



ML
STRATEGIES

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

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

ENERGY & ENVIRONMENT UPDATE

May 6, 2013

ENERGY AND CLIMATE DEBATE

As Congress returns after a week-long recess, energy-related issues and legislation are at the top of the agenda for many members and committees. On May 6, the Senate's first action is to begin debate on S. 601, the Water Resources Development Act, a bipartisan bill which would authorize water infrastructure projects including dams and dredging. On May 8, the Senate Energy and Natural Resources Committee will hold a business meeting to consider several bills, including Sen. Shaheen (D-NH) and Sen. Portman's (R-OH) energy efficiency bill, S. 761. On May 9, the Senate Environment and Public Works Committee will vote on Gina McCarthy's nomination to be Environmental Protection Agency (EPA) Administrator. While she is expected to eventually be confirmed by the full Senate, McCarthy must still navigate a hold on her nomination by Sen. Roy Blunt (R-MO) and must address over 1,000 questions submitted by Republican members of the Environment and Public Works Committee. As the congressional committees of jurisdiction continue their review of President Obama's proposed 2014 budget, Interior, EPA, and USDA officials will testify this week on various aspects of their agencies' proposed budgets. The Senate Agriculture Committee has said it hopes to consider the Farm Bill later this week, possibly Thursday. Looking beyond the upcoming week, House Majority Leader Eric Cantor (R-VA) announced that this summer he plans on bringing more energy-related bills to the floor, such as legislation to approve the Keystone XL pipeline.

CONGRESS

Groups Push Sustainability in Farm Bill

On April 30, a group of agricultural organizations sent a proposal to the House Committee on Agriculture and the Senate Committee on Agriculture, Nutrition, and Forestry to encourage sustainability measures be included in the next Farm Bill. The proposal recommended that funding not subsidize activities that could degrade soil or destroy habitat areas. Participating organizations included the Ecological Farming Association, the National Sustainable Agriculture Coalition, and the Union of Concerned Scientists.

Wyden Letter on ESPCs Sent to White House

On May 2, Senate Energy and Natural Resources Chairman Ron Wyden (D-OR) sent a letter to the White House advocating for the increased use of Energy Savings Performance Contracts (ESPCs) in order to reduce federal energy consumption more quickly. Wyden said ESPCs reduce the cost of energy and do not require any upfront cost to the taxpayers. The Obama Administration pledged in 2011 to sign \$2 billion worth of ESPCs by 2014 but has only entered into \$500 million worth of contracts to date.

ITER Letter Sent to GAO

On May 3, Senate Energy and Natural Resources Chairman Ron Wyden (D-OR) and Ranking Member Lisa Murkowski (R-AK), along with Senate Appropriations Subcommittee on Energy and Water Development Chairman Dianne Feinstein (D-CA) and Ranking Member Lamar Alexander (R-TN), sent a letter to the Government Accountability Office (GAO) requesting an investigation of the International Thermonuclear Experimental Reactor (ITER) and its impact on American fusion programs. ITER is a fusion research demonstration reactor that is currently being built in southern France. China, the European Union, India, Japan, Russia, South Korea, and the U.S. are the managers of the facility. The Senators asked the GAO to look into the cost, feasibility, and schedule of the ITER as well as whether the U.S. can delay or change its contribution to the project. The project was expected to be finished by 2017, but construction is now expected to be completed in 2020. The President's 2014 budget requested \$225 million in contributions to the facility; in FY12, the U.S. gave \$105 million.

WRDA Vote Expected This Week

The Senate is expected to vote on S. 601, the Water Resources Development Act, the week of May 6. The bill, which was recently unanimously passed by the Senate Environment and Public Works Committee, would authorize water infrastructure projects including dams and dredging.

Bills Introduced

- On April 26, Rep. Doris Matsui (D-CA) introduced H.R. 1807, The Residential Energy and Economic Savings (TREES) Act. The bill would create a grant program to encourage utilities to plant trees in order to reduce residential energy demand. The legislation was cosponsored by Rep. Earl Blumenauer (D-OR) and Rep. Barbara Lee (D-CA).

