



ML Strategies Update

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FEBRUARY 9, 2015

Energy & Environment Update

ENERGY AND CLIMATE DEBATE

Energy and climate issues continue to garner significant attention with a week to go before the Presidents Day recess.

House Energy and Commerce Chair Fred Upton (R-MI) and Subcommittee on Energy and Power Chair Ed Whitfield (R-KY) released February 9 their broad energy policy framework. The [Architecture of Abundance: A Legislative Framework](#) document focuses on modernizing energy infrastructure, the domestic energy workforce, energy diplomacy, and increasing energy efficiency. They are preparing a series of discussion drafts for release in the coming months. The framework closely resembles Chairman Upton's summer 2014 efforts. House Energy and Commerce Democrats stated soon after the outline's release that they hope to actively participate in drafting new energy legislation. In an effort to develop bipartisan support for the measure, Representative Upton is leaving out contentious language such as Republican efforts to block or stall Environmental Protection Agency regulations.

Senate Energy and Natural Resources Committee Chair Lisa Murkowski (R-AK) is crafting a comprehensive energy bill in the upper chamber and is engaged in the issue with her House counterparts as well as committee Ranking Member Maria Cantwell (D-WA) and other members with interest in the legislation. She plans to hold a series of hearings for the bill in the coming months. The parallel efforts may represent a serious bicameral effort to produce the broadest update since at least 2007.

With an already-crowded February schedule, Senator Murkowski indicated last week that a markup of liquefied natural gas export legislation (S. 33) from Senators John Barrasso (R-WY) and Martin Heinrich (D-NM) is likely to wait until March. The committee's February schedule includes a trio of hearings on the White House's fiscal year 2016 budget, at which Energy Secretary Ernest Moniz, Interior Secretary Sally Jewell, and Forest Service Director Tom Tidwell will testify. Senators Murkowski and Cantwell met February 4 to discuss a potential agenda. Senator Murkowski hopes to move a four-part energy plan as a follow up to the January energy debates on the Senate floor. Senator Cantwell indicated her openness to the process, but did not offer many details.

Using her position as chair of the Senate Appropriations Subcommittee on Interior, Environment, and Related Agencies, Senator Murkowski also vowed to reverse the upper chamber's years-long streak of stalemates over the Environmental Protection Agency and Department of Interior spending bill. The Senate has not advanced an Interior-EPA spending bill through the committee since 2009, due in large part to contentious policy riders.

Senator Murkowski said February 5 that she is preparing legislation to address how to store radioactive waste from the country's commercial nuclear reactors. She said that the country would need more than Yucca Mountain to store the waste. The language is likely to be similar to a measure she cosponsored last Congress, which would

have established a federal agency to address nuclear waste storage and proposed interim and permanent storage facilities. Senator Lamar Alexander (R-TN), who cosponsored the bill, agreed with Senator Murkowski February 5 and said that he is working on a new version of the legislation.

After a long debate process during which senators offered 247 amendments, about 40 of which received a vote, the Senate approved January 29 legislation (S. 1) to support the construction of the Keystone XL pipeline. Nine Democrats joined their Republican colleagues in approving the measure 62-36, five votes short of the 67 needed to override a presidential veto. President Obama also already issued a veto threat for the legislation, as well as for similar language (H.R. 3) the House passed earlier last month. Should the president veto the legislation, the legislation's sponsor, Senator John Hoeven (R-ND) is considering attaching the bill to another piece of legislation that the president would not veto, including a broader energy bill or an appropriations measure. The House will vote on the Senate's measure February 11.

