



## ML Strategies Update

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# Energy & Environment Update

## ENERGY AND CLIMATE DEBATE

The federal government released May 6 the [Third National Climate Assessment](#), a comprehensive examination of peer-reviewed science on climate change impacts in the United States. The assessment echoes the findings of the most recent reports from the United Nations International Panel on Climate Change, stating with high certainty that emissions from human activities are causing global climate change, and concludes that climate change is negatively impacting Americans already. Thirteen federal agencies overseeing the completion of the assessment under the Global Change Research Program examined climate change over a long-term timescale, observing past trends, identifying current changes, and projecting future scenarios. More than 240 scientists from across public, private, nonprofit, and academic sectors volunteered their time on the Global Change Research Act of 1990-mandate report.

Researchers opted not to put a price on domestic climate change impacts because the number would have been difficult to capture accurately, and, ultimately, far too small. The report does include figures for some potential costs posed by climbing temperatures, rising seas, and other changes to specific regions and sectors.

Following the report's release to Congress by Office of Science and Technology Policy Director John Holdren and National Oceanic and Atmospheric Administration Administrator Kathryn Sullivan, President Obama gave individual interviews with television meteorologists from across the country in an effort to widen the nation's attention to the assessment.

White House counselor John Podesta called the assessment a "tremendous undertaking," while Environmental Protection Agency Administrator Gina McCarthy participated in several related briefings, and Interior Secretary Sally Jewell participated in the roll out from California.

Members of Congress split along party lines in reacting to the release of the assessment, with Democrats saying that the report provided incontrovertible evidence that climate change impacts are already being felt across the country and confirmed the need for immediate action to address those effects, while Republicans denounced the report as a political document. Representative Henry Waxman (D-CA) and Senator Barbara Boxer (D-CA) expressed their support for the assessment. The House Sustainable Energy and Environment Coalition issued a [statement](#) welcoming the assessment. Senator James Inhofe (R-OK) dismissed the report, connecting it to Tom Steyer's climate campaign spending and the Senate's potential vote on the Keystone XL pipeline.

Atlantic Council Chair and former Utah Governor Jon Huntsman published an [op-ed](#) in the New York Times May 6, stating that the Republican party needs to have an intelligent conversation about the science of climate change,

and that reports like the National Climate Assessment should help policymakers make informed climate decisions. The Washington Post published an editorial on the same topic the same day, urging legislative action to mitigate the effects of climate change. The Wall Street Journal reported that President Obama will use the assessment to urge immediate action to address climate change as he works to turn the focus of the national debate towards the issue.

The White House released a [report](#) May 3 highlighting a series of climate actions taken so far this year in lieu of congressional action, including President Obama's strategy for reducing methane emissions, and the Environmental Protection Agency and National Highway Traffic Safety Administration's release of fuel efficiency standards for medium- and heavy-duty trucks.

President Obama outlined executive actions May 9 that the administration is taking to promote energy efficiency and solar power. The administration set a goal of \$2 billion in efficiency upgrades to federal buildings to help make them 20 percent more efficient by 2020. Speaking from a Mountain View, California Wal-Mart that has installed solar panels and energy efficient lighting, President Obama announced that more than 300 organizations have committed to expanding the use of solar energy, and the Department of Energy is expanding its Solar Instructor Training Network, while the General Services Administration works to identify solar procurements in Washington, D.C., and Northern California. President Obama also touted the White House's recently completed solar panel roof installation.