Upcoming Hearings

- On May 7, the Senate Energy and Natural Resources Committee will hold a hearing on the Helium Stewardship Act of 2013.
- On May 7, the House Science Committee's Energy and Environment subcommittees will hold a joint hearing examining the scientific and environmental issues with the Keystone XL pipeline.
- On May 7, the House Energy and Commerce Committee's Energy and Power Subcommittee will hold a hearing on energy exports.
- On May 8, the House Natural Resources Committee will examine Interior's proposed fracking rule.
- On May 8, the Senate Energy and Natural Resources Committee will hold a business meeting to consider five hydropower bills and S. 761, the Energy Savings and Industrial Competitiveness Act ("Shaheen-Portman").
- On May 9, the Senate Environment and Public Works Committee will vote on the nomination of Gina McCarthy to be Environmental Protection Agency (EPA) Administrator. The full Senate still must vote for her nomination to be confirmed.

- On May 9, the Senate Appropriations Subcommittee on Agriculture will hold a hearing on the FY14 budget request. The attached letter from fifteen senators to Chairman Pryor (D-AR) and Ranking Member Blunt (R-MO) asks that the subcommittee provide funding for USDA energy programs. [Click here to view the letter.](#)
- On May 9, the House Energy and Commerce Committee's Energy and Power Subcommittee will hold a hearing on grid reliability challenges.

ADMINISTRATION

Shelanski Nominated to Lead OIRA, Groups Expressed Concern

On April 25, President Obama nominated Howard Shelanski to serve as Office of Management and Budget (OMB) Office of Information and Regulatory Affairs (OIRA) Administrator. OIRA oversees federal regulations. Shelanski, the current Federal Trade Commission Bureau of Economics Director, will be considered by the Senate Homeland Security and Government Affairs Committee before his nomination is voted upon by the full Senate. On April 26, public interest groups expressed concern about the nomination, saying there needs to be oversight to ensure Shelanski works in the public interest.

Climate Change Adaptation Measures Supported

On May 1, White House Office of Science and Technology Policy (OSTP) Assistant Director for Climate Change and Assessment Kathy Jacobs encouraged members of both the public and private sectors to act now on climate change rather than wait for final results of the national climate assessment. The draft national climate assessment was released in January, and Jacobs did not anticipate the final results, which will be released in early 2014, to be drastically different from the draft recommendations. The draft report contained projections on decreased snow cover, increased ocean acidification, larger wildfires, more droughts, rising sea levels, and higher air, land, and water temperatures. Jacobs pushed officials to consider these projections when creating business plans.

Commerce Secretary, USTR Nominees Announced

On May 2, President Obama announced the nomination of Penny Pritzker to be Secretary of Commerce and of Michael Froman to be U.S. Trade Representative. Pritzker currently serves as founder, chairman, and CEO of PSP Capital while Froman serves as Assistant to the President and Deputy National Security Advisor for International Economic Affairs. The Obama administration has indicated that it plans to finish Trans-Pacific Partnership (TPP) talks and begin trade discussions with the European Union this year, activities overseen by the USTR. The Commerce Secretary position has been vacant since former Secretary John Bryson stepped down in June 2012 for health reasons while the Trade Representative position has been vacant since March when former USTR Ron Kirk stepped down.

Clean Energy to Improve Ties with Latin America

On May 3, President Obama called clean energy as a way to fight climate change as well as improve trade between the U.S. and Mexico. Speaking in Mexico City, the President praised both America's and Mexico's commitment to reduce carbon emissions through renewable energy sources like solar and wind energy. President Obama encouraged creating a new energy partnership between the two countries by developing energy sources and investing in green buildings and energy efficiency technology.

The following day, speaking before business leaders in San Jose, Costa Rica, President Obama called for clean energy collaboration, saying: "Let's network companies that are advancing new renewable

energy strategies and see if we can have more joint ventures and projects. Because it's my view that if any of us find good answers to renewable energy, that will spread like wildfire and everybody will ultimately benefit. It almost doesn't matter where the innovations occur because they'll be readily transferable around the world."

DEPARTMENT OF ENERGY

Energy Infrastructure Costs Report Released

On April 29, the Eastern Interconnection Planning Collaborative (EIPC) released a Department of Energy-funded report on projected energy infrastructure costs. The report examined three possible scenarios of energy policy in the eastern part of the United States. The first scenario had a status quo approach, assuming demand growth but no new major policies; the cost for that scenario was \$285 billion over the next 20 years. The second scenario included a national renewable generation standard, and the associated cost was \$772 billion over the next 20 years. The third scenario had a cost of \$978 billion over the next 20 years and included demand response programs, distributed generation, energy efficiency measures, a national renewable portfolio standard, a price on carbon, and the installation of a smart grid.

