



## ML Strategies Update

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## Energy & Environment Update

### ENERGY AND CLIMATE DEBATE

The House and Senate are in session until the July 4 recess. Congress and the White House will focus much of the week trying to save the trade agenda; the House will vote again this week on the Trade Adjustment Assistance Act after Democrats and 158 Republicans refused to support the measure, though the chamber passed legislation giving President Obama fast track Trade Promotion Authority. The Senate will continue to work on the National Defense Authorization Act, nominations, and appropriations measures. The House is scheduled to vote on healthcare, ISIS, intelligence, and appropriations legislation.

Energy issues, including the Environmental Protection Agency's proposed ozone rule, coal ash standards, the Renewable Fuel Standard, appropriations, and nominations, will see some time in several committee hearings.

After the Senate Energy and Natural Resources Committee finished its fourth hearing last week on the last of four titles of its forthcoming broad bipartisan energy bill, Committee Chair Lisa Murkowski (R-AK) and Ranking Member Maria Cantwell (D-WA) are beginning negotiations over what to include in the measure. All together, the committee considered 114 measures for possible inclusion in the broad bill, and committee leadership and staff are entering discussions about draft language for the package. Senator Murkowski said last week that she intends to draft the legislation before August.

In the meantime, delegates from 196 countries concluded in Bonn, Germany, last week the last full set of international climate negotiations before the end of the year United Nations summit in Paris by directing negotiating track co-chairmen Ahmed Djoghlaif and Dan Reifsnnyder to alter and refine the text before the next formal round of talks, scheduled for August 31-September 4. Many of the significant issues remain to be addressed.

### CONGRESS

#### Secret Science Cost Estimate

The Congressional Budget Office released June 5 a [cost estimate](#) of the Senate's Secret Science Reform Act (S. 544) echoing findings of an earlier House bill estimate and concluding that the legislation would cost the agency \$250 million a year to implement. The House passed its nearly identical version of the measure March 18.

#### Furnace Rule Comments

121 House members sent a letter June 8 to Energy Secretary Ernest Moniz expressing concerns about the Department of Energy's proposed residential furnace rule, charging that the standard will increase natural gas consumer costs, forcing them to switch to less efficient alternatives that undermine the Energy Policy and Conservation Act's efficiency goals. The representatives encouraged that agency to create separate product classes and efficiency standards for condensing and non-condensing furnaces. The American Gas Association

released a statement June 11 outlining what it calls a significant flaw in the model used to determine how the proposed standard would impact consumers, and is working with other industry and environmental groups to develop an alternative standard. The March proposed rule would require residential nonweatherized gas furnaces and mobile home furnaces to meet a 92 percent minimum annual fuel utilization efficiency standard by 2021. The public comment period comment period closes July 10.

### **CPP and Small Business**

Seven Republican members of the Senate Small Business and Entrepreneurship Committee sent a [letter](#) June 10 to Environmental Protection Agency Administrator Gina McCarthy charging that the agency continues to not properly follow statutory requirements for gathering the input of small businesses as it prepares to finalize its Clean Power Plan and asking her to respond to May findings from the Small Business Administration's Office of Advocacy.

### **Interior-EPA Spending**

The House Appropriations Subcommittee on Interior, Environment, and Related Agencies approved June 10 a measure to fund the Environmental Protection Agency, the Interior Department, and other agencies for fiscal year 2016. The \$30.17 billion spending measure includes an 8.6 percent decrease in Environmental Protection Agency funding, a mostly flat Fish and Wildlife Service and the Forest Service budget, and a 2.8 funding increase for the Bureau of Land Management. The bill includes several policy riders blocking the Environmental Protection Agency's carbon rules for power plants and the Waters of the U.S. Rule.

### **Methane Standards**

Senate Environment and Public Works Committee Chair Jim Inhofe (R-OK), Energy and Natural Resources Committee Chair Lisa Murkowski (R-AK), and several of their colleagues sent a letter June 11 to President Obama saying that a pending Environmental Protection Agency proposal to regulate oil and natural gas wells methane and volatile organic compound emissions is unnecessary and misguided and suggesting that the agency assess industry emissions reductions through voluntary measures and existing standards.

### **EPA Nominations**

Senate Environment and Public Works Committee Chair Jim Inhofe (R-OK) suggested during a nomination hearing June 11 that Senate Republicans may block all pending Environmental Protection Agency nominations under Administrator Gina McCarthy answers their questions about the Waters of the U.S. Rule, the Clean Power Plan, and other controversial rulemakings, despite qualified nominees.

