



ML Strategies Update

David Leiter, DJLeiter@mlstrategies.com
Sarah Litke, SLitke@mlstrategies.com
Neal Martin, RNMartin@mlstrategies.com

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ML Strategies, LLC
701 Pennsylvania Avenue, N.W.
Washington, DC 20004 USA
202 434 7300
202 434 7400 fax
www.mlstrategies.com

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Energy & Environment Update

ENERGY AND CLIMATE DEBATE

The Senate continues this week its floor debate on the first broad bipartisan energy package in nearly ten years.

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 last week and this has offered substantial opportunity for senators to file a wide ranging list of amendments, and some 300 may ultimately be filed during the open amendment process, though about 30 are expected to be considered at length. Significant time and attention has been spent attempting to link the Flint water crisis with the bill, and the measure hangs in the balance after chamber Republicans rejected this afternoon a tentative compromise federal infrastructure aid package that Democrats had negotiated with Senate Energy and Natural Resources Committee Chair Lisa Murkowski (R-AK), citing procedural concerns over the new spending.

Thus far, the upper chamber has adopted amendments to promote advanced nuclear energy projects; increase Advanced Research Projects Agency-Energy funding; require the Government Accountability Office to review and report on the impacts of crude oil exports to domestic consumers, independent refineries, shipbuilders, and energy production; incentivize innovative carbon capture and sequestration technologies; review duplicative green building designations; promote electric grid energy storage research and development; and more. Among other things, in addition to clean energy and anti-Environmental Protection Agency messaging language from the Democratic and Republican sides, respectively, senators have also offered a handful of tax provisions that will be ruled non-germane since the bill does not have a tax title. We may see at some point later this year, however, an energy tax package from the Senate Finance Committee married with the Senate energy bill. In the meantime, Senate Energy and Natural Resources Committee Chair Murkowski and Ranking Member Maria Cantwell (D-WA) are working diligently to navigate around divisive amendments that would ultimately kill the bill, and Senate Majority Leader Mitch McConnell (R-KY) and Senate Minority Leader Harry Reid (D-NV) echo statements of bipartisan support for the effort.

Work on the legislation is expected to wrap up this week. Senate Majority Leader McConnell filed a cloture motion February 2 that sets up a likely final vote on the measure for this Thursday.

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](#) January 27 praising the bipartisan Senate effort and cautioning against some aspects of the legislation. The Administration has previously threatened to veto the House passed bill.

On the budget front, President Obama's budget request is scheduled to arrive on Capitol Hill February 9, and members of Congress are making their policy pitches to the House and Senate Budget Committees during hearings February 3.

CONGRESS

Methane Standards

Senators Brian Schatz (D-HI) and Sheldon Whitehouse (D-RI) led 19 of their colleagues January 28 in sending a letter to Environmental Protection Agency Administrator Gina McCarthy urging her to expand the agency's methane emissions standards to include existing oil and gas infrastructure.

Upcoming Hearings

The House Science, Space, and Technology Committee held a hearing February 2 on the Paris Climate agreement.

The House Energy and Commerce Subcommittee on Energy and Power held a hearing February 2 to consider eight energy infrastructure bills and five bills to extend the deadline for specific dams.

The House Natural Resources Committee will mark up 18 bills February 2 and 3.

The Senate Environment and Public Works Committee will hold a hearing February 3 to examine the Stream Protection Rule.

The House Committee on Oversight and Government Reform will hold a hearing February 3 to examine federal administration of the Safe Drinking Water Act in Flint, Michigan.

The House Energy and Commerce Subcommittee on Energy and Power will hold a hearing February 3 to consider the Satisfying Needs and Saving the Environment Act and the Blocking Regulatory Interference from Closing Kilns Act.

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

Social Cost of Carbon Update

The National Academies of Sciences, Engineering, and Medicine released the first phase of a [report](#) January 26 finding that updating the federal social cost of carbon figure to reflect a sole revised factor would not provide any short-term benefit. The social cost of carbon is currently set at \$36 per ton CO₂. The report did recommend other changes to technical support documents to better address uncertainties involved with some of the estimates. The National Academies announced in August that it would undertake a two-year review of the social cost of carbon figure process, and the second phase will consider potential approaches for updating the figure over the long term to reflect the best available science; a final report is expected early next year.

