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ENERGY & ENVIRONMENT UPDATE July 1, 2013

ENERGY AND CLIMATE DEBATE

The eyes of the energy and environment world turned to Georgetown University on June 25 as President Obama unveiled his new comprehensive carbon pollution reduction [plan](#). The tri-fold strategy includes emissions regulations for new and existing power plants and initiatives to increase domestic renewable energy and energy efficiency usage, including heavy-duty vehicle fuel economy standards and renewable energy projects on public land. The president also announced that he would only approve the Keystone XL pipeline if it is not found to exacerbate CO2 emissions. Additionally, the U.S. will push for an ambitious yet flexible agreement at the U.N. Framework Convention on Climate Change November summit. Later that day, the White House released a [Presidential Memorandum](#) requesting the Environmental Protection Agency create greenhouse gas emission rules for new and existing power plants.

Following the announcement, proponents and critics expressed their opinions on the plan. Former Vice President Al Gore commended the president, and several governors and mayors, including California Governor Jerry Brown (D) and Sacramento Mayor Kevin Johnson (D), expressed support for the plan. A handful of utilities, most impacted by Hurricane Sandy, also praised the proposal. The American Trucking Associations announced that they look forward to new heavy-duty vehicle fuel economy standards. Canadian Natural Resources Minister Joe Oliver announced that the government remains confident that the Keystone XL pipeline will be approved. Congressional Republicans, meanwhile, slammed the plan. Senators John Barrasso (R-WY), Lindsey Graham (R-SC), Jim Inhofe (R-OK), John McCain (R-AZ), Mitch McConnell (R-KY), and Lisa Murkowski (R-AK) and Representatives John Shimkus (R-IL) and Ed Whitfield (R-KY) all expressed concern that the plan overextends the reach of the executive branch.

While the president's plan does not require major congressional action, the Appropriations Committees are expected to become battlegrounds for greenhouse gas emissions as they consider several FY14 appropriations bills. This past week, committees in both chambers considered and approved the FY14 Energy and Water Appropriations bills. The bills became a source of contention

for riders, such as an amendment by Representatives Rodney Alexander (R-LA) and Tim Ryan (D-OR) urging action on LNG export terminals which was approved by voice vote. See a more detailed discussion of the energy and water appropriations bills below.

On June 27, Senate Finance Chairman Max Baucus (D-ND) and Ranking Member Orrin Hatch (R-UT) informed their colleagues that they will introduce a blank slate as the legislative starting point for tax reform, essentially wiping every tax deduction and expenditure off the books. The letter states that senators should submit detailed proposals by July 26 about which provisions should be added back. While conventional wisdom continues to hold that the path to passage for comprehensive tax reform faces a steep, if not impossible, climb, it is worth noting that the letter is a creative way to make senators put their cards on the table as to which expenditures they really want to support. While it is unknown exactly when the plan will be released, House Ways and Means Chairman Dave Camp (R-MI) is expected to unveil his tax proposal sometime soon.

On June 25, Penny Pritzker was confirmed 97-1 to serve as Secretary of Commerce. Two days later, the Senate approved Anthony Foxx to serve as Transportation Secretary, Allison Macfarlane to serve as Nuclear Regulatory Commission Chairman, and Howard Shelanski to serve as Office of Information and Regulatory Affairs Administrator. Foxx was approved 100-0 while Macfarlane and Shelanski were approved by voice vote. Major nominations still await finalization. On June 25, Senate Environment and Public Works Chairman Barbara Boxer announced that she was working to ensure support for Environmental Protection Agency Administrator Nominee Gina McCarthy from Senators Kelly Ayotte (R-NH) and Susan Collins (R-ME). Senator Ayotte said she wished to meet again with McCarthy but that she is considering supporting the nomination. Senator Collins did not respond on her opinion of the nomination when asked by reporters. On June 27, President Obama announced the nomination of Ronald Binz to replace Jon Wellinghoff as Federal Energy Regulatory Commission Chairman. Wellinghoff announced in May that he would step down when his current term expires on June 30. Binz, who previously served as Colorado Public Utilities Commission Chairman, would serve until June 30, 2018 if confirmed. The same day, the President nominated current Agriculture Department Senior Policy Adviser Robert Bonnie to serve as Agriculture Undersecretary for Natural Resources and the Environment.

Looking beyond the weeklong recess, the Senate Energy and Natural Resources Committee will soon host a hearing to consider offshore energy production revenue sharing legislation currently being drafted by Senators Lisa Murkowski (R-AK) and Mary Landrieu (D-LA). While House Republicans have in the past held an energy week, House Majority Whip Kevin McCarthy (R-CA) announced that there will be a cycle of energy bills considered on the floor, such as H.R. 2231, the Offshore Energy and Jobs Act, which was approved 235-186 on Friday. The White House released a formal administrative policy statement on June 25, saying the president would veto the bill. The Senate may also consider the Shaheen-Portman energy efficiency legislation and several appropriations bills later this month.

