



ML Strategies Update

David Leiter, DJLeiter@mlstrategies.com
Sarah Litke, SLitke@mlstrategies.com
Bryan Stockton, BStockton@mlstrategies.com
Jordan Collins, JMCollins@mlstrategies.com
Neal Martin, RNMartin@mlstrategies.com

FOLLOW US ON TWITTER: [@MLStrategies](https://twitter.com/MLStrategies)

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

APRIL 21, 2014

Energy & Environment Update

ENERGY AND CLIMATE DEBATE

With Congress in recess for another week, most of Washington's attention will be focused on President Obama's trip this week to Asia, which is likely to focus primarily on trade issues.

President Obama will meet with the leaders of Japan, South Korea, Malaysia, and the Philippines during a week-long trip that begins tomorrow. While in the Philippines, the president will see a new electronic vehicle called the Comet.

In other administration news, the Department of State extended indefinitely April 18 the federal interagency review period on the Keystone XL pipeline because of a Nebraska lawsuit over the pipeline route from Canada to Texas. Eight agencies have been reviewing the State Department's favorable January 31 final environmental impact statement; the 90-day interagency review period was scheduled to end May 1. The Nebraska Supreme Court agreed in March to take up an expedited appeal in the case, but oral arguments are not likely to occur before September or October. Such a delay may mean that the administration will wait to announce a decision until after the elections, but Congressional Republicans, and some Democrats as well, are almost certain to attempt legislative approval of the project, something they have been unable to do to date. Senators John Hoeven (R-ND), Mary Landrieu (D-LA), and Heidi Heitkamp (D-ND) have called in recent weeks for legislation to force the president's hand if the administration did not make a decision by May. Senators Hoeven, Landrieu, Heitkamp, and Mitch McConnell (R-KY), and Representative Lee Terry (R-NE) have already expressed frustration over the delay. Pipeline opponents, including Friends of the Earth, the Natural Resources Defense Council, and 350.org, have expressed support for the State Department's decision. Earlier in the week, Senator Sheldon Whitehouse (D-RI) and Representative Henry Waxman (D-CA) [commented](#) that the agency's environmental analysis of the pipeline was "fatally flawed," saying that it downplays the pipeline's impact on oil sands production, and therefore, climate change, and that it fails to address Keystone's role in the larger context of avoiding the harmful effects global climate change. The congressmen sent a separate [letter](#) to Secretary of State John Kerry April 16, cautioning him that whatever decision he makes will be unpopular, but that it is critical that he decides in a manner that acknowledges the difficulties of addressing global climate change.

While President Obama is in Asia this week, Vice President Joe Biden will visit Ukraine, where energy issues are high on the agenda. State Department Special Envoy and Coordinator for International Energy Affairs Carlos Pascual, who previously served as ambassador to Ukraine, said this weekend that the United States' long term energy strategy for the nation is informed by short term decisions. Ukraine signed contracts in 2013 with Chevron, Shell, and others to develop shale gas in the country, and increased production, in addition to increased energy efficiency and reverse gas flows, has put the nation in a position of developing short term bridge options that may

allow the nation to move away from Russian imports in the next few years anyway. As the nation works to reduce its dependence on Russian natural gas, it attempts to encourage renewable energy investments in biomass, wind, and solar power. The Ukrainian Embassy in Washington hosted United States and industry officials April 17 at a conference on the potential for renewable energy in the eastern European country.

The Department of Energy will hold two more Quadrennial Energy Review [meetings](#) today. The first, in Providence, Rhode Island, will include remarks from Energy Secretary Ernest Moniz, Governor Lincoln Chafee (D), Senator Jack Reed (D), and Representative Jim Langevin (D). The second, in Hartford, Connecticut, will feature remarks by Secretary Moniz and Governor Dannel Malloy (D). Secretary Moniz will celebrate Earth Day tomorrow by throwing out the first pitch at Fenway Park.

When Congress returns next week, tax extenders and the Shaheen-Portman energy efficiency package are high on Senate Majority Leader Harry Reid's (D-NV) agenda. We hope to have more details for you as we near the end of recess.

CONGRESS

Boxer on Climate Issues

Speaking April 15 at a clean energy conference in Hawaii, Senator Barbara Boxer (D-CA) said that meaningful climate change legislation will require a return to bipartisan efforts, but that doing so would grow the clean energy economy, thus creating jobs. She said that a carbon tax could be one of the best methods to undertake such growth, but also praised energy efficiency, transportation efficiency, renewable energy, and state climate efforts, and called on President Obama to reject the proposed Keystone pipeline. Senator Boxer announced that the Senate Climate Action Task Force would hold a rally May 21.