The House is in recess this week, but energy issues remain high on the Senate's agenda. The Senate fell short this evening of the 60 votes needed to invoke cloture on the Shaheen-Portman energy efficiency package (S. 2280). Senate Minority Leader Mitch McConnell (R-KY) had advised Republicans to oppose cloture unless Democrats allowed the consideration of amendments, which Senate Majority Leader Harry Reid (D-NV) blocked procedurally last week. The 55-36 vote likely marks the end of the energy efficiency debate until after the midterm election, though Senators Jeanne Shaheen (D-NH) and Rob Portman (R-OH) have vowed to continue negotiations. The bill's failure also killed a deal to take up a stand-alone measure (S. 2262) to authorize the Keystone XL pipeline. Earlier in the day, the Senate approved Steven Croley as the Energy Department's general counsel. President Obama nominated the former deputy White House counsel in August, and the Senate Energy and Natural Resources Committee approved his nomination in December. Mr. Croley previously served as senior counsel in the White House Counsel's office, and on the White House Domestic Policy Council. He has been on leave from the University of Michigan Law School.

In other news, the Senate may begin working as early as this week on the Finance Committee-approved EXPIRE Act (S. 2260), which would retroactively extend dozens of expired popular tax breaks through 2015.

## CONGRESS

### Solar Tax Questions

Senator Jeff Sessions sent a letter April 29 to Treasury Secretary Jack Lew asking about solar energy's eligibility requirements for the Section 48 investment tax credit and the 1603 grants in lieu of tax credits program. Senator Sessions questioned the impact of changing from the "placed in service" requirement in current law to a "construction begins" threshold under the investment tax credit. Since the 1603 program requires that all projects be placed in service before 2017, changing the investment tax credit eligibility window would not impact the 1603 program requirements.

### Energy-Water Nexus Paper

Senator Lisa Murkowski (R-AK) published a [white paper](#) May 6 calling on the federal government, the private sector, and academia to work together to support research to improve the efficient use of energy and water in the production and use of both resources. Senator Murkowski told the Atlantic Council that a coordinated approach to energy-water nexus issues would promote economic growth and hasten related technology development. Senators Murkowski and Ron Wyden (D-OR) introduced the Nexus of Energy and Water for Sustainability Act of 2014 (S. 1971) in January, directing the White House Office of Science and Technology Policy to establish a committee to coordinate federal energy-water nexus issues.

### House Energy and Water Markup

House Energy and Water Appropriations Subcommittee Chair Mike Simpson (R-ID) said May 7 that the committee will markup its spending bill June 10. He also said that the measure might include some funding for Yucca Mountain.

### **NDAA Includes Biofuels Amendments**

The House Armed Services Committee marked up May 7 the fiscal year 2015 National Defense Authorization Act, which included several energy-related amendments. While amendments on energy security at U.S. military installations and a potential Department of Defense pilot project on direct solar renewable energy were withdrawn or defeated, the committee adopted three biofuels amendments from Representative Mike Conaway (R-TX).

### **NRC Oversight Hearing and Yucca Licensing**

The House Energy and Commerce Subcommittee on Energy and Power held an oversight hearing on Nuclear Regulatory Commission policies May 7 at which all five commissioners testified. During the hearing, House Republicans pressed the commission to complete the licensing process for Yucca Mountain, including by seeking additional funding as necessary. Meanwhile, Chairman Allison Macfarlane resisted the call to seek additional funding.

### **WRDA Conference Complete**

Senate Majority Leader Harry Reid (D-NV) said May 8 that the conference committee has completed work on the first reauthorization of water projects (H.R. 3080, S. 601) since 2007, having resolved a climate change provision House Republicans opposed. The legislation would authorize more than \$12 million for harbor dredging, water construction, and flood-control projects, and contains language about the impact of global warming on sea levels and ocean temperatures, but does not create a Senator Sheldon Whitehouse's (D-RI) National Endowment for Oceans. The House will take up the conference report the week of May 19.

### **House Cross-Border Permitting Legislation**

The House Energy and Commerce Committee approved legislation (H.R. 3301) May 8 that would eliminate the need for presidential permits for crude oil pipelines and electric transmission lines that cross United States borders with Canada and Mexico, requiring decisions on them within 120 days of final approval of an environmental review under the National Environmental Policy Act. The House is likely to vote on the measure later this month or next, though there is no similar Senate bill.

### **House Approves Permanent R&D Credit**

The House approved, 274-131, May 9 legislation to make permanent the research and development tax credit. The \$155 million tax extender expired at the end of 2013.