The tax reform debate is expected to continue in the coming days, weeks, and months, though how fruitful the negotiation will be remains unknown. With a busy must-pass calendar, there are opportunities to attach tax legislation in the coming months, but in the end, comprehensive tax reform may be too difficult a lift this year, and Congress may address business-only changes, including tax extenders provisions, for the time being. The House Ways and Means Committee favorably reported February 4 legislation making seven expired tax provisions permanent, including language focusing on conservation easements, business expensing, and others. New Chair Paul Ryan (R-WI) has not yet announced plans to take up any of the other roughly 50 tax provisions that expired at the end of 2014. Senate Finance Committee Chairman Orrin Hatch (R-UT) said February 4 that he has no timeline for taking up tax extenders within the committee, but he hopes to address tax reform first, and to continue working in a bipartisan manner with Ranking Member Ron Wyden (D-OR).

CONGRESS

Coal Ash Legislation Forthcoming

Representative David McKinley (R-WV) is rewriting legislation on coal ash management to address lingering uncertainty for the business community following the Environmental Protection Agency's December regulation. The House has passed several McKinley-sponsored coal ash bills previously.

SEEC Leadership

The House Sustainable Energy and Environment Coalition unanimously elected Co-Chairs and Vice-Chairs February 3 to serve as coalition leadership in the 114th Congress. Co-Chairs include Representatives Gerald Connolly (D-VA), Paul Tonko (D-NY), and Doris Matsui (D-CA). Vice-Chairs include Representatives Jared Polis (D-CO), Chellie Pingree (D-ME), Steve Israel (D-NY), Matt Cartwright (D-PA), and Alan Lowenthal (D-CA).

Manchin Comments

Senator Joe Manchin (D-WV) told the Fourth Annual Americas Forum February 5 that the federal government should invest additional resources into carbon capture and sequestration technologies and criticized the November 2014 U.S.-China climate agreement.

Legislation Introduced

Senators Richard Burr (R-NC) and Michael Bennet (D-CO) introduced legislation (S. 338) February 2 to permanently reauthorize the Land and Water Conservation Fund.

Senator Lisa Murkowski (R-AK) introduced legislation (S. 371) February 4 to remove the limitation on a prohibition relating to permits for discharges incidental to normal vessel operation.

Senator Marco Rubio (R-FL) introduced legislation (S. 373) the same day to provide for the establishment of nationally uniform and environmentally sound standards governing discharges incidental to normal vessel operation.

Representative Joe Barton (R-TX) introduced legislation (H.R. 702) February 4 to remove all restrictions on the export of crude oil from the United States.

Representative Bob Goodlatte (R-VA) introduced legislation (H.R. 703) the same day to repeal the Environmental Protection Agency's Renewable Fuel Standard

Representative Bob Goodlatte (R-VA) introduced legislation (H.R. 704) the same day to reform the Environmental Protection Agency's Renewable Fuel Standard. The measure would cap the amount of ethanol allowed in gasoline at ten percent and eliminate the corn ethanol blending mandate.

Upcoming Hearings

The Senate Environment and Public Works Committee will hold a hearing February 11 on the Environmental Protection Agency's proposed CO2 emissions rules for power plants. Acting Assistant Administrator for Air and Radiation Janet McCabe will testify.

The Senate Appropriations Subcommittee on Energy and Water will hold a hearing February 11 on the budget requests of the Army Corps of Engineers and the Department of Interior.

The House Energy and Commerce Subcommittee on Energy and Power will hold a budget hearing February 11 at which Energy Secretary Ernest Moniz will testify.

The Senate Energy and Natural Resources Committee will hold a hearing February 12 on President Obama's February 2 fiscal year 2016 budget request. Energy Secretary Ernest Moniz will testify.

The House Appropriations Subcommittee on Energy and Water will hold a budget hearing February 12 at which the Department of Interior's Bureau of Reclamation Commissioner Estevan Lopez will testify.

The Senate Energy and Natural Resources Committee will hold a hearing February 24 on President Obama's February 2 fiscal year 2016 budget request. Interior Secretary Sally Jewell will testify.

The Senate Energy and Natural Resources Committee will hold a hearing February 26 on President Obama's February 2 fiscal year 2016 budget request. Forest Service Director Tom Tidwell will testify.