EIA Annual Outlook 2013 Case Study Released

On April 30, the Energy Information Administration (EIA) published its Annual Energy Outlook 2013 case study. The report found that extending energy efficiency and renewable energy policies, specifically the production and investment tax credits, could result in the reduction of carbon dioxide emissions by approximately 6 percent between 2013 and 2040. The production tax credit is for biomass, geothermal, and wind energy while the investment tax credit is for solar energy technology; both tax credits are currently temporary. The report assumed that there would be a decrease in demand for energy and an increase of low-carbon energy generation.

Ocean Technology Funding Opportunities Announced

On April 30, the Department of Energy announced that it would provide up to \$13 million for approximately 10 marine and hydrokinetic (MHK) energy system projects. Eligible projects must either attempt to increase the power-to-weight ratio of a system or attempt to improve system reliability. The funding opportunity has three different aspects: advanced controls, next-generation power take-offs, and optimized structures. Up to six advanced control projects will receive between \$500,000 and \$2 million each; these projects must optimize energy capture and system load. Up to two next-generation power take-offs projects designed to improve system reliability will be awarded \$3 million each. Up to two optimized structure projects will be awarded \$1 million each; these projects must attempt to mitigate extreme condition risks. Those interested in applying must submit a letter of intent by May 13.

Tribal Energy Funding Opportunities Announced

On May 1, the Department of Energy announced that it would provide up to \$7 million, subject to congressional appropriations, for clean energy projects on tribal lands. The first funding opportunity will provide up to \$4.5 million for projects that install clean energy technology in order to reduce fossil fuel consumption in new or existing buildings by 15 percent; these projects must produce a minimum of 50 kilowatts. The second funding opportunity will provide up to \$2.5 million for projects that install energy efficiency or renewable energy technologies in order to reduce fossil fuel consumption in existing buildings by 30 percent; these projects must produce at least 10 kilowatts of renewable energy.

Imported Liquid Fuels Levels Released

On May 3, the Energy Information Administration (EIA) announced that American dependence on liquid fuels imports decreased from 60 percent in 2005 to 41 percent in 2012. The EIA based this analysis off its Annual Energy Outlook 2013. The agency cited changing transportation needs, increased public transportation options, improved fuel efficiency, new alternative fuel sources, and stronger fuel economy requirements as the causes of this reduction.

Sandalow Leaving DOE for Columbia University

Assistant Secretary for Policy and International Affairs David Sandalow is stepping down from the Department of Energy May 6. As of June 1, he will become the Inaugural Fellow at Columbia University's new Center on Global Energy Policy.

Draft Environmental Impact Statement Urges FutureGen Project Move Ahead

The Department of Energy (DOE) released April 25 a draft environmental impact statement that recommended moving forward with the \$1.65 billion FutureGen 2.0 carbon capture and sequestration project. After the finding that the project would have only minor environmental impacts, the report suggested DOE move ahead with \$1 billion in American Recovery and Reinvestment Act funding, concluding: "Without DOE's investment in a utility-scale facility, the development of oxycombustion repowered plants integrated with CO₂ capture and geologic storage would also occur more slowly or not at all." The draft EIS rejected alternatives that ranged from taking no action to using alternative technology and fuel sources. The draft EIS comes on the heels of a skeptical Congressional Research Service report that questioned the project's ability to meet a 2015 deadline to use the Recovery Act funding.

ENVIRONMENTAL PROTECTION AGENCY

Labeling Rule Challenge in Abeyance Pending Supreme Court Response

On April 15, the U.S. Court of Appeals for the District of Columbia Circuit granted a motion that asked the court to hold a lawsuit challenging the Environmental Protection Agency (EPA) 15 percent ethanol (E15) labeling rule in abeyance, pending action by the Supreme Court. The motion was filed on February 17 by the Alliance of Automobile Manufacturers, the Association of Global Automakers, the National Marine Manufacturers Association, and the Outdoor Power Equipment Institute; the groups originally filed the suit over the labeling rule in September 2011. The rule would require retailers to label E15 pumps. The appeals court said it would wait for the Supreme Court to respond to petitions challenging the EPA's waivers approving use of E15 in model year 2001 and newer before addressing a challenge to the E15 pump-labeling rule.