Climate Debate Requested

Ralph Nader sent a letter April 16 to Senators Ed Markey (D-MA) and James Inhofe (R-OK) calling on them to hold a debate on climate change. Mr. Nader first challenged the congressmen to debate the issue in late 2011, and despite both parties expressing interest in such an event, they never scheduled it.

FERC Grid Security Investigation

House Republican Energy and Commerce Committee leaders announced April 17 that they are conducting their own investigation into the release of sensitive electric grid security information from the Federal Energy Regulatory Commission. Chairman Fred Upton (R-MI) was joined by four of his colleagues in sending a [letter](#) to acting Chair Cheryl LaFleur, asking her to provide by May 5 documents outlining the agency's grid security analyses since January 2012, as well as a list of who had access to those documents.

Upcoming Hearings

The Senate Energy and Natural Resources Committee will hold a hearing in May on the Keystone XL pipeline and other energy infrastructure.

ADMINISTRATION

GHG Regs Review

The White House Office of Management and Budget has begun taking meetings on the Environmental Protection Agency's proposed regulations to reduce greenhouse gas emissions from the country's existing power plants. The Environmental Protection Agency sent the rule to the Office of Management and Budget for review on March 31, and is scheduled to release it in June.

US-China Clean Energy Cooperation

The U.S.-China Economic and Security Review Commission announced April 16 that it would hold a public hearing April 25 on U.S.-China clean energy cooperation.

Solar Power Development

During a solar summit April 17, the White House announced a series of measure intended to boost solar energy, and challenged the private sector to support solar deployment. The Department of Energy announced a \$15 million Solar Market Pathways program, a funding opportunity for state, tribal, and local leaders as they develop plans to create an economic environment for cost-competitive deployment, as well as a Commercial Solar Deployment Playbook. The Environmental Protection Agency announced that the Green Power Partnership will double the use of on-site renewable energy at partner facilities by the end of the decade. The Departments of Agriculture and

Energy will partner with the National Rural Electric Cooperative Association to develop tools, templates, and finance options for cooperatives working to deploy distributed solar in rural areas.

DEPARTMENT OF DEFENSE

Energy Directive Approved

The Department of Defense approved last week its first significant defense energy [policy](#) in over two decades. The agency will continue to diversify and expand its energy resources; further its work on renewable energy and biofuels research, development, and deployment; work to improve energy performance of weapons systems, platforms, equipment, and products; consider energy risks; and train personnel in valuing energy as an essential part of missions.

PV Country of Origin Clarification

The Department of Defense finalized April 21 a rule on country of origin of photovoltaic devices covered by agency contracts. Section 846 of the Fiscal Year 2011 National Defense Authorization Act requires that PV devices provided under covered agency contracts must comply with the Buy American statute; exceptions to the statutes are provided in the Trade Agreements Act and other laws.

DEPARTMENT OF ENERGY

Light Bulb Efficiency Standards

The Department of Energy will soon strengthen efficiency [standards](#) for general service fluorescent lamps and incandescent reflector lamps by up to 12.9 percent over current levels. The agency will issue in November a final rule for the new standards, which would go into effect in 2017.

\$10 Million for Biofuels

The Department of Energy's Office of Energy Efficiency and Renewable Energy announced April 15 \$10 million for biofuels and bioproducts research. Awards will range between \$1 million and \$3.5 million, with a cost share amounting to 20 percent of total project costs.

Efficient Parking Lighting

The Department of Energy's Better Buildings Alliance joined the Lighting Energy Efficiency in Parking Campaign April 16 in recognizing 12 organizations for leading the way in efficient lighting. Combined, the winners are saving almost 45 million KWh and \$4 million per year by upgrading to high efficiency lighting in 5000,000 parking spaces across the country. To date, more than 100 businesses have participated in the campaign and are adding efficient lighting to parking lots and garages; over the past year, these organizations have committed to install efficient lighting across more than 270 million square feet of parking space, reducing energy use by up to 90 percent.

\$4 Billion for RE, EE Loan Guarantees

The Department of Energy announced April 16 that it will make available \$4 billion in loan guarantees for renewable energy and energy efficiency technologies as it works to commercialize technologies unlikely to obtain traditional funding. The agency indicated that advanced grid integration and storage projects, drop-in biofuels development, waste to energy projects, existing facility enhancements, and efficiency improvements would be good candidates to receive funding.

Energy Storage Partnership Launched

Assistant Secretary for Energy Efficiency and Renewable Energy David Danielson announced April 17 new corporate members of a public-private partnership to encourage energy storage technology development. CalCharge, a consortium between Lawrence Berkeley National Laboratory and CalCEF, announced new members, including Duracell, Hitachi, Volkswagen, and LG.

