



## ML Strategies Update

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## Energy & Environment Update

### ENERGY AND CLIMATE DEBATE

After the House approved the Senate's language mid-February, Congress sent the Keystone XL legislation (S. 1) to the White House February 24, and President Obama immediately vetoed it. While President Obama vetoed the legislation because it circumvents the role the executive branch has in ensuring that the cross-border project is in the national interest, he promised March 2 to finalize a decision on the pipeline before the end of his White House tenure. The Senate will attempt to override the president's veto this week, while the House plans a vote on measures targeting the Environmental Protection Agency's use of scientific data, and both chambers hold several budget hearings.

During his first full week as John Podesta's successor, White House Senior Advisor Brian Deese told the 2015 Climate Leadership Conference February 25 that President Obama plans to continue to move forward with several climate policies during his last two years in office. The administration will continue to pursue its climate agenda, including actions to limit CO2 from the country's fleet of power plants, to address methane emissions from the oil and gas sector, and to encourage international negotiations and leadership in a global climate accord this year in Paris, to name a few. The federal government has incurred more than \$300 billion in direct costs due to extreme weather and fire in the past decade, including \$176 billion in disaster relief and \$85 billion for federal flood and crop insurance programs. Coming from an economic background, Mr. Deese said that the economics are increasingly demonstrating that the longer we wait to reduce emissions, the more extreme the impacts will be, and the more expensive they will be to mitigate.

The tax reform debate is expected to continue in the coming days, weeks, and months, though it is becoming increasingly likely that comprehensive tax reform may be too difficult a lift this year. If Congress is unable to come to an agreement on tax reform, we will turn increasingly to tax extenders as we near the end of the year. The Senate Finance Committee's working groups on tax reform will meet weekly through most of April, with reports due to Chairman Orrin Hatch (R-UT) and Ranking Member Ron Wyden (R-OR) in the last week of that month. The working groups have been instructed to prepare for and conduct roundtable presentations late this month, aiming for five sessions. Prior to that, the groups are planning weekly education sessions. The Finance Committee has also prepared a detailed list of topics for the groups, including such items as tax rates for individuals and pass-through entities, cost recovery and accounting, base erosion, foreign tax credits, disaster relief, and tribal issues. Senator Bernie Sanders (I-VT) has asked the Government Accountability Office to provide a report on effective corporate tax rates, specifically the most recent figures on how much companies pay in federal taxes as a share of their profits. He is also seeking information about what percentage of corporations do not pay taxes.

## CONGRESS

### RFS Alterations

Senator Jeff Flake (R-AZ) said February 23 that he plans to use appropriations riders to measure the Senate's appetite for revising or repealing the renewable fuel standard. It is unlikely that the standard will be repealed, but the Environmental Protection Agency's inability to meet the annual deadlines could spur Congress to revise it.

### GHG Target Timeframe

Secretary of State John Kerry told the Senate Foreign Relations Committee February 24 that the United States may be able to reduce its greenhouse gas emissions by 26 to 28 percent before its pledged 2025 deadline. President Obama made the pledge last December during an announcement with China President Xi Jinping, who committed to peak China's emissions around 2030 and potentially sooner.

### Climate Skeptic Funding

House Natural Resources Committee Ranking Member Raul Grijalva (D-AZ) sent [letters](#) to seven universities February 24 asking them to disclose financial information for seven researchers whose work has been championed by climate change skeptics. The request comes after The New York Times reported that a Harvard-Smithsonian Center for Astrophysics scientist received \$1.25 million from the fossil fuel industry but failed to disclose those funds when he published his scientific papers. Senator Ed Markey (D-MA) pledged the same day an investigation into whether fossil fuel companies, industry groups, and other organizations funded research designed to cast doubt on the role of human activity in climate change. He was joined by Senators Barbara Boxer (D-CA) and Sheldon Whitehouse (D-RI) in sending the following day over [100 letters](#) to a wide range of publicly traded companies, industry groups, utilities, and other organizations in an effort to find whether they have funded this research. Senate Environment and Public Works Committee Republicans warned in a February 27 [letter](#) that the investigation was an inappropriate challenge to academic freedom. The American Meteorological Society issued a similar [note](#) of caution to Representative Grijalva the same day.

### Fracking Rule Forthcoming

Interior Secretary Sally Jewell told a Senate Energy and Natural Resources Committee budget hearing February 24 that the long-awaited federal fracking rules will come soon, as they are awaiting final clearance.

### CCS Viability

Testifying before a joint hearing of the House Energy and Commerce Subcommittee on Oversight and Investigations and Subcommittee on Environment and the Economy February 25, Environmental Protection Agency Administrator Gina McCarthy said that carbon capture and sequestration technologies are available and will provide a path forward for new domestic coal fired power plant construction, particularly under the Clean Power Plan. She also said that the agency would issue this spring the renewable fuel standards for 2014, 2015, and 2016.