Diesel Emissions Reduction Program Report Released

On April 29, the Environmental Protection Agency (EPA) Office of Transportation and Air Quality released a report to Congress titled *Second Report to Congress: Highlights of the Diesel Emissions Reduction Program*. The Diesel Emissions Reduction Program provides funding for the phase out of older diesel engines and is part of a larger effort to retrofit 11 million diesel engines. The grants, which were given to 350 recipients to retrofit or replace over 50,000 diesel engines, are expected to yield \$8.2 billion in health benefits and save 205 million gallons of fuel over the lifetime of the engines. The report said the current economic environment has meant drastic cuts to the program; it received \$60 million in the fiscal year 2009 (FY09) budget but is slated to receive only \$6 million in the FY14 budget. The report said these cuts mean the program will rely more heavily on state and local agencies. To accommodate the cuts, the EPA narrowed the program's focus to concentrate on areas with high emissions levels.

GAO Report on Toxic Substances Efforts Released

On April 29, the Government Accountability Office (GAO) released a report on the Environmental Protection Agency's (EPA's) efforts to achieve long-term chemical safety goals set up by the Toxic Substances Control Act. The report praised the agency's efforts but said more can be done. The EPA is required to conduct risk assessments of 83 chemicals. Seven assessments were initiated in 2012, and the agency plans to begin an additional 18 assessments in 2013 and 2014. The report recommended the EPA improve its efforts to gather data, reach out to the European Chemicals Agency for such data, consider alternatives for actions for chemicals, and identify required resources to conduct the assessments.

Second Tier 3 Public Hearing Held

On April 29, the Environmental Protection Agency (EPA) hosted a second and last public hearing on the proposed Tier 3 rule which would reduce the allowed concentration of sulfur in gasoline. Automobile manufacturers, engine manufactures, environmental proponents, public health advocates, and state regulators all expressed support for the rule. The automotive makers urged the EPA to harmonize the rule with California's Low Emission Vehicle III standards in addition to urging the petroleum industry to comply with the rule. Representatives from the petroleum industry expressed opposition to the rule, saying they found compliance with the rule will cost their industry \$2.4 billion annually. The written comment period for the rule is open through June 13.

Fracking and Drinking Water Public Comment Period Extended

On April 30, the Environmental Protection Agency (EPA) announced it would extend the request for information deadline for its report on the impact of hydraulic fracturing on drinking water. The EPA has been collecting data and literature from the public. The agency has extended the deadline from April 30 to November 15.

Region 8 Administrator Appointed

On April 30, the Environmental Protection Agency (EPA) announced the appointment of Shaun McGrath to serve as Region 8 Administrator. McGrath currently serves at Wheelhouse Associates, an energy and environment firm; he previously served as Deputy Director of White House Intergovernmental Affairs under President Obama. Prior to joining the administration, he served as mayor of Boulder, Colorado. Region 8 consists of CO, MT, ND, SD, UT, and WY in addition to 27 tribal nations. Former Region 8 Administrator James Martin resigned in February after allegations were made that he used his personal email account to complete official EPA work.

Lithium-Ion Battery Report Released

On April 30, the Environmental Protection Agency (EPA) released its report *Application of Life-Cycle Assessment to Nanoscale Technology: Lithium-ion Batteries for Electric Vehicles*. The report found that there is increased demand for lithium-ion batteries. It recommended new research on these batteries to further examine their impact on the environment and on public health. Environmental concerns raised by the report included inefficient use of the grid to charge batteries as well as the use of nickel, cobalt, and other dangerous materials in manufacturing. The report recommended the use of nanotechnology to improve battery efficiency, thus decreasing the need to create more batteries.

SRF for NY, NJ Sandy Damage

On May 2, the Environmental Protection Agency (EPA) announced it will award \$229 million to New Jersey and \$340 million to New York in grants to improve water quality following Hurricane Sandy. The grants will be in the form of state revolving funds for clean water and drinking water;

Congress appropriated money for these funds in the Disaster Relief Appropriations Act of 2013. The two states will create a priority ranking system to judge projects; the EPA said high priority should be given to projects that ensure water quality or ensure the greatest protection to drinking water systems.