### **Legislation Introduced**

Senators Jay Rockefeller (D-WV) and John Walsh (D-MT) introduced legislation (S. 2287) May 5 to facilitate the development and commercial deployment of carbon capture and sequestration technologies.

The same day, Senator Rockefeller introduced legislation (S. 2288) to amend the Internal Revenue Code of 1986 to expand existing tax credits to encourage the capture, utilization, and sequestration of carbon dioxide.

### **Upcoming Hearings**

The Energy and Natural Resources Committee will hold a hearing May 13 on the nominations of Suzette Kimball to be director of the U.S. Geological Survey, Estevan Lopez to be commissioner of the Bureau of Reclamation, and Monica Regalbuto to be assistant secretary of energy for environmental management.

The Senate Environment and Public Works Committee will hold a hearing May 14 on nuclear reactor decommissioning.

The Senate Energy and Natural Resources Committee will hold a dual nomination hearing May 20 for Federal Energy Regulatory Commission appointees Norman Bay to serve as chair and Cheryl LaFleur to serve as commissioner.

## **ADMINISTRATION**

### **Existing Plant GHG Regs on Schedule**

White House counselor John Podesta said May 5 that the Environmental Protection Agency is on schedule to propose early next month greenhouse gas standards for existing power plants. He also said that congressional attempts to override the climate regulations would fail. The White House Office of Management and Budget is currently reviewing the rule.

### **Wind Divestment Challenge Heard**

The District of Columbia Court of Appeals heard oral arguments May 5 on behalf of Ralls Corporation and the Committee on Foreign Investments in the United States, which are engaged in a dispute over whether the Chinese company received adequate due process when the federal government ordered its divestment of wind farm projects near a United State Naval installation in Oregon in the name of national security.

### **RFS Increase Requested**

The National Corn Growers Association, the biotechnology industry, and several ethanol groups sent a [letter](#) May 8 to President Obama asking him to reverse the Environmental Protection Agency's plan to ease the corn ethanol requirement in the 2014 Renewable Fuel Standard, charging that the change inhibits the administration's efforts to address climate change.

## **DEPARTMENT OF AGRICULTURE**

### **National Forest Fracking Suit**

WildEarth Guardians filed a [petition for review](#) May 7 in the U.S. District Court for the District of Utah to halt drilling and fracking in the Ashley National Forest. The U.S. Forest Service and the Bureau of Land Management approved drilling permits for Berry Petroleum Co to produce oil and gas for up to 50 years in the area.

## **DEPARTMENT OF ENERGY**

### **Biofuel Pathway R&D**

The Department of Energy released a request for information May 2 requesting comment on new biomass pathways. In 2012, the agency formally initiated an effort to identify new pathways to hydrocarbon fuels and intermediates, and selected eight pathways to guide its research and development strategy in the near term. The agency is now requesting input on the pathways, as well as input on additional pathways that should be considered in the near- to long-term. Responses are due May 30.

### **Offshore Wind Funding**

The Department of Energy selected May 7 three offshore wind demonstration projects to receive up to \$47 million each over the next four years. The projects, off the coasts of New Jersey, Oregon, and Virginia, will be connected to the power grid by 2017, and together will produce 67 MW of renewable energy.

### **QER Forthcoming**

Department of Energy Office of Energy Policy and Systems Analysis Director Melanie Kenderdine told the Center for Strategic and International Studies May 8 that the Quadrennial Energy Review will emphasize "actionable recommendations" in its first report, with a heavy focus on energy transmission, storage and distribution, and addressing electric grid vulnerabilities, particularly during the transportation of oil and natural gas by pipeline, rail, or barge. The first review is due at the end of next January, with the second, to focus on supply and consumption, to follow a year later. The third year focus is less certain, but is likely to focus on energy supply chains, and the fourth year will bring a summary report.