### **Gas Pipeline Corridors**

The House Natural Resources Committee approved June 11 the National Energy Security Corridors Act (H.R. 2295) to authorize the Department of Interior to designate corridors for gas pipelines in national parks. The measure would allow for faster developments of gas pipelines in the Eastern United States, where at least 10 corridors would be required.

### **State Department Funding**

The House Appropriations Committee approved June 11 its fiscal year 2016 State Department spending bill. The measure includes no funding for the Green Climate Fund, which President Obama pledged \$3 billion for over several years in November. President Obama requested \$500 million for the fund in his fiscal year 2016 budget request. The bill also includes no funding for the Intergovernmental Panel on Climate Change nor the Strategic Climate Fund or the Clean Technology Fund. It allows U.S. companies to finance coal-fired power plants overseas and overrides regulations limiting coal under the Overseas Private Investment Corporation, the Export-Import Bank, and the World Bank.

### **Ozone Hearing**

Testifying before the House Energy and Commerce Subcommittee on Energy and Power June 12, Environmental Protection Agency Acting Assistant Administrator for Air and Radiation Janet McCabe defended the agency's proposal to tighten the current ozone standard of 75 parts per billion to somewhere in the range of 65-70 ppb. Some committee members expressed concern over the standard's potential economic, jobs, and noncompliance impacts.

### **CPP Manatee Impact**

House Natural Resources Committee Chair Rob Bishop (R-UT) and Senate Environment and Public Works Committee Chair Jim Inhofe (R-OK) sent a letter June 15 to Environmental Protection Agency Administrator Gina McCarthy over the agency's consultation with the Interior Department over the impacts of its proposed Clean Power Plan on protected species.

### **Legislation Introduced**

Representative Eric Swalwell (D-CA) introduced legislation (H.R. 2687) June 8 to authorize an energy critical elements and to amend the National Materials and Minerals Policy, Research, and Development Act of 1980.

Senators Mazie Hirono (D-HI) and Ron Wyden (D-OR) introduced legislation June 9 to require the Department of Defense to reduce its reliance on fossil fuels and become more energy efficient. The Department of Defense Energy Security Act authorizes research to improve the fuel efficiency of military vehicles, requires the agency to centrally collect operational energy-related research and development efforts, and establishes a fund to develop alternative fuel vehicle infrastructure.

Senators Sheldon Whitehouse (D-RI) and Brian Schatz (D-HI) introduced the American Opportunity Carbon Fee Act (S. 1548) June 10. The measure would set an initial \$45/ton CO<sub>2</sub>e excise tax on large manufacturers and fossil fuel importers and producers beginning in 2016 that would increase each year by two percent. The measure would generate an estimated \$2 trillion over ten years and would be used to offset payroll taxes, increase social security, Veterans, and disability benefits, fund state low-income and rural household worker transitioning programs, and other household payouts while reducing the top marginal corporate income tax from 35 to 29 percent.

Representative David McKinley (R-WV) introduced legislation (H.R. 2724) June 10 to amend the Energy Policy Act of 2005 to reauthorize hydroelectric production incentives and hydroelectric efficiency improvement incentives.

Senator Ben Cardin (D-MD) introduced legislation (S. 1554) June 11 to amend the Federal Water Pollution Control Act and to direct the Secretary of the Interior to conduct a study with respect to stormwater runoff from oil and gas operations.

Representative Jerry McNerney (D-CA) introduced legislation (H.R. 2763) June 12 to provide support to develop career and technical education programs of study and facilities in the areas of renewable energy.

### **Upcoming Hearings**

The Senate Energy and Natural Resources will hold a nomination hearing June 16 to consider Jonathan Elkind to serve as assistant secretary of energy for international affairs and Monica Regalbutto to serve as assistant secretary of energy for environmental management.

The House Energy and Commerce Subcommittees on Energy and Power and Commerce, Manufacturing, and Trade will hold a hearing June 16 on the potential impacts of the Environmental Protection Agency's proposed ozone standard on manufacturers.

The House Natural Resources Subcommittee on Energy and Mineral Resources will hold a hearing June 16 on Arctic Resources and American Competitiveness.

The Senate Environment and Public Works Committee will hold a hearing June 17 on the Environmental Protection Agency's final coal ash rule.