DEPARTMENT OF THE INTERIOR

Gateway West FEIS Released

On April 26, the Department of the Interior Bureau of Land Management (BLM) released the final environmental impact statement (FEIS) for the Gateway West transmission project. The project, which was identified as a high priority project by the Obama Administration's Interagency Rapid Response Team for Transmission, would cross 1,100 miles between Casper, WY and Boise, ID and would be built between 2015 and 2018. The FEIS encouraged a "phased decision-making" approach, approving segments of the transmission line while siting others at the same time. The FEIS will be open for public comment through June 28; BLM plans on hosting 13 public meetings in Idaho and Wyoming on the report in the first half of May.

Endangered Species Proposed Rules under Consideration

On April 27, the U.S. Fish and Wildlife Service submitted two rules on Endangered Species Act procedures to the Office of Management and Budget (OMB) for consideration. The first rule would define the sufficient magnitude level to consider adverse modification while the second would outline implementation procedures to designate a critical habitat; the Fish and Wildlife Service has yet to publicly release the proposed rules. A third rule regarding statement details and timing was received by OMB on March 19.

Federal Land Fracking Rule Expected Soon

On April 30, Interior Secretary Sally Jewell announced that draft rules on hydraulic fracturing on federal lands were expected in a few weeks. The rules are expected to create stronger well integrity, wastewater management, and public disclosure standards. The Department first released the rules in May 2012 for a round of public comments, but it later recalled them in January in order to edit them. The resulting revisions are currently under consideration at the Office of Management and Budget (OMB) and are expected to go through another public comment period. Jewell said that while she did not have a specific date, the draft rules will be published in the coming weeks and not months.

Deputy Secretary Hayes to Leave

On April 30, Deputy Interior Secretary David Hayes announced he will leave the Department at the end of June. Hayes, who has served in this role throughout President Obama's first term, will become a senior fellow at the Hewlett Foundation where he will focus on natural resources and the environment. In addition, he will teach at Stanford Law School beginning in the fall semester. Secretary Jewell praised Hayes' work and said she would work to quickly find his replacement.

DEPARTMENT OF DEFENSE

DoD Geothermal Award

On May 3, the Army Energy Initiatives Task Force (EITF) awarded the first of its kind Indefinite Delivery Indefinite Quantity (IDIQ) Multiple Award Task Order Contracts (MATOC) to support geothermal energy on Defense Department installations. The Army has allocated \$7 billion for power purchase agreements (PPAs) to procure energy for up to 30 years from renewable energy

plants that are designed, financed, constructed, operated and maintained by contractors using private sector financing. The Army will use MATOCs to procure the power through PPAs. The five companies granted contracts for use in competing and awarding PPA task orders using geothermal technology (for a period up to 10 years) are Constellation NewEnergy, ECC Renewables, Enel Green Power North America, LTC Federal, and Siemens Government Technologies. MATOC award announcements for solar, wind and biomass technologies will be staggered throughout the year and are expected to be completed before 2014.

NUCLEAR REGULATORY COMMISSION

San Onofre Plans

On April 30, SoCal Edison, the operator of the San Onofre nuclear plant in California, announced that it would consider retiring both of the damaged reactors should the Nuclear Regulatory Commission (NRC) not approve a partial restart of one of the units. That decision could come before the end of the year. The company hoped to at least partially restart the reactor by the beginning of June, but the NRC has yet to give any indication as to when, if it would at all, green light the reactor. The facility has been offline since faulty steam generators interrupted generation in January 2012.

FEDERAL ENERGY REGULATORY COMMISSION

Commissioner Expressed Criticism of Natural Gas Debate

On April 30, Federal Energy Regulatory Commission (FERC) Commissioner Tony Clark expressed annoyance at the exaggerations on both sides of the hydraulic fracturing debate. Addressing a Natural Gas Roundtable event, Clark warned that the increased production of natural gas will raise both environmental and “a dash to gas” concerns. He also said many criticisms of state regulations are not based on science. Clark said that every energy source poses challenges, not just natural gas.

STATE DEPARTMENT

Line 67 Expansion Comment Period Opened

On May 3, the State Department announced the comment period for a proposal to double the flow of the Enbridge Inc. pipeline, Line 67. The pipeline, which was originally approved by a presidential permit in August 2009, runs from Alberta, Canada to Superior, WI. Enbridge proposed in November 2012 to double the flow of oil sands from the current level of 450,000 barrels a day to 800,000 barrels per day. The pipeline has a capacity to carry 880,000 barrels per day. While no additional pipeline will be built, new pumps and other upgrades will need to be made, particularly in Minnesota. The comment period will be open through May 13.