### **Two Efficiency Rules Finalized**

The Department of Energy finalized two efficiency standards May 9 that will save consumers up to \$38 billion by 2047. The efficiency [rule](#) for walk-in coolers and freezers, first proposed in September, will save between \$3.98 billion and \$9.09 billion by 2047, and the electric motor [rule](#) will save between \$11.3 billion and \$28.8 billion by 2045.

### **Energy and Manufacturing Competitiveness Summit**

The Department of Energy Office of Energy Efficiency and Renewable Energy and the Council on Competitiveness will hold the 2014 American Energy and Manufacturing Competitiveness [Summit](#) September 17 at the Ronald Reagan International Trade Center.

## **DEPARTMENT OF INTERIOR**

### **BLM Planning**

The Bureau of Land Management began accepting public electronic [comments](#) May 5 in its Resource Management Plans, which are under revision.

### **BLM Methane Capture**

The Department of Interior approved May 8 a 200 MW solar project on tribal trust land in Nevada, the second

significant solar project approved on such lands. The Moapa Solar Energy Center Project will power as many as 60,000 homes and will use only 30 acre-feet of water per year. At the same time, the agency awarded \$700,000 in grants for energy development to nine tribes.

## DEPARTMENT OF TREASURY

### REITs Expanded to Renewables

The Internal Revenue Service issued May 9 proposed regulations that clarify how rules for real estate investment trusts relate to renewable energy property. The proposed rules extend the financing mechanism to renewables, beginning with solar power. The proposed rules will be published in the Federal Register May 14, with a public hearing scheduled for September 18.

## ENVIRONMENTAL PROTECTION AGENCY

### Ecolabel Focus Comments

Sustainability groups submitted more than 75 [comments](#) through April 25 in response to the Environmental Protection Agency's draft guidelines for using private sector standards and ecolabels in federal purchasing, saying that the guidelines should focus more on environmental performance.

### Geologic Sequestration Regulations

The Environmental Protection Agency posted April 30 a [manual](#) for state directors applying for authority to implement a program to regulate geologic sequestration in wells. The manual instructs that in order to receive approval, the state must prove that their regulations are at least as stringent as the agency's rules, and that they must demonstrate that they can put in force the state's compliance evaluation program and show that they have statewide jurisdiction over underground injection control projects.

### Wood Heater Standard Comments

The Hearth, Patio, and Barbecue Association submitted [comments](#) May 7 on the Environmental Protection Agency's proposed emissions standards for new wood stoves and heaters, saying that they are not cost effective, and that they fail to reflect the best system of emissions reduction. The American Lung Association and several state and regional environmental agencies have submitted supportive comments, but requested that the agency accelerate standard implementation and consider more stringent limits. The agency estimates that the proposed rule would result in \$1.8 billion to \$4.2 billion in annual economic and health benefits, and will finalize the standards by next February.

### Methane from Fracking Underestimated

Cornell Professors Robert Howarth and Anthony Ingraffea said May 7 that the Environmental Protection Agency significantly underestimates the amount and potency of methane emissions, thus understating racking's climate impact. The agency estimates that methane is 21 times more potent than CO<sub>2</sub> over a 100-year period, but the Intergovernmental Panel on Climate Change has increased its estimate of CH<sub>4</sub>'s potency in every report since 1996, with current estimates at 34 times more potent than CO<sub>2</sub>. Consistent with agreements under the United Nations Framework on Climate Change, the agency will begin using a global warming potential of 25 for CH<sub>4</sub> for its national greenhouse gas inventory beginning in 2015. The National Oceanic and Atmospheric Administration's Cooperative Institute for Research in Environmental Sciences at the University of Colorado Boulder published a [study](#) May 7 in the *Journal of Geophysical Research: Atmospheres* finding that measured methane leaks from oil and gas operations in the state's Front Range were three times greater than predicted by emissions inventory estimates.