The House Science Subcommittee on Energy will hold an oversight hearing June 17 on the Department of Energy's Energy Innovation Hubs.

The Senate Energy and Natural Resources Subcommittee on Water and Power will hold a hearing June 18 to consider several energy and water bills.

The Senate Homeland Security and Governmental Affairs Subcommittee on Regulatory Affairs and Federal Management will hold a hearing June 18 to examine the Environmental Protection Agency's proposed renewable fuel standards for 2014-2016. Environmental Protection Agency Acting Assistant Administrator for the Office of Air and Radiation Janet McCabe will testify.

## **ADMINISTRATION**

### **Climate Resilience Partnership**

During an event at the United States Institute of Peace June 9, White House Senior Advisor Brian Deese and White House Office of Science and Technology Policy Director John Holdren formally launched an international public-private [partnership](#) aimed at improving climate change resilience in developing nations. The \$34 million partnership includes participation from the American Red Cross, Asian Development Bank, Esri, Google, Inter-American

Development Bank, the Skoll Global Threats Fund, and the government of the United Kingdom. President Obama first announced the partnership, intended to provide data, information, tools, and training to help developing countries strengthen their climate change resilience, during a United Nations climate change summit in New York last fall.

### **Agriculture Emission Reductions**

The White House announced June 10 the commitment of Unilever NV, Wal-Mart Stores Inc., and other large agriculture-reliant companies to encourage farmers who supply them to reduce CO2 emissions. At the same time, the Department of Agriculture will spend \$7 million on 550 renewable energy projects and upgrades at small farms and businesses in rural areas.

### **Sustainability Goal Progress**

The White House announced June 10 that the federal government has made progress on its [sustainability](#) goals over the last year, with agencies reporting a 17.4 percent reduction in greenhouse gas emissions from fuels, building energy use, and other direct sources in fiscal year 2014, compared with a 2008 baseline. Agencies reported a 17.2 percent reduction in fiscal year 2013. The same day, the White House Council on Environmental Quality released a [manual](#) providing guidance for agencies as they work to achieve the president's sustainability goals for the next decade, including reducing greenhouse gas emissions by 40 percent and reaching 30 percent renewable energy by 2025.

## **DEPARTMENT OF ENERGY**

### **EV Agreement**

The Department of Energy and Edison Electric Institute signed a memorandum June 8 agreeing to hasten the development of more electric vehicles and charging infrastructure. The institute plans for all of its power company members to participate in an employee educational [program](#) on electric vehicles by the end of 2017.

### **Davidson to Depart**

Energy Secretary Ernest Moniz announced June 9 that Department of Energy Loan Program Office Executive Director Peter Davidson will step down at the end of June. Lime Rock Partners Managing Director and Chief Financial Officer Mark McCall will assume the position in July, and the office's Chief Operating Officer Dong Kim will serve as acting executive director in the interim. Mr. Davidson joined the agency in May 2013.

## **DEPARTMENT OF INTERIOR**

### **Wastewater and Earthquakes**

The U.S. Geological Survey released a [report](#) June 10 finding that the disposal of oil and gas underwater by injecting it underground is the primary cause of the increased number of domestic earthquakes. The report concluded that earthquakes of greater than 3.0 magnitude have risen from an average of 24 a year from 1973-2008 to an average of 193 a year between 2009-2014, as oil and gas activity has increased, though the increase in seismic activity is not tied directly to fracking.

### **Bakersfield Plan Challenged**

Earthjustice, the Center for Biological Diversity and Los Padres Forestwatch filed a lawsuit in the U.S. District Court for the Central District of California June 10 charging that the Bureau of Land Management failed to sufficiently analyze the impacts of allowing oil and gas drilling when it approved the Bakersfield Resources Management Plan and related environmental impact statement. The groups contend that the bureau violated the National Environmental Policy Act by failing consider a full range of alternative plans and not fully discussing the impacts of fracking and other well stimulation activities on air and water quality, greenhouse gas emissions, and plants and animals. The bureau approved the plan last December.

## **DEPARTMENT OF TREASURY**

### **Safe Harbor Applicability**

The Internal Revenue Service Office of Chief Counsel release a chief counsel advice memorandum June 12 finding that a partnership allocating tax code Section 28 energy credits among its partners cannot rely on the Revenue Procedure 2007-65 safe harbor because it applies only to Section 45 wind energy production credits, and not credits claimed under Section 48 with respect to the cost basis of solar generators.