Efficiency Pledges

As part of the Better Buildings program, the White House announced January 29 a series of commitments from 18 utilities, 21 other companies and organizations, and 24 cities, states, and businesses to help improve energy efficiency and reduce greenhouse gas emissions.

DEPARTMENT OF ENERGY

\$2.85 Million for Federal Facility RE

The Department of Energy awarded January 27 \$2.85 million for four projects to advance renewable energy technologies at federal facilities. The Federal Energy Management Program's Assisting Federal Facilities with Energy Conservation Technologies program announcement is aimed at increasing photovoltaic and biomass generation, and the total investment, as cost shared with industry, amounts to almost \$75 million.

3D Printing for Turbine Blades

Assistant Secretary for Energy Efficiency and Renewable Energy Dave Danielson said January 28 that the agency

is investing \$1 million in 3D printing technology that may reduce the cost of making wind turbine blades by five percent, which could have saved the industry roughly \$75 million last year. The agency is working with Oak Ridge National Laboratory, Sandia National Laboratories, and several companies to develop a process that will require fewer hours and less material to produce.

ENVIRONMENTAL PROTECTION AGENCY

CPP Litigation

29 states and state agencies as well as numerous industry groups filed petitions January 26 with the Supreme Court asking the court to reverse the U.S. Court of Appeals for the District of Columbia Circuit's January 21 decision not to stay the Environmental Protection Agency's Clean Power Plan. The group contends that the plan should be stayed because it presents significant legal issues that will eventually be presented to the high court. The court ordered the agency to respond to petitions to stay by February 4. The circuit court has scheduled oral argument in the lawsuits for June 2 and potentially June 3. Petitioners will be required to submit no more than two opening briefs by February 19, with briefs from supporting intervenors and amici due by February 23. The agency's brief is due by March 28, with intervenors due March 29 and amici due April 1. Petitioner reply briefs are due by April 15.

MOVES2014

Kansas, Nebraska, the Urban Air Initiative, and Energy Future Coalition filed a petition in the U.S. Court of Appeals for the District of Columbia Circuit January 26 saying that a recent report on ethanol emissions supports arguments that the Environmental Protection Agency's MOVES2014 vehicle emissions modeling tool is flawed in its ability to project the impacts of increased ethanol content in fuel. The court will hear oral arguments over the model February 11.

Tax Extenders' CPP Impact

The Rhodium Group released a [note](#) January 27 saying that multiyear extensions of wind and solar tax credits are game changers for states as they seek to comply with the Environmental Protection Agency's Clean Power Plan. Speaking at a Center for Strategic and International Studies event, Rhodium Group Director John Larsen said that the extenders shift the economics in favor of renewable energy sources nearly ten years earlier than they would under the plan alone, potentially allowing states to meet their targets almost exclusively with renewable energy.

Ethanol Blends

The Governors' Biofuels Coalition and several advocacy groups said January 29 that they will encourage the Environmental Protection Agency to strengthen its vehicular emissions standards in a way that could lead to a larger ethanol market, positing that hydrocarbon aromatics could be replaced with mid-level ethanol blends. The group argues that the switch could reduce toxic air pollution and provide the high-octane fuel needed for more efficient vehicle engines.

SECURITIES AND EXCHANGE COMMISSION

Additional Disclosure

Securities and Exchange Commission Chair Mary Jo White told a Northwestern University Law School conference January 26 that the commission is considering new requirements for public companies to more frequently disclose cybersecurity and climate change risks as part of financial reporting rules.

INTERNATIONAL

Green Bond Market Growth

HSBC Holdings PLC published a [research note](#) January 22 finding that the value of outstanding green bonds may almost double this year to \$158 billion as the product used to fund climate change projects starts to become mainstream. Additionally, the bank said January 29 that institutions issuing green bonds, such as the World Bank, should provide more transparency on which countries will benefit from the related profits.

Signatures to Paris Agreement

United Nations Secretary General Ban Ki-moon urged world leaders January 27 to sign the Paris climate agreement in New York City on Earth Day, April 22. The secretary general is holding a high level session that day to open the climate agreement to signatures, and countries have until April 21 of next year to sign it. The secretary general also called on the private sector to quickly increase its renewable energy investments, doubling them by 2020.