### GHG Regs Won't Impact Grid Reliability

The Analysis Group released a [study](#) May 8 finding that the Environmental Protection Agency's forthcoming power plant regulations will not threaten the reliability of the nation's electric grid. The report concluded that fears that the regulations will impact grid reliability do not account for the mission-oriented nature of the industry to ensure reliability, the anticipated long implementation period, and the inherent flexibility within Section 111(d) of the Clean Air Act.

### Efficiency Principles for Existing Plant GHG Regs

The National Association of Regulatory Utility Commissioners, the National Association of State Energy Officers, and the National Association of Clean Air Agencies established May 8 a set of energy efficiency [principles](#) they hope the Environmental Protection Agency will follow in its upcoming greenhouse gas regulations for existing power



plants.

### **Particulate Matter Standards Upheld**

The United States Court of Appeals for the District of Columbia Circuit [upheld](#) May 9 the Environmental Protection Agency's revised national ambient air quality standards for fine particulate matter. The stricter standard sets a limit of 12 micrograms per cubic meter for particulate matter, down from 15  $\mu\text{g}/\text{m}^3$ .

### **Fracking Chemical Reporting Potential**

The Environmental Protection Agency released May 9 a prepublication version of a notice considering a rulemaking that would require chemical manufacturers and processors, and oil and gas exploration companies to report on the chemicals they use in fracking. The agency will accept comments for 90 days after it publishes the advanced notice of proposed rulemaking.

### **Green Infrastructure Incorporation**

Environmental Protection Agency Region Five Stormwater Specialist Bob Newport told a Michigan Department of Environmental Quality green infrastructure conference May 9 that it is becoming more common for local and state permitting procedures and regulations to require that municipalities use green infrastructure as part of their stormwater management practices.

### **2013 RFS Upheld**

The U.S. Court of Appeals for the District of Columbia Circuit upheld May 6 the Environmental Protection Agency's decision not to reduce the overall advanced biofuel blending requirement in 2013 after it reduced the cellulosic mandate. This is the second time the court has rejected arguments that the annual standard should be set aside when the rule is issued late; the first was in 2010.

## **GOVERNMENT ACCOUNTABILITY OFFICE**

### **Alternative Jet Fuel Price Critical for Market Viability**

The Government Accountability Office issued a [report](#) May 8 finding that achieving competitive pricing for alternative jet fuels is the biggest challenge to developing a viable market that would help to reduce aviation related greenhouse gas emissions. Interested parties from government, academia, and the private sector told the office that high development costs and the uncertainty of federal regulations and policies have caused uncompetitive pricing.

## **INTERNATIONAL**

### **Mexican Energy Proposals**

Mexican President Enrique Pena Nieto proposed to Congress April 30 plans to open its state-run oil and gas resources to private international investment and establish an environmental protection agency. The National Agency for Industrial Security and Environmental Protection in the Hydrocarbon Sector, an extension of the Ministry of Environment and Natural Resources, would take over the environmental oversight and regulation of the oil and gas sector and its workers.

### **Two Canadian LNG Export Licenses Approved**

Canada's National Energy Board approved May 2 two applications for 25-year liquefied natural gas export licenses, one for export to a proposed Oregon plant. If they receive final approval, the Oregon LNG Marketing Company LLC plant would export 13.40 billion cubic meters of natural gas a year, while the Aurora Liquefied Natural Gas Ltd. Would export 24 million metric tons of natural gas a year.

### **Ascent Meeting**

United Nations Secretary General Ban Ki Moon convened the Abu Dhabi Ascent May 4-5 to discuss climate change action in advance of the September 23 Climate Summit in New York. The meeting highlighted concrete mitigation actions against climate change, as well as climate issues related to agriculture, adaptation, resilience and disaster risk reduction.

### **Chinese Voluntary Trading Market**

China's State Forestry Administration released a guidance document May 5 saying that the country will allow trading in voluntary credits from forest carbon sequestration starting June 1. The administration hopes that the trading can help reach national carbon intensity reduction targets of 40 to 45 percent based on 2005 levels by 2020.