## **ENVIRONMENTAL PROTECTION AGENCY**

### **CPP Challenged Rejected**

The U.S. Court of Appeals for the District of Columbia District dismissed June 9 a lawsuit brought by Murray Energy

and 14 states against the Environmental Protection Agency's proposed Clean Power Plan, finding that it was unprecedented for the courts to block a proposed rule, rather than a final regulation. Murray Energy plans to resume its legal challenge once the agency finalizes the rule in August.

### **CPP Jobs Impact**

The Economic Policy Institute released a [report](#) June 9 finding that the Environmental Protection Agency's Clean Power Plan would result in a net increase of 360,000 new jobs by 2020, with continued slower net job gains of about 15,000 jobs by 2030. The agency has estimated that the plan would create 120,000 jobs and cause 24,000 job losses.

### **RFS Published**

The Environmental Protection Agency published its proposed Renewable Fuel Standards for 2014 through 2016 in the Federal Register June 10, kicking off the public comment period, which will close July 27. The agency plans to finalize the rule by November 30.

### **Aircraft GHG Endangerment Finding**

The Environmental Protection Agency released June 10 a proposed [endangerment finding](#) concluding that greenhouse gas emissions from aircraft endanger public health and the environment and should be regulated. The finding included an advance notice of proposed rulemaking suggesting that the agency would follow international standards currently under development, and cautioned that any regulations would likely be issued by a future administration. The United Nations International Civil Aviation Organization is scheduled to complete an international CO2 emissions standard for aircraft by February 2016. If the agency finalizes its endangerment finding, which it may do next year, it is not likely to complete any aircraft emission standards until 2018.

### **Wood Stove Standards Challenged**

The Hearth, Patio, and Barbecue Association asked the U.S. Court of Appeals for the District of Columbia Circuit June 10 to consider whether the Environmental Protection Agency illegally established 2020 performance standards for wood-burning heaters, residential hydronic heaters, and residential forced-air furnaces. The Pellet Fuels Institute and Tulikivi U.S., which also sued the agency over the wood-burning stove rule, must file their statements of issues by June 15.

### **Cost Control Manual Updates**

The Environmental Protection Agency issued a [notice of data availability](#) June 12 seeking additional input on its estimate of the useful life of selective catalytic reduction and selective non-catalytic reduction controls for nitrogen oxide emissions, precursors to ozone. The agency is also seeking input on the differences in installation between power plants, other industrial facilities, possible emissions control contingencies, and additional data on replacing catalysts in selective catalytic reduction units. The agency uses the [Control Cost Manual](#), last updated in 2003, to determine its regulatory costs and decide which emissions controls qualify as best achievable control technology in new source review permits and best available retrofit technology as part of the regional haze program.

### **Section 321(a) Case**

The Environmental Protection Agency asked the U.S. Court of Appeals for the Fourth Circuit June 12 to overturn a lower court order compelling discovery in a lawsuit over Clean Air Act regulations' impact on jobs. The agency argued that the U.S. District Court for the Northern District of West Virginia ordered the agency to provide more information than was necessary to determine whether the jobs review is required.

## **FEDERAL ENERGY REGULATORY COMMISSION**

### **PJM Reliability Plan Approved**

The Federal Energy Regulatory Commission approved June 10 PJM Interconnection LLC's proposal to increase reliability at power plants and avoid a repeat of the shutdowns and price spikes during the cold 2014 winter. PJM runs the 13-state electric grid from the mid-Atlantic to the Midwest. The plan takes effect in 2018 after a capacity auction this year.

### **Order 745 Decision Forthcoming**

The Federal Energy Regulatory Commission Commissioner Cheryl LaFleur told the Energy Efficiency Forum June 11 that the U.S. Supreme Court is likely to decide a case by early next year on whether the commission has the authority to run a demand-response compensation program in wholesale electricity markets. Case briefs will be filed by September.

### **Cove Point Continues**

The U.S. Court of Appeals for the District of Columbia Circuit denied June 12 a request from environmental groups

to stop the ongoing construction at Dominion's Cover Point liquefied natural gas export facility in Maryland.

## INTERNATIONAL

### Israeli Offshore Gas

Israel's National Infrastructures, Energy, and Water Resources Ministry said June 7 that it will delay releasing a report showing that the country's Leviathan offshore gas field contains 25 percent less gas than the amount developers declared in order to give companies time to reach an understanding with the lower estimate.