### Secret Science Legislation

The House Science Committee reported out legislation (H.R. 1030) February 25 that would make significant changes to the science that the Environmental Protection Agency may use to underlie its regulatory efforts. The secret science reform bill would prohibit the agency from using any scientific studies to establish regulations without releasing all of the underlying data and research for the public to review. The full House is likely to take up the bill this week.

### DOE Budget

House Science Committee Chair Lamar Smith (R-TX) said during a budget hearing with Energy Secretary Ernest Moniz February 25 that President Obama's proposed fiscal year 2016 budget includes too much funding for energy efficiency and renewable energy research and not enough for nuclear and fossil energy programs.

### Science Advisory Board

The House Science Committee reported out legislation (H.R. 1029) February 25 that would allow more industry representatives to join the Environmental Protection Agency's Science Advisory Board panels. The full House is likely to take up the bill this week.

### CPP Nuclear Reconsideration

Environmental Protection Agency Administrator Gina McCarthy told a House hearing February 25 that the agency is reconsidering how it addresses nuclear power in its proposed Clean Power Plan.

### EPA Approps Support Split

Members of the House Appropriations Subcommittee on Interior, Environment, and Related Agencies split along party lines in support for funding the Environmental Protection Agency and its climate change efforts during a

February 26 hearing.

### **Crude Oil Export Ban**

Representative Ed Whitfield (R-KY), Chairman of the House Energy and Commerce Subcommittee on Energy and Power, said February 26 that it is unlikely that the House Energy and Commerce Committee will include a repeal of the 40-year-old crude oil export ban in the comprehensive energy legislation it is drafting. His subcommittee will hold a hearing on the issue March 3.

### **Legislation Introduced**

Senators Rob Portman (R-OH) and Jeanne Shaheen (D-NH) were joined by six of their colleagues in introducing a limited version of their energy efficiency legislation (S. 535) February 23. The package includes several measures the House approved last Congress and that were included as an amendment to the Senate Keystone XL legislation earlier this year.

Representative Chris Van Hollen (D-MD) introduced cap and dividend legislation (H.R. 1027) February 24. The Climate and Family Security Act would require the oil, coal, and natural gas sector to purchase carbon permits for each ton of greenhouse gases they emit, with revenue returned to U.S. households, and would require an 80 percent reduction in domestic CO2 emissions from 2005 levels by 2050.

Senators Pat Toomey (R-PA) and Dianne Feinstein (D-CA) introduced the Corn Ethanol Mandate Elimination Act (S. 577) February 26 to abolish the renewable fuel standard for ethanol but leave intact federal requirements for next-generation cellulosic biofuels.

Senators Ed Markey (D-MA), Barbara Boxer (D-CA), Al Franken (D-MN), and Bernie Sanders (I-VT) introduced February 26 legislation (S. 585) to slow down the Department of Energy's review process for proposed liquefied natural gas export facilities.

Senator Heidi Heitkamp (D-ND) reintroduced February 26 legislation (S. 601) with incentives to develop and use carbon capture and storage technologies. The measure is very similar to a bill (S. 2125) she introduced last Congress, which would have increased carbon capture and storage technology tax credits and directed the Department of Energy to set aside \$2 billion in existing loan guarantees for coal projects.

Representative Doris Matsui (D-CA) introduced legislation (H.R. 1175) February 27 to establish a Clean Energy Technology Manufacturing and Export Assistance Fund to help American businesses export clean energy technology products and services.

### **Upcoming Hearings**

The House Energy and Commerce Subcommittee on Energy and Power will hold a hearing March 3 entitled "21<sup>st</sup> Century Energy Markets: How the Changing Dynamics of World Energy Markets Impact our Economy and Energy Security." Witnesses will include Energy Information Administration Administrator Adam Sieminski, Pioneer Natural Resources Co. Chairman and Chief Executive Officer Scott Sheffield, American Fuel & Petrochemical Manufacturers President Charles Drevna, and Delta Air Lines Senior Vice President for Fuel Optimization Graeme Burnett.

The Senate Environment and Public Works Committee will hold an oversight hearing March 4 to consider the Environmental Protection Agency's fiscal year 2016 budget request. Environmental Protection Agency Administrator Gina McCarthy will testify.

The Senate Appropriations Subcommittee on Energy and Water Development will hold a hearing March 4 to consider the Nuclear Regulatory Commission's fiscal year 2016 budget request. All four sitting commission members will testify.