ADMINISTRATION

Ozone Rule Implementation

The White House Office of Management and Budget announced February 2 that it has completed its review of the Environmental Protection Agency's draft rule on the implementation of the 2008 national ambient air quality standards for ozone. The agency cleared the final rule January 30. The final rule is expected to address requirements for states in charge of implementing the 75 parts per billion ozone standard, including requirements for new source review permitting in nonattainment areas and demonstrating attainment. The implementation rule should be finalized by March 1.

ESPCs Primer

The Congressional Budget Office released a [report](#) February 5 outlining the federal government's use of energy savings performance contracts.

Climate Security

The White House released February 6 its second [National Security Strategy](#), listing for the first time climate change as one of the top threats facing the United States, along with terrorist strikes, cyberattacks, and dangerous epidemics. The strategy includes increasing the country's energy security, reducing domestic emissions, increasing international climate diplomacy, and following through on commitments made to the Green Climate Fund.

US-Germany Discussions

President Obama and German Chancellor Angela Merkel discussed February 9 climate change, trade, terrorism, and Russia during her visit to the White House.

DEPARTMENT OF ENERGY

CCS Partnership

The Department of Energy proposed February 4 a carbon capture and storage technology field test at Shell's Quest Canadian oil sands mine. The partnership is an estimated billion-dollar effort funded partially by Alberta's government to reduce the carbon footprint of its oil sands operations.

FutureGen Funding Suspension

Department of Energy Principal Deputy Assistant Secretary for the Office of Fossil Energy Chris Smith said February 5 that despite the fact that the agency will no longer fund the FutureGen 2.0 clean coal plant, the administration remains committed to carbon capture and storage technologies. The office will encourage Congress to adopt CCS related tax incentives while it continues to work on existing projects. The agency announced two days prior that it would suspend all federal funding for the project after it became clear that the project would not be able to meet a Recovery Act requirement that the money be committed by July 1 and spent by September 30. The project, estimated to cost \$1.65 billion, would have been the country's most comprehensive carbon capture and storage demonstration project.

Loan Guarantees Impacted PV Market

The Department of Energy released a [report](#) February 9 highlighting the loan guarantee program's role in launching the utility scale photovoltaic solar sector. More than \$4.6 billion in loan guarantees supported the first five domestic installations larger than 100 MW, together totaling 1,500 MW. Since those projects, projects totaling more than 17,100 MW have been financed without agency support. The agency also notes that the growth was driven in part by the 2008 investment tax credit extension, which expires in 2016.

DEPARTMENT OF INTERIOR

Five Year Plan Meetings

The Bureau of Ocean Energy Management held February 9 the first of 20 public [meetings](#) on its proposed 2017-2022 offshore drilling plan.

ENVIRONMENTAL PROTECTION AGENCY

MATS Case

The Supreme Court released an argument [calendar](#) February 2 showing that it will hear March 25 oral arguments over challenges to the Environmental Protection Agency's 2012 Mercury and Air Toxics Standards for power plants. The court agreed to take the case in November, consolidating into one case three challenges brought by 21 states, the Utility Air Regulatory Group, and the National Mining Association. The U.S. Court of Appeals for the District of Columbia Circuit upheld the standards last April, although one judge dissented on when the agency should have considered compliance costs, the central challenge now before the high court. The court is expected to rule on the case by the end of its term in June. The agency's brief is due to the court by February 25.

Wood-Burning Heater Standards

The Environmental Protection Agency finalized February 3 its first changes to new source performance [standards](#) for residential wood heaters since the standards were established in 1988. The agency estimates that the rule would reduce emissions of fine particulate matter and volatile organic compounds by about 70 percent. The final rule strengthened emissions standards for wood-burning stoves and established new standards for previously unregulated hydronic heaters, indoor wood-fired forced air furnaces, and single burn-rate woodstoves; the standards do not apply to existing devices.

NRDC Fact Sheets

The Natural Resources Defense Council released February 4 [fact sheets](#) for seven states on the health risks associated with climate change impacts. The fact sheets, for Illinois, Iowa, Michigan, Missouri, Ohio, Pennsylvania, and Virginia, express strong support for the Environmental Protection Agency's proposed Clean Power Plan.

