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ENERGY AND ENVIRONMENT UPDATE
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Energy and Climate Debate

We have been predicting for some time now, along with others, that we may be in the midst of the development of a perfect storm for long-awaited action on national energy policy. Rising gas prices, pushed higher by unrest in the Middle East, are converging with Republican calls for increased domestic drilling and Democratic goals to reduce petroleum consumption, encourage renewable alternatives, and improve energy efficiency.

While the national budget deficit is taking up much of the debate right now, and both the House and Senate are expected to quickly take up another short term continuing resolution proposal (H.J. Res. 48) as the current funding measure is set to expire at the end of the week, we can see on the horizon a shift toward a debate on energy policy as a means to affect both Republican and Democratic goals for foreign policy and national security, environmental protection, and job creation. Ironically, a move toward legislative action on energy policy could present an opportunity for the extremes of both parties to come together even if they differ in their ultimate goals.

Republicans, and their allies in the Chamber of Commerce, are making the case that federal regulations on everything from greenhouse gas emissions to endangered species and light bulb efficiency standards are holding back the economic recovery and that increased domestic drilling is a necessary part of the solution. At the same time, Democrats argue that world socio-political events, global warming, and domestic economic challenges all point to the need for federal investment in clean energy technologies. Somewhere in the middle, we may see the beginnings of a compromise that will finally move the energy debate forward.

While this perfect storm is still developing, the development of proposals for a Clean Energy Standard indicates that a compromise on energy policy actually is possible. The President has called for a CES to include nuclear, natural gas, and renewable energy. The challenge, of course, will be to keep all of the various interest groups and stakeholders on board and moving forward together. Any proposal that does not have a bit of something for everyone is going to face probably insurmountable challenges. But with everyone working together we just may see some progress.

President Obama and Speaker of the House John Boehner (R-OH) have given indications that this will play out via a series of bills, as opposed to a single comprehensive energy package. The Senate, where the comprehensive bill is still the favored option, will likely move toward a piecemeal approach when they realize this is likely the best opportunity we will see for action before the presidential election season begins in earnest.

Congress

House Begins EPA Authority Block Efforts

Following a voice vote approval by the House Energy and Commerce Subcommittee on Energy and Power last week, the full committee is expected to mark up Energy and Commerce Committee Chairman

Fred Upton's (R-MI) legislation (the Energy Tax Prevention Act, H.R. 910) March 14-15. The measure would strip the Environmental Protection Agency of its authority to regulate greenhouse gas emissions under the Clean Air Act. The bill is being readied for a floor vote by summer, at which point it is likely to clear the House with relative ease. There is still no consensus in the Senate on how to proceed, even among the senators who agree that certain industries need protection from such regulations. Three separate bills from Senators John Barrasso (R-WY; S. 228), James Inhofe (R-OK; S. 482), and Jay Rockefeller (D-WV; S.231) offer different approaches to either prohibiting current and future greenhouse gas rules or to delaying for two years EPA emissions rules for power plants and other large emitters that went into effect January 2, 2011. It remains uncertain whether the Senate will be able to pass any version of the EPA delay or prohibition language this Congress.

House Republican Energy Plan Unveiled

Speaker of the House John Boehner (R-OH) led a group of Republican committee chairman March 10 in unveiling their American Energy Initiative, a series of legislative proposals to combat the Environmental Protection Agency and the rest of the Obama Administration, which they say are responsible for higher gasoline prices. The legislation seeks to expand American energy production to reduce costs, create jobs, and promote an all of the above strategy to increase all forms of American energy, while also stymieing government policies that impact those efforts. Sections of the plan include streamlining the permitting process, opening up the Keystone pipeline access to Canada, and reopening the Gulf of Mexico to oil drilling, though Speaker Boehner said last week that he hopes to deal with energy policy in "bite-size chunks."