### Chinese Emissions to Peak

The London School of Economics released a study June 8 finding that China's greenhouse gas emissions will likely peak in 2025, and could peak slightly earlier. The study concludes that the nation's emissions will hit levels of 12.5-14 BMT CO<sub>2</sub> in 2025, after which emissions will decline.

### Canadian Technology Strategy

Canadian Prime Minister Stephen Harper said June 8 that the country will use innovation to meet its greenhouse gas targets and avoid significant industrial disruption. The country plans to reduce emissions by about a third by 2030 using innovative technologies.

### South Korean Nuclear

South Korea's Ministry of Trade, Industry, and Energy [announced](#) June 8 that the country has canceled plans to build four coal-fired power plants and instead support more nuclear energy use because of carbon emissions. The government plans to build two new 1.5 GW nuclear power plants by 2029, adding to its 23 active nuclear power plants and 11 others already under production. If all of the plants are completed, the country would house 36 active nuclear power plants within 15 years. The move is part of the nation's bi-annual electricity supply and demand blueprint update.

### \$100 Billion Pledge Details Needed

French Minister for Ecology, Sustainable Development, and Energy Ségolène Royal said June 9 that the fate of the global climate agreement at the end of the year in Paris could rest on whether developed countries act not to detail how they will raise the \$100 billion a year they pledged in Copenhagen six years ago to help developing nations vulnerable to the impacts of climate change.

### Ethiopian INDC

Ethiopia submitted its Intended Nationally Determined Contribution June 10 to the United Nations in advance of the global climate negotiations in Paris at the end of the year. 39 targets have now submitted their national emissions goals.

### Alberta Oil Sands Moratorium

103 American and Canadian scientists called June 10 for a moratorium on further development of Alberta's oil sands, calling a continued expansion contrary to efforts to address global climate change.

### World Energy Review

BP Plc. Released its annual Statistical Review of World Energy June 10 finding that CO<sub>2</sub> emissions from energy use had the slowest growth last year since the 2009 1.5 percent drop because Chinese coal consumption flattened. Greenhouse gases from burning fossil fuels rose 0.5 percent from the previous year.

### Bonn Talks

The last full set of international climate negotiations before the end of the year United Nations summit in Paris began June 1 in Bonn, and negotiations concluded June 11. The talks sought to [pare down](#) and refine the lengthy negotiating text in an attempt to lay the groundwork for the final Paris accord, and delegates from 196 countries ended the talks by giving the negotiating track co-chairmen Ahmed Djoghlaif and Dan Reifsnnyder a [mandate](#) to make significant alternations to the document before then. The two plan to release their updated draft by July 24, and the document will be the basis for negotiations at the next formal round of United Nations climate negotiations August 31-September 4.

### Canadian LNG

Malaysia's Petronas and partners announced June 11 conditional approval of a \$29.2 billion liquefied natural gas project in western Canada, contingent on federal environmental assessment and provincial project agreement approvals.

### Global Emissions Peak

The International Energy Agency released a report June 15 finding that countries can peak global energy related greenhouse gas emissions by as early as 2020 if the world increases energy efficiency, reduces fossil fuel reliance, and increases renewable energy.

### **EU-China Climate Agreement**

The European Union and China will sign an agreement June 29 to address climate change and promote low emission technologies and developing carbon markets and sustainable cities in advance of the end of the year global climate negotiations in Paris.

## **STATES**

### **NE Renewable Energy Tax**

Hawaii Governor David Ige (D) signed into law June 8 four energy bills, including one (H.B. 623) strengthening the state's commitment to clean energy by directing state utilities to generate 100 percent of their electricity sales from renewable energy sources by 2045. Other new laws include measures that provide for community-based renewable energy farms and establish net-zero energy goals for the University of Hawaii System.

### **LA Solar Tax**

The Louisiana House of Representatives passed legislation (H.B. 779) June 10 curbing tax credits for the installation of solar energy systems, sending the measure to Governor Bobby Jindal (R) for his signature. The state Senate approved the measure June 8.

## **MISCELLANEOUS**

### **Solar Growth**

GTM Research and the Solar Energy Industries Association released a report June 9 finding that the United States added just over 1.3 GW of new solar energy in the first quarter, a slight drop from the same period last year. Heavy snowfall in much of the country impacted installation figures but new residential solar hit a record-breaking 437 MW, more than half of new generating capacity in the first quarter was solar; and the industry is projected to add 7.9 GW of new solar this year.

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