The Senate Appropriations Subcommittee on Interior, Environment, and Related Agencies will hold a hearing March 4 to consider the Department of Interior's fiscal year 2016 budget request. Interior Secretary Sally Jewell will testify.

The House Energy and Commerce Subcommittee on Energy and Power will hold a hearing March 4 entitled "The 21<sup>st</sup> Century Electricity Challenge: Ensuring a Secure, Reliable, and Modern Electricity System."

The Senate Energy and Natural Resources Committee will hold a hearing March 5 to review opportunities for the United States in the Arctic region.

The House Natural Resources Committee will hold a hearing March 5 to consider the Department of Interior's fiscal year 2016 budget request. Interior Secretary Sally Jewell will testify.

The House Energy and Commerce Subcommittee on Energy and Power will hold a hearing March 17 entitled “EPA’s Proposed 111(d) Rule for Existing Power Plants: Legal and Cost Issues.”

## DEPARTMENT OF ENERGY

### Third START Round

The Department of Energy [announced](#) February 25 the third round of the Strategic Technical Assistance Respond Team Renewable Energy Project Development Assistance (START). The START program provides federally recognized tribal governments and entities with support to accelerate clean energy development. Since December 2011, the program has helped 21 tribal communities advance their clean energy technology and infrastructure projects. Applications are due to the Energy Department Office of Indian Energy by May 1, and up to five projects will be selected by late June for technical assistance from this July through next August.

### Offshore Wind Economic Impacts

The National Renewable Energy Laboratory released last month a [modeling tool](#) to estimate jobs and other economic impacts associated with offshore wind development in the United States. The tool applies to areas of the country with waters shallow enough for fixed-bottom offshore wind technology.

### Budget Request Webinars

The Department of Energy’s Office of Energy Efficiency and Renewable Energy will hold a series of live [webinars](#) March 3-5 on its fiscal year 2016 budget request. Deputy Assistant Secretary Reuben Sarkar will lead a sustainable transportation webinar March 3. Deputy Assistant Secretary Kathleen Hogan will lead an energy efficiency webinar March 4. Deputy Assistant Secretary Doug Hollett will lead a renewable energy webinar March 5.

## DEPARTMENT OF TREASURY

### Renewable Energy Bond Corrections

The Internal Revenue Service updated February 27 the February 3 guidance (Notice 2015-12) to clarify the definition of “qualified renewable energy facility” under tax code Section 54C. It also provided guidance on application requirements and forms for allocation requests. The revised notice will be published March 9.

## ENVIRONMENTAL PROTECTION AGENCY

### Fuel Economy Measurements

The Environmental Protection Agency announced February 23 that they would tighten the guidelines used to determine the fuel economy standards that automakers provide to consumers. The rules had not been updated in over ten years.

### Efficiency Registry

Participants in a February 23 2015 Climate Leadership Conference discussion said that the Environmental Protection Agency’s Clean Power Plan could spur the development of a national energy efficiency registry. Creating the registry would provide transparency and enable an efficiency trading program as states develop Clean Power Plan compliance programs.

### Delayed Climate Benefits

Environmental Protection Agency Acting Deputy Administrator Stanley Meiburg told the 2015 Climate Leadership Conference February 24 that climate change is a difficult problem because of the difference in timing between its costs and benefits. The delayed benefits of addressing climate change now make prevention a hard thing to sell.

### CPP Litigation

Murray Energy Corp. filed a reply brief February 26 in the U.S. Court of Appeals for the District of Columbia Circuit saying that the Environmental Protection Agency’s proposed Clean Power Plan is already negatively impacting the coal industry as power companies develop compliance plans. The company is asking the court to find that the agency lacks the authority to issue the rule because the harm cannot be remedied later. The agency has argued that the company lacks standing because it is not directly regulated by the proposed rule. Oral arguments are scheduled for April 16.

### Ozone Rule Costs

NERA Economic Consulting released February 26 a National Association of Manufacturers [report](#) finding that the costs of more stringent ozone standards would be significantly higher than the Environment Protection Agency estimates. While the agency has estimated that the annual cost of a 65 ppb standard would be about \$16.6 billion, the report calculates a \$1.1 trillion compliance cost on industry from 2017 through 2040, with potential yearly

expenditures topping \$100 billion.

### **GHG Emissions Inventory**

The Environmental Protection Agency released its annual greenhouse gas emissions [inventory](#) February 27, finding that domestic emissions increased by 1.84 percent, to 6,742.2 million metric tons CO<sub>2</sub>e, from 2012 to 2013, driven by lower temperatures, increased vehicle miles traveled, and a decreased use of natural gas to generate electricity. The report found that emissions were the second lowest since a 2007 peak. The agency will accept comments on the draft report until March 26.