CES Debate Ongoing

Senator Lindsey Graham (R-SC) said March 8 that the clean energy standard he plans to soon propose is likely to be linked to other measures that would increase domestic oil and gas exploration and prohibit the Environmental Protection Agency from regulating greenhouse gas emissions under the Clean Air Act. He is also considering a standard that would vary by region. The clean energy standard Senator Graham proposed last September (S. 20) would have set a 20 percent target by 2020 from incremental and new nuclear power, clean coal, energy from municipal waste, and traditional renewable sources. Senate Energy and Natural Resources Committee Chairman Jeff Bingaman (D-NM) and Ranking Member Lisa Murkowski (R-AK) are in the early brainstorming phases of crafting their own clean energy standards, and numerous senators are discussing the return of the Gang of 10, a bipartisan group of lawmakers that formed to work on energy policy after gasoline prices spiked in 2008. That group initially included Senators Graham, Kent Conrad (D-ND), Mary Landrieu (D-LA), Mark Pryor (D-AR), Ben Nelson (D-NE), John Thune (R-SD), Johnny Isakson (R-GA), Saxby Chambliss (R-GA), Bob Corker (R-TN), and Blanche Lincoln (D-AR). Senators Amy Klobuchar (D-MN) and John Hoeven (R-ND) have expressed their desire to work with a similar group this Congress to consider an American energy standard; other likely participants include Senators Bingaman, Murkowski, Mark Begich (D-AK), and Dick Lugar (R-IN).

Rep. Calls on USGS to Return to Roots

Congressman Doug Lamborn (R-CO), chairman of the House Subcommittee on Energy and Mineral Resources, said March 9 that the U.S. Geological Survey should return to focusing on energy and mineral resources instead of further expanding into environmental and climate monitoring programs. He said during a hearing on the president's proposed fiscal year 2012 budget that the name of the agency should be changed to the U.S. Ecosystem Restoration and Climate Monitoring Service.

Legislation Introduced

Senator Roy Blunt (R-MO) introduced legislation (S. 511) March 9 to amend the Clean Air Act to provide for a reduction in the number of boutique fuels.

Senator Jeff Bingaman (D-NM) introduced legislation (S. 512) to amend the Energy Policy Act of 2005 to require the Secretary of Energy to carry out programs to develop and demonstrate two small modular nuclear reactor designs.

Congressman Kevin Brady (R-TX) introduced legislation (H.R. 942) to amend the Internal Revenue Code of 1986 to extend the research credit through 2012 and to increase and make permanent the alternative simplified research credit.

Congressman Sam Graves (R-MO) introduced legislation (H.R. 945) to expedite the increased supply and availability of domestic energy.

Senators Ben Cardin (D-MD) and Tom Coburn (R-OK) introduced legislation (S. 520) to eliminate the 45 cent per gallon volumetric ethanol excise tax credit effective immediately. In introducing the bill, Senators Cardin and Coburn highlighted a March 1 report from the Government Accountability Office that included ethanol supports on its annual list of duplicative federal programs.

On March 10, Congressman Ed Markey (D-MA) introduced legislation (H.R. 1017) that would direct the Department of Energy to sell 30 million barrels of crude oil from the 727-million-barrel Strategic Petroleum Reserve over the next six months, with proceeds from the sale used to buy back refined products like gasoline or diesel fuel to refill the stockpile.

Senators Amy Klobuchar (D-MN) and Tim Johnson (D-SD) introduced the Securing America's Future with Energy and Sustainable Technologies Act (S. 559). The legislation includes a renewable electricity standard of 25 percent by 2025; requires reductions in natural gas and electricity usage through increased energy efficiency; extends tax credits for ethanol and biodiesel; offers new incentives for biofuels and infrastructure development and deployment; and requires domestic auto manufacturers to have 30 percent of the light-duty vehicles they produce be a hybrid or be able to run on ethanol, biodiesel, or hydrogen fuel cells by 2030.

Congressman Bill Flores (R-TX) introduced legislation (H.R. 993) to extend Outer Continental Shelf leases to accommodate permitting delays and to provide operators time to meet new drilling and safety requirements.

Congressman Gregorio Sablan (D-CNMI) introduced legislation (H.R. 1020) to amend the Energy Policy Act of 2005 to include American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, Puerto Rico, and the Virgin Islands in certain efforts to reduce diesel emissions.