Clean Power State Incentive Fund

Environmental Protection Agency Acting Assistant Administrator for Air and Radiation Janet McCabe said February 5 that every state will be allocated a portion of President Obama's requested \$4 billion Clean Power State Incentive Fund. The fund is intended to encourage power plant emissions reductions beyond the requirements of the agency's Clean Power Plan. The agency is still reviewing comments on the proposed rule, but the most common concern thus far is with the interim emissions targets. The agency is also prepared to address reliable concerns, the viability of states developing regional compliance plans, and how compliance is measured and verified. The agency will hold a February 24 webinar to begin discussing compliance measures with states.

CSAPR Case

In separate court filings February 6 in the U.S. Court of Appeals for the District of Columbia Circuit, several states and industry groups opposed to the Environmental Protection Agency's Cross State Air Pollution Rule asked the court to vacate all or parts of the rule, which went into effect on January 1. The Supreme Court upheld the rule last year, but the lower court is addressing several issues remaining after the high court's ruling, including whether the agency is guilty of overcontrol because the rule requires upwind states to reduce emissions by more than is required for downwind states. Oral arguments are scheduled for February 25.

INTERNATIONAL

Russian Renewables

Russia issued a decree, [Directive 47](#), January 28 broadening its support for bringing renewable energy to smaller projects on the retail market and in remote areas, potentially driving new solar, wind, biomass, and landfill gas investment. The new measures extend a support system for renewable energy enacted in 2013, which only covered the wholesale energy market. The new measures apply to projects as large as 25 MW on the retail

market and any size in isolated energy systems. Additional directives containing operational details are expected in the coming months.

Climate Data

The World Meteorological Organization released [data](#) February 2 confirming that 2014 was the hottest year since record keeping began and that 14 of the 15 hottest years recorded since 1850 have occurred since 2001.

German Solar Slows

The German Bundesnetzagentur showed February 3 that German solar panel installations fell by 42.4 percent last year to 1.8 GW. The government had allowed up to 2.6 GW of new units to receive feed-in tariffs each year, and the nation's total solar capacity now stands at 38.2 GW. Regulations from last summer set the caps on new builds and required operators to align their output volumes more directly with the market rather than relying on subsidies.

Chinese Carbon Market

Jiang Zhaoli, a senior official with China's National Development and Reform Commission's climate change department told a seminar in Beijing February 4 that the country plans to initially cap emissions from six industrial sectors in a national carbon market likely to launch by the middle of 2016, with a three year trading phase before the market becomes fully functional in 2019. Companies in power generation, metallurgical, nonferrous metal, building materials, chemicals, and aviation will be targeted first under the national scheme. Each producer in these sectors emits more than 26,000 MT CO₂ a year. China initiated seven pilot regional markets in 2013.

Difficult Climate Negotiations

United Nations Framework Convention on Climate Change Executive Secretary Christiana Figueres [said](#) in Brussels February 4 that she was optimistic that international negotiators could reach an agreement on a global climate accord in Paris later this year, but at the same times, she was realistic about the challenges. Negotiators meet in Geneva this week to continue paring down a 39-page draft text, facing a February 13 deadline.

Chemicals Negotiations

The new executive secretary of the Basel, Rotterdam, and Stockholm (BRS) Conventions Rolph Payet said in Geneva February 5 that he wants to increase awareness of the negative impacts of [electronic waste](#), [mercury](#), and other pollutants. The BRS conference of parties will consider new regulations and listings at its biennial meeting May 4-15. Mr. Payet has been in his new position for four months, previously serving as Seychelles Minister for Environment and Energy.

STATES

Solar Brewery

MillerCoors unveiled January 31 the largest solar array of any American brewery at its Irwindale, California plant. The array includes 10,000 panels covering 10 acres that produce 3.2 MW capable of brewing seven million cases of beer each year. The panels will provide between seven and 40 percent of the plant's electrical energy.