DEPARTMENT OF THE TREASURY

1603 Grant Program Updates Announced

On April 29, the Department of the Treasury clarified annual reporting requirements for recipients of the 1603 Treasury Grant Program. Beginning in May, projects have to identify whether the owner has filed for bankruptcy or whether the property has stopped producing electricity. In addition, projects now have to provide detail about sales of projects. Treasury may use this information to try to recover funds from those projects that are no longer producing power or have declared bankruptcy.

Renewable Energy REIT IPO's on New York Stock Exchange

Hannon Armstrong Sustainable Infrastructure Capital (NYSE: HASI) had its initial public offering on the New York Stock Exchange in late April. Investors and policymakers have increasingly looked at the possibility of using Real Estate Investment Trusts (REITs) and Master Limited Partnerships (MLPs) to raise low-cost capital more efficiently for renewable energy projects. Opening the MLP structure to renewable energy projects requires legislation—currently pending in the House and Senate—but doing the same for REITs only requires a Treasury ruling. Hannon Armstrong received a Private Letter Ruling (PLR) from the IRS last year, but the contents are not publicly available yet. Hannon Armstrong won't disclose the details of the PLR; nevertheless, for Hannon Armstrong to convert to a REIT structure, the IRS must have given assent in the PLR that solar, wind, and geothermal can be suitable REIT assets. As the IRS issues more PLRs and publishes Hannon Armstrong's PLR, interested parties will be able to piece together details on the exact requirements for how to make renewable assets REITable.

GENERAL SERVICES ADMINISTRATION

LEED Standard Supported by Advisory Panel

On May 1, the General Services Administration (GSA) Green Building Advisory Committee approved a plan to extend the use of the current Leadership in Energy and Environmental Design (LEED) green building system as the standard for government buildings for the next five years. The committee supported the proposal by a vote of 10-6; proponents of the plan said the system is widely accepted in the marketplace while opponents said new standards may be released in the next couple years. The plan was sent to GSA which is deciding between LEED, the Green Building Initiative's Green Globes, the International Living Future Institute's Living Building Challenge, and a combination of all three as the standard for new or retrofitted buildings. GSA will send its recommendation to the Department of Energy this summer. GSA, the Department of Energy, and the Department of Defense will then approve a final decision.

INTERNATIONAL

Climate Talks

From April 29 to May 3, representatives from 176 countries attended the Second Session of the Ad-hoc Working Group on the Durban Platform for Enhanced Action, to finalize a 2015 global climate agreement so it can fully go into effect in 2020. Following the opening meeting, eight small group sessions were held. The Africa Group, the Arab Group, China, the European Union, the Group of 77, and Latin American countries called for ambitious action but did not offer up any suggestions that softened their current stances on post-2020 actions. The Group of Least Developed Countries (LDC) recently announced it would agree to comply with the emissions standards set up in these talks even though they are not obligated to fulfill them. In addition, talks emerged on the creation of a 2050 universal target for reductions of greenhouse gas emissions. It is unclear if the 2050 targets will be in addition to post-2020 targets or in place of these targets. Talks will continue with UNFCCC subsidiary bodies from June 3 to June 14.

World Meteorological Organization Says World Continues to Warm

As talks continue on a global climate agreement, the World Meteorological Organization announced that temperatures in 2012 were the ninth-warmest on record. According to its latest annual report, *Statement on the Status of the Global Climate*, 2012 also ranked as the 27th straight year the average land temperature exceeded the average of the 1961-1990 period.

Canada Announces \$81 Million for Energy Efficiency Projects

Canadian Prime Minister Stephen Harper announced the Canadian government has approved \$81 million for 55 energy efficiency projects, as part of the Canadian government's ecoEnergy Innovation Initiative. The funded projects include 15 pre-commercialization demonstrations and 40 research and development projects to address knowledge gaps and prepare technology concepts for testing.

STATES

CA Fracking Moratorium Bills Advanced

On April 29, the California General Assembly Natural Resources Committee approved three bills that would restrict hydraulic fracturing. AB1301 places a moratorium on the practice until regulations are finalized, and AB1323 and AB649 establish an advisory committee to examine and recommend possible regulations. The bills, which were each approved by a vote of 5-3, will now be sent to the Assembly Appropriations Committee.