RE Generation Up

The Energy Information Administration announced April 18 that renewable energy generated 6.2 percent of the country's electricity last year, an increase from 5.4 percent in 2012. Eleven states produced more than double the national number, with Maine generating the most, at 32 percent of its electricity from nonhydro renewables, primarily from biomass generation by the wood products industry.

No LNG Export Pause

Speaking at a Bipartisan Policy Center event April 21, Principal Deputy Assistant Secretary for Fossil Energy Christopher Smith said that the agency is moving ahead with the consideration of liquefied natural gas export

permits. Assistant Secretary Smith did not indicate when the agency would approve the next permit, but he implied that it would continue to assess applications on a case-by-case basis.

DEPARTMENT OF INTERIOR

BOEM SAP Rule

The Bureau of Ocean Energy Management published a rule April 17 that allows offshore renewable energy developers 12 months after they receive a lease or grant to submit either a site assessment plan or a general activities plan. The rule will take effect next month.

DEPARTMENT OF TRANSPORTATION

Vehicle Standard Harmonization

The National Highway Traffic Safety Administration issued a [notice](#) April 16 finding that United Nations committees are developing global technical regulations on pedestrian safety, head restraints, sound requirements for quiet electric and hybrid vehicles, electric vehicle safety, light vehicle tires, and side impact testing. The administration is considering whether to adopt the global technical regulations.

DEPARTMENT OF TREASURY

MLP Approvals Restart in May

The Internal Revenue Service may resume next month issuing tax approvals for energy companies that need certainty about their favorable tax status as master limited partnerships before going public. The IRS said the previous week that it had temporarily stopped issuing private letter rulings for publicly traded partnerships to consider changing its procedures.

ENVIRONMENTAL PROTECTION AGENCY

RFS Lawsuit Severance Requested

The Environmental Protection Agency, the American Petroleum Institute, and the American Fuel and Petrochemical Manufacturers filed a [joint motion](#) April 11 in the U.S. Court of Appeals for the District of Columbia Circuit asking the court to sever and hold in abeyance some challenges to the 2013 renewable fuel standard following recent oral arguments on the lawsuit. The Biotechnology Industry Organization, Growth Energy, and Renewable Fuels Association [challenged](#) the motion April 16.

US-Taiwan Climate Cooperation

During her visit to Taiwan April 14, Environmental Protection Agency Administrator Gina McCarthy [reiterated](#) long term environmental and climate cooperation pledges between the two countries. During Administrator McCarthy's visit, Taiwan announced the International Environmental Partnership, with the United States as a founding partner; the program aims to share experience and technology in environmental protection.

Mercury Standards Upheld

The U.S. Court of Appeals for the District of Columbia Circuit [upheld](#) April 15 the Environmental Protection Agency's mercury and air toxics standards for power plants. The standards apply to 600 plants, and the agency has estimated that the rule will cost the power industry \$9.6 billion a year.

US Emissions Decline

The Environmental Protection Agency [released](#) its annual *Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-2012* April 15, concluding that domestic greenhouse gas emissions dropped 3.4 percent in 2012 from 2011 levels, largely due to fuel switching by power plants from coal to natural gas and more efficient vehicles. U.S. emissions of CO₂, CH₄, HFCs, and other GHGs fell to 6,526 MMT CO₂e in 2012, the lowest since 1994, or roughly 10 percent since 2005.

Methane White Papers Released

The Environmental Protection Agency released for peer review April 15 five [white papers](#) that examine methane emissions from compressors, fracked wells, leaks, liquids unloading, and pneumatic devices, and strategies to reduce emissions of methane and volatile organic compounds from those categories within the oil and natural gas industry. The agency will rely on information from the white papers and from the review process as it considers how best to reduce methane and volatile organic emissions from the industry. If the agency pursues new regulations, it

will complete them by the end of 2016. Comments are due June 16.

FEDERAL ENERGY REGULATORY COMMISSION

RE Grid Integration

During its monthly meeting April 17, the Federal Energy Regulatory Commission advanced efforts to integrate renewable energy into the electric grid. The Commission approved or partially approved several grid operators' proposals about how they would comply with Order 764, so that it has now issued initial orders on compliance filings for all Regional Transmission Organizations.

PTC May Not Impact Nuke Economics

During the Federal Energy Regulatory Commission's monthly meeting April 17, Commissioner John Norris said that it may be time to stop talking about whether the wind production tax credit is threatening nuclear power, pointing to a recent American Wind Energy Association report on the issue finding that it has little to no impact on nuclear plant economics.

NUCLEAR REGULATORY COMMISSION

Future of Nuclear Industry

Nuclear Regulatory Commissioner William Magwood, who is leaving the commission to head the Nuclear Energy Agency, said April 18 that small modular reactors, rather than large traditional plants, could be the future of nuclear power post-Fukushima. The Department of Energy has spent \$450 million on SMR efforts, but the private sector has been wary of funding and regulatory issues.