Upcoming Hearings

The House Energy and Commerce Committee will hold a March 14 business meeting to consider a pair of bills, including the Energy Tax Prevention Act (H.R. 910).

Energy Secretary Steven Chu will testify at a House Appropriations Subcommittee on Energy and Water hearing on the budget for the Department of Energy March 15.

The Senate Appropriations Subcommittee on the Interior, Environment, and Related Agencies will hold a hearing March 16 to examine the proposed fiscal 2012 budget estimates for the EPA March 16. Environmental Protection Agency Administrator Lisa Jackson will testify.

The Senate Environment and Public Works Committee will meet March 16 for a hearing on the report from the National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling.

The Senate Environment and Public Works Subcommittee on Clean Air and Nuclear Safety will hold a March 17 joint hearing with the Subcommittee on Green Jobs and the New Economy on the Clean Air Act to focus on H.R. 910's impact on jobs.

The Senate Energy and Natural Resources Committee will hold a March 17 hearing on current global investment trends in clean energy technology. The committee will consider how domestic policies impact global investment.

The House Natural Resources Committee meets March 17 for a hearing on rising gasoline prices. The committee will examine strategies to create jobs by tapping into domestic energy sources.

Administration

I6 Green Challenge Announced

The U.S. Departments of Agriculture, Commerce, and Energy, along with the Environmental Protection Agency and the National Science Foundation launched the i6 Green Challenge to promote clean energy innovation and economic growth March 11. \$12 million will support awards for six teams around the country with the most innovative ideas to drive technology commercialization and entrepreneurship in support of a green innovation economy, increased U.S. competitiveness and new jobs.

OMB Completes Data, Biomass Rule Reviews

The White House Office of Management and Budget completed March 4 a review of two Environmental Protection Agency rules related to climate change, clearing them for action by the agency. The OMB completed its review of a final rule concerning the confidentiality of data submitted to EPA as part of GHG emissions reporting as well as its review of a proposed rule that would defer GHG emissions permitting requirements for new and modified industrial facilities that use wood, crop residues, grass, and other biomass for energy.

Department of Energy

Minnkota Power Cooperative Honored

The Department of Energy's Wind Powering America initiative announced March 11 that Minnkota Power Cooperative had received the 2010 Wind Cooperative of the Year Award. The 10th annual award was presented at the National Rural Electric Cooperative Association TechAdvantage Conference.

Biofuel Technology Advances

Energy Secretary Steven Chu congratulated a team of researchers at the Department's BioEnergy Science Center March 7 as they achieved another advance in the drive toward next generation biofuels: using bacteria to convert plant matter directly into isobutanol, which can be burned in regular car engines with a heat value higher than ethanol and similar to gasoline. The work was conducted by researchers at the Department of Energy's BioEnergy Science Center, led by Oak Ridge National Laboratory.

Loan Guarantee Program Fails Documentation Requirements

The Department of Energy's Inspector General released an audit report March 7 that found that the agency's clean energy loan guarantee program could not always demonstrate how it resolved or mitigated relevant risks prior to granting loan guarantees. The report, The Department of Energy's Loan Guarantee Program for Clean Energy Technologies, found that the program is missing records, files, and other documentation related to those risks.

Department of State

US Joins IRENA

The State Department announced March 4 that the United States, Mexico, and Swaziland have formally joined the International Renewable Energy Agency. The agency was formed in 2009 to promote wind, solar, and other clean energy technologies and to address the challenge of global climate change; a total of 148 nations and the EU have signed, and 65 have ratified, agreements committing them to participate in IRENA and to promote renewable and sustainable energy in their domestic policies and through international cooperation. The first assembly of IRENA is scheduled April 4-5 in Abu Dhabi.

Environmental Protection Agency

Energy Star Updated

The Environmental Protection Agency announced March 9 that televisions, cable, and satellite boxes will be required to meet new standards to participate in Energy Star. Effective in September 2011, the

technologies must meet a new set of standards to qualify for the voluntary energy efficiency labeling program.