Chinese Green Bonds

Shanghai Pudong Development Bank Co. announced January 27 that it raised \$3 billion in China's first domestic

green bond offer tied to clean energy and environmental protection support. The bank will pay 2.95 percent annual interest on its three-year bonds.

Financing Paris Climate Agreement

Bloomberg New Energy Finance and Ceres released a [study](#) January 27 finding that achieving the goals of the Paris climate agreement will require countries to invest 75 percent more money in clean energy over the next 25 years. Clean energy investment reached a record \$329 billion last year, but trillions more will be required.

Power Africa

Speakers at the second annual Powering Africa [summit](#) said January 27-29 that efforts to double access to electricity in sub-Saharan Africa under the \$7 billion Power Africa initiative are being supported by increased renewable energy commitments and a large uptick in private sector investment. President Obama announced the effort during a trip to the continent in June 2013, and private sector funding reached \$31 billion last year, triple the available level in 2013.

Carbon Disclosure Standardization

The U.K. Financial Reporting Council warned January 28 that standardized climate reporting requirements could discourage companies from innovating and diversifying their efforts to address climate impacts. The Climate Disclosure Standards Board released a report the same day suggesting that companies should face stronger climate reporting regulations.

EU Aviation Emissions

The European Commission published the first [European Aviation Environmental Report](#) January 29, finding that aviation emissions have increased in line with increased flight numbers, and the sector has not decoupled its growth from its environmental impact. The International Civil Aviation Organization Committee on Aviation Environmental Protection meets February 1-12 to consider efforts to reduce the industry's emissions and environmental impacts. The organization expects to complete later this year a market based mechanism to reduce aviation emissions beginning in 2020.

India Solar Trade Case

The World Trade Organization announced January 29 that it would delay until February 5 a final ruling on whether India's solar energy program complies with the country's international trade obligations.

Paris Agreement Ratification Guide

The United Nations Framework Convention on Climate Change released a [formal document](#) January 29 outlining the necessary [steps](#) to ratify the Paris climate agreement.

STATES

CA LED Standards

The California Energy Commission adopted January 27 the country's first efficiency standards for LED lighting. The standards are intended to make bulbs use less electricity and last longer. Residential lighting constitutes about 22 percent of homes' electricity use, and the rules are estimated to save more than \$4 billion in energy costs over the first 13 years, conserving enough electricity to power 400,000 average homes.

CA Net Metering

California senators approved bipartisan legislation January 28 to stop Southern California Gas Company's natural gas extraction from 18 wells similar to the Aliso Canyon well, which has been leaking since October and has forced at least 3,000 families to relocate. The wells would be put on hold until the Division of Oil, Gas, and Geothermal Resources finds that they are not at risk of leakage and the measure would permanently close those found to be unsafe. State officials have already placed a moratorium on the operations, but the legislation formalizes the process.

CA Net Metering

The California Public Utilities Commission extended January 29 the state's net metering program for another four years. Existing solar owners will maintain the right to sell excess power back to the grid for four years and new owners will be able to participate in the program after paying a one-time fee.

MISCELLANEOUS

Supply Chain Climate Risks

CDP released a [report](#) January 26 finding that 75 companies, including Goldman Sachs and Coca-Cola, which together purchase more than \$2 trillion in goods and services, are unprepared for climate risks because their

suppliers are ignoring requests for data on their climate exposure. Nearly half of the 7,879 principal suppliers to the companies failed to respond to requests for data on managing climate risk.

Wind Installations Up

The American Wind Energy Association announced January 27 that the United States installed more wind power in the fourth quarter of 2015, at 5,000 MW, than in all of 2014 combined, at 4855 MW. U.S. developers installed nearly 8.6 GW of wind last year in total, an 80 percent increase over 2014, as they worked to take advantage of the production tax credit that was scheduled to expire. Companies also signed more than 1,800 power purchase agreements during the fourth quarter, and total installed wind capacity reached 74,472 MW, with more than 52,000 wind turbines in operation, including in Connecticut, which became the 40th state to have utility scale wind projects online.

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