CONGRESS

CBO Reviews Electric Vehicle Tax Credits

The Congressional Budget Office released its analysis of electric vehicles on June 24, finding that electric vehicle tax credits will have little to no impact on gasoline usage and on GHG emissions of the entire U.S. fleet. The analysis found that electric vehicles are costlier over the vehicle's life compared to traditional vehicles, despite the tax credit.

Markey to Senate, Ranking Member Unknown

Representative Ed Markey (D-MA) won the special election for Secretary of State John Kerry's vacated Senate seat on June 25. The win means Representative Markey will give up his position as Ranking Member of the House Natural Resources Committee. Next in line for the spot are Representatives Peter DeFazio (D-OR) and Raúl Grijalva (D-AZ); on June 24, 178 environmental groups, including the Center for Biological Diversity, sent a [letter](#) to House Minority Leader Nancy Pelosi (D-CA) advocating for Representative Grijalva. Democrats will vote on the position after the July 4th recess.

Hirono Joins EPW

Senator Mazie Hirono (D-HI) announced June 26 that she would take former Senator Frank Lautenberg's (D-NJ) seat on the Senate Environment and Public Works Committee. She will serve on the committee until October.

House Hearing on RFS

Following a series of white papers, the House Energy and Commerce Subcommittee on Energy and Power held a hearing June 26 to examine the renewable fuel standard. Energy Information Administration Administrator Adam Sieminski testified that the removal of corn ethanol blending requirements would not impact the market because the industry has already adopted the fuel, but eliminating advanced biofuels requirements would impact the market because the fuels have not been widely adopted.

House, Senate Appropriators Advance Energy

The House Appropriations Committee approved its version of the FY14 Energy and Water Appropriations Bill June 26. Representative Debbie Wasserman Schultz (D-FL) offered an amendment to increase funding for renewable energy and reliability projects from \$982 million to \$2.8 billion; that amendment failed. An amendment to restore ARPA-E funding offered by Representative Adam Schiff (D-CA) also failed. The next day, the Senate Appropriations Committee approved its version of the measure.

Vitter, Issa Threaten EPA Subpoena

Senate Environment and Public Works Ranking Member David Vitter (R-LA) and House Oversight and Government Reform Chairman Darrell Issa (R-CA) said in a June 27 [letter](#) to the Environmental Protection Agency that they are considering subpoenaing the agency unless it provides documents related to alias email accounts, the Pebble Mine proposal, and other issues. The committees previously requested documentation on April 10.

House Science Hearing on ESPCs

The House Science, Space, and Technology Subcommittees on Energy and Oversight held a joint hearing June 27 to examine energy savings performance contracts. According to witness Deputy Assistant Energy Secretary for Energy Efficiency Kathleen Hogan, the Department of Energy has awarded \$2.7 billion to 280 contracts since 2008; guaranteed energy savings total \$7.2 billion.

Bills Introduced

- On June 25, Senators Mark Warner (D-VA) and Joe Manchin (D-WV) introduced [S. 1218](#), a bill to establish the State Energy Race to the Top Initiative. The bill would create a \$200 million fund to promote state and local energy productivity projects as part of the national goal to double productivity by 2030.
- The same day, Representative Mike Conaway (R-TX) introduced [H.R. 2478](#), the Section 526 Repeal Act. The bill would repeal Section 526 of the Energy Independence and Security Act

of 2007, which prohibits the federal government from purchasing fuel with greater lifecycle GHG associated with production and combustion than traditional petroleum.