CA RPS Eligibly Guidebook Adopted

On April 30, the California Energy Commission adopted the seventh edition of the Renewables Portfolio Standard (RPS) Eligibility Guidebook. The guidebook includes new language on biomethane as a renewable source: any current or planned biomethane facility must submit information on the site's RPS status within 90 days of the adoption date of the guidebook.

NY CHP Project Funding

On May 2, New York Governor Andrew Cuomo (D) announced the state would provide funding for combined heat and power (CHP) projects designed to generate energy on-site during power outages. The \$36 million funding opportunity was made at the recommendation of the NYS 2100 Commission following Hurricane Sandy. Applications will be accepted on a first come, first serve basis through December 30, 2016.

SUSTAINABILITY

S&P 500 Sustainability Reporting Study Released

On April 29, the Investor Responsibility Research Center Institute (IRRCI) and the Sustainable Investments Institute (SI2) released a joint report titled *Integrated Financial and Sustainability Reporting in the United States* which examined the sustainability reporting of the top American Standard and Poor's 500 companies. The report found that 499 of the 500 companies reported at least some aspect of sustainability practices in either voluntary reports or Securities and Exchange Commission filings in 2012. However, only seven companies completed integrated reporting, combining sustainability reporting with financial reporting. 68 percent of the companies disclosed environmental management practices; 66 percent discussed the impact of climate change in their reports.

Support for Integrated Financial Reports, Water Security

On May 2, panelists at the Ceres 2013 Conference advocated for cooperation between businesses, environmental groups, and investors to address water security problems. The panelists cited the recent example of drought in Colorado leading to the low water levels at the Hoover Dam as a reason to act as soon as possible. The panelists advocated for integrated financial reports that include information on climate change, food shortages, energy, and water. Investors are supportive of sustainability disclosure, particularly of water risk disclosure; a lack of information makes many investors think of the worst case scenario.

MISCELLANEOUS

Global Carbon Markets Report Released

On April 29, the Center for American Progress released its report *Carbon Markets Crossroads* which examined global carbon markets where climate-change securities received by reducing greenhouse gas emissions are traded. The report found that these markets could encourage investment, reduce poverty, and stimulate growth. Recommendations put forward by the report include improved communication on innovations, political commitments to invest, removal of fossil fuel subsidies, stronger emissions reduction goals, and a summit hosted by the World Bank and International Monetary Fund.

FY14 Budget Analysis Released

On May 2, the American Association for the Advancement of Science (AAAS) partially released its analysis of fiscal year 2014 (FY14) requested budget. It found that the energy research programs at the Department of Energy saw a 45 percent increase from anticipated FY13 levels. The proposed FY14 budget would allocate \$3.1 billion while AAAS estimated the Department received \$2 billion in FY13 for research. The White House has not released FY13 allocations because the Continuing Resolution and sequestration led to budget uncertainty. The Office of Science and Technology Policy recently reported that the administration would provide \$2.7 billion to 13 agencies as part of the U.S. Global Change Research Program; that allocation is up 6 percent from FY12 levels. Despite the increases over FY12 and FY13 levels, the AAAS warned that science funding as a percentage of gross domestic product (GDP) has drastically fallen since 1970. The full AAAS report will be released in about six weeks.

Hydraulic Fracturing Water Study Released

On May 2, Ceres released its report *Hydraulic Fracturing & Water Stress: Growing Competitive Pressures for Water* which analyzed fracking wells in high or extremely high water stress areas. High water stress areas have 40 to 80 percent of available water being used for agricultural, industrial, or municipal purposes while more than 80 percent of water is being used for these purposes in extremely high water stress areas. The report found that about 47 percent of all U.S. wells are in either high or extremely high water stress areas. 92 percent of wells in Colorado are in extremely high water stress areas while 51 percent of wells in Texas are in high or extremely high water stress areas. The report recommended the recycling of water or the use of alternative sources.

Report Says Creating National Response to Drought Will be Difficult

A persistent drought across much of the country has prompted congressional interest in policies to address the problem. However, in a recently released report from the Congressional Research Service, *Drought in the United States: Causes and Issues for Congress*, the authors conclude that the unpredictability of drought, the divided federal, state, and local drought response and management responsibilities, and differences in regional conditions and drought risks hinder the ability to shape national policies.