TVA Plant Decision Upheld

The U.S. District Court for the Western District of Kentucky denied claims February 2 brought by the Kentucky Coal Association and other parties that the Tennessee Valley Authority violated the National Environmental Policy Act by failing to conduct an appropriate environmental impact study for the \$1 billion project. TVA decided to replace two coal-fired power generators with a natural gas-fired power plant at its Paradise Fossil Plant near Central City, Kentucky that meets the Environmental Protection Agency's Mercury and Air Toxics Standards.

WV RES Repealed

West Virginia Governor Earl Ray Tomblin approved February 3 the first bill of the 2015 regular legislative session, a repeal of the West Virginia Alternative Renewable Energy Portfolio Act. The state legislature approved the repeal January 21. The legislature enacted the law in 2009, which would have required 25 percent of the electricity produced and consumed in the state to come from sources other than coal by the end of 2025.

CO RES

The Colorado Senate approved last week legislation (S.B. 44) to reduce by half the 30 percent renewable energy standard that investor-owned utilities have to meet by 2020. The measure would also reduce the standard for rural electric associations from 20 percent to 15 percent from 2020 onward.

CO Climate Vulnerabilities

The Western Water Association and Colorado State University released a [report](#) February 5 outlining climate change related challenges the state will encounter in seven sectors: agriculture, ecosystems, energy, outdoor

recreation and tourism, public health, transportation, and water. The Colorado Energy Office, in accordance with the Colorado Legislature's HB13-1293, commissioned the report, which also analyzes ways Coloradans are adapting and mitigating to climate change.

Dominion Solar

Dominion Resources Inc., the third-largest American utility owner, announced February 5 that it would invest \$700 million to build 400 MW of solar capacity in Virginia. The Virginia Power unit will begin generating electricity by 2020. The company already has 744 MW of solar capacity in operation. Nearly 9,800 MW may be installed across the country this year, with Duke Energy and NextEra leading the way.

SUSTAINABILITY

Net-Zero Emissions Commitment

A group of high profile chief executive officers calling itself the B Team sent a [letter](#) to United Nations Framework Convention on Climate Change Executive Secretary Christiana Figueres February 5 calling on government leaders to set a target to neutralize greenhouse gas emissions by 2050 and saying that they are asking their peers to make similar long-term goals. Achieving that goal would require a rapid shift away from fossil fuels and toward more renewable energy and carbon emissions offset activities. The group also calls for a price on carbon, an end to fossil fuel subsidies, and assistance to developing countries vulnerable to climate change.

Sustainable Purchasing Guidance

The Sustainable Purchasing Leadership Council, a group of governments, businesses, and organizations with more than \$100 billion in purchasing power, issued February 5 voluntary [guidance](#) for sustainable procurement. The guidance, developed over the last two years, is intended to help them identify and address environmental, social, and economic supply chain impacts. Eighty organizations have signed up to pilot test the guidance through July 31.

MISCELLANEOUS

Ocean Temperatures Rising

Nature Climate Change published a [study](#) February 2 finding that the deepest layers of the Earth's oceans hold the vast majority of heat gains from human-induced climate change. From 2006 to 2013, ocean depths between 500 and 2,000 meters warmed by 0.002 degrees Celsius.

Foreign Policy Concern

Foreign Policy Magazine published a [survey](#) February 4 in partnership with the Teaching, Research, and International Policy project at the College of William and Mary finding that 40.96 percent of international relations professionals believe that global climate change is the number one foreign policy issue for the United States today, and 45.9 percent believe it will continue to hold that position over the next ten years.

Special Edition LCV Scorecard

The League of Conservation Voters released February 5 its 2015 Senate Special Edition National Environmental [Scorecard](#) following the Senate's January consideration of Keystone XL legislation (S. 1). The scorecard includes votes on 18 of the most critical amendments and double-scores final bill passage, though the 20 votes will not impact a senator's lifetime LCV score.

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