INTERNATIONAL

Japanese Energy Strategy

Japan adopted April 11 the first long-term energy security program since the March 2011 earthquake and tsunami. The program recommends restarting nuclear power reactors, and government and industry will use it as a key guideline for generating and consuming energy over the next 20 years. The public has been strongly opposed to restarting the country's 50 nuclear power reactors.

Canadian Emissions Report

Environment Canada released its annual [National Inventory Report](#) April 11 finding that Canada's GHG emissions in 2012 were 18 percent higher than in 1990, though about five percent lower than in 2005. 81 percent of the 699 MMT CO₂e in 2012 were from the energy sector.

GEF Support

The Global Environment Facility announced April 16 that 30 developed countries have committed \$4.43 billion, which it will distribute over the next four years to help developing countries address environmental threats ranging from climate change, to deforestation, to toxic chemicals, to polluted oceans.

Clean Energy Investment Grows

Bloomberg New Energy Finance said April 16 that global clean energy investment rose by nine percent, to \$47.7 billion, in the first quarter of 2014 due to a surging demand for rooftop solar panels from the United States and Japan. Investment in low-carbon power and energy efficiency equipment has fallen for two years as industrialized countries reduced subsidies. After peaking at \$318 billion in 2011, new clean energy spending fell to \$254 billion last year.

Canadian HFC Use

Environment Canada issued a [notice](#) April 18 directing industries to submit details of their use of hydrofluorocarbons in the 2008-2012 period to meet its obligations under the Montreal Protocol. Industries must submit their data by August 19.

Indian Solar Trade Case

The United States will ask the World Trade Organization's Dispute Settlement Body April 25 to establish a dispute panel to rule whether domestic content requirements for products used in India's national solar energy program violate global trade rules. India can block the request at the meeting, but cannot veto any subsequent American request for the panel.

STATES

GA Alternative Fuel Tax Credit

Georgia enacted [legislation](#) (H.B. 348) April 4 providing a tax credit for alternative fuel heavy-duty and medium-duty vehicles that are purchased on or after July 1, 2015, but before June 30, 2017. The measure provides a credit of up to \$20,000 per heavy-duty vehicle, and \$12,000 per medium-duty vehicle.

CA Cap and Trade Revenue

California Senate President Pro Tempore Darrell Steinberg (D) outlined April 14 a plan to use revenue from the state's cap and trade program as a permanent source of funding for affordable housing, water efficiency projects, and transportation projects such as high speed rail. The plan replaces his February proposal to impose a carbon tax on transportation fuels rather than bringing them under the scope of the trading program as scheduled next year.

CH4 Higher than Anticipated

Researchers from Purdue and Cornell universities [published](#) a study in the April 14 issue of the Proceedings of the National Academy of Sciences finding that methane at far higher quantities than expected in the air above seven Pennsylvania shale gas wells prior to fracking demonstrates the need for improved methods of measuring such emissions.

\$64 Million for MD Wastewater Projects

The Maryland Board of Public Works [approved](#) April 16 \$64 million for five wastewater pipe and sewage plant upgrade projects, including \$15 million for construction of a sewage sludge digestion facility and other technology at the largest wastewater treatment facility in the Chesapeake Bay watershed. The digestion facility would capture the methane produced by the process, which would then be used as the primary fuel for an onsite power plant at the Blue Plains sewage treatment plant in Washington, D.C.

Part of MN RE Law Overturned

The U.S. District Court for the District of Minnesota ruled April 18 that a Minnesota renewable energy law that prohibits new energy facilities or imports of electricity from new facilities that would increase CO2 emissions is unconstitutional because it improperly regulates interstate commerce. Minnesota Governor Mark Dayton (D) has vowed to appeal the ruling.

MISCELLANEOUS

Joint Environmental Effort

The League of Conservation Voters and the Natural Resources Defense Council announced April 14 that they are starting LeadingGreen to raise \$5 million for federal candidates in the 2014 election and to identify big donors for broader lobbying efforts to dampen efforts by industry groups fighting climate change legislation and regulation.

Fracking and Groundwater

The National Ground Water Association released a [white paper](#) April 15 finding that that no widespread water quality or quantity issues have been certainly documented that can be attributed to fracking. At the same time, several cases exist of water contamination related to oil and gas activities such as faulty casing installations, unsealed abandoned wells, or poor material and chemical management.

Clean Energy Bond Financing

The Brookings Metropolitan Policy Program released a [paper](#) April 16 contending that state and local bond financing could serve as a new clean energy financing model as federal subsidies decrease.

* * *

View ML Strategies professionals.

