its food.

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