## **FEDERAL ENERGY REGULATORY COMMISSION**

### **CPP Workshops**

The Federal Energy Regulatory Commission began February 19 a series of workshops on the Environmental Protection Agency's proposed Clean Power Plan. Environmental Council of the States Executive Director and General Counsel Alexandra Dunn said that state environmental officials are not yet working on plans to meet their rate targets because of uncertainty over what will be in the final rule. States and utilities said that a regulatory safety valve is vital to the agency's Clean Power Plan. A safety valve would allow states and utilities additional time or flexibility to ensure electric reliability. The agency included a similar safety valve in its mercury and air toxics standards for power plants, but it was included after the rule was completed, potentially making it less effective than it could have been. The commission held a second workshop February 25, with more to follow in March.

### **Installed Power Capacity**

The Federal Energy Regulatory Commission released its monthly infrastructure [report](#) February 23 finding that new electricity generation that came into service in January included 470 MW of installed wind generation capacity, 90 MW of natural gas, and 70 MW of solar generation. Five wind units came online in January. Though no new transmission projects came online the first of the year, the commission projects that 9,912 miles of transmission projects will be completed by January 2017.

## **INTERNATIONAL**

### **EU Supports Global Climate Accord**

The European Union released February 25 a [document](#) outlining its goals for this year's global climate negotiation in Paris and reiterating its commitments to help address climate change.

### **EU Biofuel Cap**

The European Parliament Environment Committee approved February 24 a six percent cap on crop-based biofuels toward the European Union target of ten percent renewable energy for transport fuels. Member states prefer an eight percent cap, and negotiations between the two will begin before the full Parliament votes on the measure.

### **Green Climate Fund**

The State Department's Special Envoy for Climate Change Todd Stern said February 26 that industrial countries are delivering more than a third of the \$100 billion in annual aid they've pledged by 2020 for climate projects in developing nations. About \$35-\$40 billion a year is currently flowing from western governments via direct aid and loans from development banks, not including support from export credit agencies or private companies.

### **Poland and EU ETS**

Polish Prime Minister Ewa Kopacz sent a letter February 26 to European Commission President Jean-Claud Juncker saying that eight European Union member states are concerned about the possibility of an early start to the planned carbon market fix. The bloc's 28 national governments and the European Parliament are considering a European Commission proposal to introduce a carbon market stability reserve to curb oversupply in the emissions trading system. The European Parliament's environment committee agreed February 24 to encourage the introduction of the fix in 2018, three years earlier than the European Commission originally proposed.

### **EU Waste Legislation**

The European Commission confirmed February 26 that it has decided to withdraw a package of legislative proposals that would have established a 70 percent municipal waste recycling target for European Union countries by 2030. Former European Union Environment Commissioner Janez Potocnik published the proposals last January.

### **IPCC Resignation**

The Intergovernmental Panel on Climate Change met to discuss its future February 27 after four days of talks in

Africa that were overshadowed by the sudden resignation of chairman Rajendra Pachauri over sexual misconduct allegations. Ismail El Gizouli, former vice chairman, assumes the role on an interim basis.

## STATES

### **RGGI Secondary Market Price Increase**

The Regional Greenhouse Gas Initiative released a [report](#) February 24 finding that the average price in the secondary market for RGGI carbon allowances was an increased \$5.22 in the fourth quarter of 2014. The CO2 allowance price was seven percent higher than in the third quarter and 69 percent higher than in the 2013 fourth quarter.

### **RGGI's CPP Compliance**

Maryland Public Service Commissioner Kelly Speakes-Backman told the 2015 Climate Leadership Conference February 24 that the nine Regional Greenhouse Gas Initiative members do not anticipate difficulty in complying with the Environmental Protection Agency's Clean Power Plan.

### **CA Offset Rules Upheld**

The California Courts of Appeal's First Appellate District [upheld](#) February 24 the carbon offset rules in the state's cap and trade program.

## MI RES

The Michigan Public Service Commission [reported](#) last month that the state's utilities are on pace to meet the ten percent renewable energy requirement by the end of the year under Michigan's 2008 renewable energy standard. The associated costs have steadily declined and the sector has invested nearly \$3 billion in the state's economy. The state Legislature will consider whether to increase the renewable energy mandate over time or abolish it in favor of a clean energy standard.

## SUSTAINABILITY

### **\$100 Billion for Green Projects**

Google Inc. announced February 25 its largest to date renewable energy investment, a \$300 million commitment to support at least 25,000 SolarCity Corp. rooftop power plants. The company is contributing to a SolarCity fund valued at \$750 million, the largest ever created for residential solar, with a return as high as eight percent. Google has now committed more than \$1.8 billion to renewable energy projects, including wind and solar farms on three continents.

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