\$32 Million for Clean Air Research

The Environmental Protection Agency awarded \$32 million to four universities to fund air pollution research programs March 7. The grants fund Clean Air Research Centers at Emory University, Harvard University, Michigan State University, and the University of Washington. Research will include studies of the health effects on populations with pre-existing medical conditions, communities with elevated health risks from pollution exposure, and the health effects of exposure to multiple pollutants.

EPA Regs Won't Kill Coal Plants

John Rowe, chairman and chief executive officer of Exelon Corp. said in a March 8 speech to the American Enterprise Institute that EPA's pending power plant regulations would force only aging, inefficient coal-fired units without air pollution controls to retire. Two-thirds of coal-fired power plants are already installing the necessary controls in anticipation of the regulations, and retiring older facilities will drive more electrical generation to cheaper, cleaner natural gas.

States Concerned About Data Withholding

Several states submitted comments March 7 to the Environmental Protection Agency regarding an EPA proposal to defer for three years the deadline for facilities to submit some of the data used to calculate their 2010 GHG emissions so that it can determine whether the information should be made available to the public once it is submitted. The Maine Department of Environmental Protection said that a determination that some data on GHG emissions should be withheld as confidential business information would likely result in demands for similar reconsiderations of EPA's other emission reporting rules.

Ethanol Waiver Challenged

The American Petroleum Institute and nine other organizations filed a petition for review in the U.S. Court of Appeals for the District of Columbia Circuit March 11 challenging an Environmental Protection Agency Clean Air Act waiver authorizing the use of gasoline containing 15 percent ethanol for use in model year 2001-2006 cars and light trucks. The petition supplements a filing that challenged EPA's original waiver to allow E15 in gasoline for model year 2007 and newer cars and light trucks; that waiver was issued by the agency in October 2010.

Climate Rule Blocks Increase Oil Dependence

Environmental Protection Agency Administrator Lisa Jackson said March 11 that Republican efforts to block EPA GHG rules would increase dependence on oil by limiting regulators' ability to raise fuel efficiency standards for cars and light trucks after the 2016 model year. The same day, she announced that the agency would issue a proposed rule to reduce power plant emissions of toxic substances, including mercury, by the court-ordered deadline of March 16.

Federal Energy Regulatory Commission

Natural Gas Exports to Canada

On March 7, the Federal Energy Regulatory Commission authorized two amended permits for the Tennessee Gas Pipeline Company's plans to allow its customers to export natural gas to Canada. FERC said that approving the company's export plan would decrease restrictions on gas imports and exports and promote national economy policy by reducing barriers to foreign trade.

Personnel

Peter Lyons, President Obama's nominee for assistant secretary for nuclear energy at the Department of Energy, told senators March 8 that he is optimistic that small modular nuclear reactors can be developed and deployed on the electric grid within the next decade. Mr. Lyons' nomination is expected to be approved easily by the committee and forwarded to the Senate for confirmation within the next few weeks.

Miscellaneous

WA Coal-Fired Plant to Close

Washington announced an agreement March 5 for the state's only coal-fired power plant to significantly reduce its emissions by 2013 and permanently shut down by 2025. The state Senate approved the agreement by a 36-13 vote.

GHG Reporting Comments Sought

The European Commission opened a public consultation March 7 on the current system for reporting GHG emissions. The Commission hopes that updating and streamlining the monitoring and reporting program will allow lawmakers to respond more quickly if policies require corrective action.

Aviation Emissions Capped

The European Union announced March 7 that airlines flying into Europe must reduce their CO₂ emissions by 3 percent next year to meet new EU pollution limits. Airlines participating in the European Union's Emissions Trading System in 2012 will have their CO₂ emissions capped at 212,892,052 MT for the year; the restriction applies to about 4,000 aircraft operators flying within or arriving in and departing from the EU.

CCS Projects Grow

The Global CCS Institute released a report March 8 that found that carbon capture and sequestration projects continue to be developed across the world despite uncertainties about cost and about the time line for making the technology commercially available. According to the report, *The Global Status of CCS: 2010*, there were 234 active or planned CCS projects in 2010, marking a net increase of 29 projects since 2009.