### **Indonesia Must Stop Burning Peatland**

Participants at the May 5 Forests Asia Summit 2014 in Jakarta discussed the need to address deforestation and peatland burning in India and across the world. Peatland burning is the largest contributor to Indonesia's greenhouse gas emissions.

### **Emissions Market Shield**

The European Commission proposed May 6 expanding the list of industries in its emissions market that should be protected from relocating to regions without greenhouse gas regulations. The measure would cover 175 industries from 2015 to 2019, replacing the existing regulations that protect 164 industries from carbon leakage through 2014.

### **EU GHGs Fall**

Eurostat published preliminary figures May 7 finding that estimated greenhouse gas emissions from fossil fuels in the European Union dropped 2.5 percent in 2013 compared to 2012, from 3,439 million metric tons to 3,352 MMT. Emissions reduced in 22 of the European Union's 28 countries, with emissions continuing to rise in France, Germany, Poland, Denmark, Estonia, and Portugal.

### **OECD Supports Binding Climate Agreement**

The Organization for Economic Cooperation and Development released a [statement](#) May 7 committing all 34 member countries to work toward achieving an international legally binding instrument to address climate change beginning in 2020. The statement calls climate change a "potentially irreversible threat" to achieving global economic goals, saying that it could significantly damage food production, infrastructure, and human health.

### **Water-Energy-Agriculture Nexus**

Participants at the May 7-8 Global Water Investment Summit in London said that companies can not afford to view the management and use of water apart from energy and food production as they are closely interdependent.

### **Climate Adaptation Strategies Needed**

After a two-day meeting of the multilateral Major Economies Forum on Energy and Climate in Mexico City May 9, United States Special Envoy for Climate Change Todd Stern said that climate change negotiators are becoming aware increasingly of the need to assist other countries with climate adaptation strategies. Meanwhile, Mexico's climate change negotiators urged the world's wealthiest countries to emulate its steps to address emissions reductions. The forum was an effort by some of the globe's largest economies to agree on a shared approach to reducing emissions as they continue to prepare for a broader international agreement next year in Paris.

## **STATES**

### **VA Biofuel Incentives Extended**

Virginia Governor Terry McAuliffe (D) recently signed into law legislation (H.R. 1025) to extend the state's biofuel production incentives through 2017 and modify the program to emphasize biofuels from non-corn feedstocks.

### **OH RE Targets Delayed**

The Ohio Senate approved May 8 legislation to freeze for two years state-set targets for the amount of energy that utilities must produce from renewable sources, but does not repeal the targets permanently. The House will consider the legislation now.

### **\$5 Million for VT Clean Energy**

Entergy, the owner of the Vermont Yankee nuclear plant, paid \$5.3 million to the state for clean energy development May 8. The company also deposited \$10 million as its first payment in the Vermont Yankee Site Restoration Fund.

### **NE Transmission Line**

The Nebraska Public Power District plans to build a 220-mile power transmission line across the Sandhills, but the project is drawing significant opposition from some environmental groups. Utility officials will discuss the preferred route at public meetings this week.

## **SUSTAINABILITY**

### **Sustainable Purchasing Guidance**

The Sustainable Purchasing Leadership Council released a set of [principles](#) May 7 to help purchasers and suppliers understand what constitutes sustainable procurement. The principles will eventually feed into a

sustainable purchasing rating system, which will be piloted by the end of this year.

## MISCELLANEOUS

### Stanford Divests Coal Investments

Stanford University [announced](#) May 6 that it would divest its \$18.7 billion endowment from coal-mining companies. The Board of Trustees approved the resolution to avoid investing directly in companies that extract coal because it is a major source of greenhouse gas emissions, which cause climate change. Stanford joins eleven other universities that have removed fossil fuel stocks from their endowments.

### Oil Investment Return Threatened

The Carbon Tracker Initiative launched May 8 its research [series](#) on the highest risk projects in the oil, gas, and coal sectors. The first study found that if world governments fulfill their commitments to address climate change, \$1 trillion of capital expenditure in fossil fuels expected over the next decade would be lost.

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