\$375 Billion to Decarbonize Economy

The European Union announced March 8 that it will spend roughly \$375 billion a year to reduce GHG emissions by at least 80 percent by 2050 compared to 1990 levels. The European Commission released a roadmap for moving to a low carbon economy in which it set targets for 2030 and 2040 for the first time, envisioning emission cuts of 40 and 60 percent, respectively.

Lung Association Calls for Regulation

The American Lung Association released a report March 8 in which it calls for strict regulation of hazardous air pollutants. The report, *Toxic Air: the Case for Cleaning up Coal-fired Power Plants*, found that coal-fired power plants emit 84 hazardous air pollutants, including 40 percent of all mercury emissions and 76 percent of acid gas emissions. The report comes ahead of an Environmental Protection Agency proposed rule expected March 16 that would require power plants to control emissions of several hazardous air pollutants.

China Releases Five Year Plan

China's national leadership announced last week a series of environmental targets for the country's 12th Five Year Plan (2011-2015) covering energy consumption, carbon intensity, renewable energy capacity, industrial water use, pollutant emissions, and heavy metal contamination. Premier Wen Jiabao announced major goals for the draft five year plan in his work report address during the first weekend of the annual National People's Congress meetings, which began March 5.

French Biofuel Projects Sought

On March 7, France's government called for automakers, energy companies, research laboratories, and other groups to propose projects aimed at overcoming environmental, economic, and social problems linked to first generation biofuels. The goal is to develop production techniques that will reduce transportation-related GHG emissions, reduce fuel costs and energy dependence, all without diminishing food crops or damaging the environment.

Stalled Projects Could Increase GDP and Create Jobs

The U.S. Chamber of Commerce released a study last week that reveals 351 stalled, multi-million dollar energy projects that could provide 1.9 million jobs and \$1.1 trillion in gross domestic product if allowed to move forward. Major findings of the report, *Project Denied: The Potential Economic Impact of Permitting Challenges Facing Proposed Energy Projects*, are planning and construction of the study's projects would generate \$577 billion in direct investment; operation of the study's projects would generate \$99 billion in direct annual output and would yield \$145 billion in increased GDP annually and over 791,200 jobs; and if constructed and operated for 20 years, the study estimates a total benefit of \$2.4 trillion in GDP, including \$1.4 trillion in employment earnings and an additional one million jobs per year.

US Solar Capacity Increased

The Solar Energy Industries Association released a report March 10 that found that solar energy capacity in the US doubled last year and is expected to double again this year due to government incentives, higher demand, and lower prices. The installation of PV and solar thermal power systems boosted capacity to 956 MW in 2010, up from 441 MW in 2009.

RGGI Holds 11th Auction

The Regional Greenhouse Gas Initiative announced March 11 that CO2 allowances sold at its recent auction were purchased for a clearing price of \$189 per allowance. The 10 RGGI states raised \$83.4 million from the eleventh auction, and all of the allowances offered for auction were sold.

Ireland Plans Environmental Legislation

Ireland's new coalition government said March 6 that it will propose a climate change bill, renewable energy legislation, sustainable waste policy, and increased fines for environmental crimes as part of a package of environmental measures it plans to introduce in the next four years. The coalition of the center-right Fine Gael and the left Labour Party, which took office March 9, disclosed its general policy intentions in a 64 page Statement of Common Purpose.

UK Outlines Green Economy Goals

The United Kingdom issued a preliminary action plan March 8 setting goals and target dates for departments to help establish a low carbon economy. The final version of the plan will help determine the contents of the UK's fourth carbon budget (covering 2023 through 2027). The draft plan highlights three major changes that will be required across the economy: a move to generate electricity from fossil fuels to renewable energy sources, nuclear power, and clean coal; greater use of public transportation and electric vehicles; and pursuit of a global climate change agreement.

UN Preliminarily Approves Smart Grid Standards

The United Nations' International Telecommunication Union gave preliminary approval to two technical standards designed to facilitate the global rollout of smart grid applications March 3. The standards are expected to ease the development of several smart grid applications with potential environmental benefits including permitting more integration of renewable energies with electricity grids and promoting the use of electric vehicles.