- The same day, Representative Eliot Engel (D-NY) introduced [H.R. 2493](#), the Open Fuel Standard Act. The bill would require that 30 percent of new automobiles in 2016 use nonpetroleum fuels instead of or in addition to petroleum fuels.
- The same day, Representative Randy Hultgren (R-IL) introduced [H.R. 2495](#), the American Super Computing Leadership Act. The measure would improve the Department of Energy high-end computing research and development program.
- The same day, Representative Mike Thompson (D-CA) introduced [H.R. 2502](#), the Renewable Energy Parity Act of 2013. The bill would change the language for the Section 48 Investment Tax Credit to mirror the language for the Section 45 Production Tax Credit; projects would need to begin construction before January 2017 rather than be placed in service by that date.
- On June 26, Senator Mark Udall (D-CO) introduced [S. 1225](#), the Solar Uniting Neighborhoods (SUN) Act. The bill specifies that a solar energy project need not be located on the property with respect to which it is generating electricity in order to qualify for the residential energy efficient property tax credit.
- The same day, Senators Ron Wyden (D-OR) and Debbie Stabenow (D-MI) introduced [S. 1230](#), the Alternative Fueled Vehicles Competitiveness and Energy Security Act of 2013. The bill would expand the Department of Energy 1703 loan guarantee program to include fueling infrastructure projects; would expand the Advanced Technology Vehicle Manufacturing loan guarantee program to include medium and heavy, buses, rail vehicles, and trucks; and would require the agency to study alternative transportation fuels.
- The same day, Senator Jim Inhofe (R-OK) introduced [S. 1233](#), the Federal Lands Freedom Act. The bill would allow states to develop energy resources on federal lands after establishing permitting and regulatory processes.
- The same day, Senator Jim Inhofe (R-OK) introduced [S. 1234](#), a bill clarifying that states have the sole authority to regulate fracking on federal lands within the boundary of a state.
- The same day, Representative Black (R-TN) introduced [H.R. 2511](#), the Federal Lands Freedom Act. The measure would allow states to develop energy resources on federal lands after establishing permitting and regulatory processes.
- On June 27, Senators Ron Wyden (D-OR), Lisa Murkowski (R-AK), Dianne Feinstein (D-CA), and Lamar Alexander (R-TN) introduced [S. 1240](#), the Nuclear Waste Administration Act of 2013. The bill establishes a nuclear waste administration, creates a consent-based siting process for nuclear waste facilities, links storage facilities and a repository, creates a Nuclear Waste Fund at Treasury, and addresses issues related to defense wastes.
- The same day, Senator Dianne Feinstein (D-CA) introduced [S. 1245](#), the FY14 Energy and Water Appropriations bill.
- The same day, Senators Mark Udall (D-CO) and Jim Risch (R-ID) introduced [S. 1261](#), a bill to promote energy efficiency through information and computing technologies.
- The same day, Senator Bob Casey (D-PA) introduced [S. 1264](#), the Clean Vehicle Corridors Act. The bill would establish clean vehicle corridors along interstate highways to promote CNG, LNG, plug-in electric, advanced biofuels, and other clean fuels in the transportation sector.
- The same day, Senator Debbie Stabenow (D-MI) introduced [S. 1267](#), the Qualifying Renewable Chemical Production Tax Credit Act of 2013. The bill would provide renewable chemicals and biobased products a production tax credit that is capped and limited to new, innovative biobased technologies.

- The same day, Representative Jan Schakowsky (D-IL) introduced [H.R. 2539](#), the Prioritizing Energy Efficient Renewables Act. The bill would make the production tax credit for wind, geothermal, and hydropower permanent and is paid for by repealing oil and gas tax provisions.
- The same day, Representative Charles Rangel (D-NY) introduced [H.R. 2564](#), a bill to extend the additional duty on ethanol.

ADMINISTRATION

Diluted Bitumen Study Released

The National Research Council reported in a June 25 study that diluted bitumen, the type of oil found in the Alberta Oil Sands, is no more corrosive and no more likely to spill from a pipeline than other types of crude oil. Concerns had been raised about the quality of oil set to be sent through the Keystone XL pipeline.

State-by-State Climate Change Reports Released

The Obama administration released state-by-state [reports](#) on the impact of climate change on June 26, finding more frequent and severe weather events. The reports outline these weather events, pollution, and efforts to promote renewable energy and energy efficiency.

Zichal on Strategy, LNG

Deputy Assistant to the President for Energy and Climate Change Heather Zichal announced on June 27 that the administration will focus on both near- and long-term goals as it implements the President's climate change plan; she gave the example of Energy Department appliance energy efficiency standards as a near-term deliverable. Addressing a New York University event, Zichal said the results of the strategy could be likened to the results of a clean energy standard. She later commented that liquefied natural gas will assist in the transition to a low-carbon economy.

DEPARTMENT OF ENERGY

Moniz on GHG Emission Goals

In a June 27 New York Times interview, Secretary of Energy Ernest Moniz praised the president's plan to reduce GHG emissions in the short-term but warned that long-term plans will require congressional action. To reach the goal of reducing emissions 17 percent from 2005 levels by 2020 will require new appliance efficiency standards, civilian nuclear power reactors, and fossil fuel loan guarantees.

Funding for New Reactor Design Projects Announced

The Department of Energy awarded June 27 \$3.5 million to four nuclear projects to develop new reactor designs. The awards are contingent upon the projects ensuring at least 20 percent of the cost is privately shared.

Bill Wicker Joins EERE

Bill Wicker, former Senate Energy and Natural Resources Committee spokesman for Chairman Jeff Bingaman (D-NM), joined the Department of Energy on July 1 as a senior advisor directing communications for the Office of Energy Efficiency and Renewable Energy.

DEPARTMENT OF INTERIOR

USGS Sequestration Assessment Released

The U.S. Geological Survey released an [assessment](#) on June 26 finding that the United States can store between 2,400 and 3,700 gigatons CO₂ in underground basins, around 500 times the amount of CO₂ the country emitted from energy related sources in 2011. The report found that the regions with the largest sequestration potential are the Coastal Plains region, which could store 2,000 metric gigatons, the Alaska region, the Rocky Mountain region, and the Northern Great Plains region.

Hayes on Fracking Rules

Department of the Interior Deputy Secretary David Hayes announced June 27 that the extended comment period for fracking on public lands will ensure the rule is right. He did not know when the rule will be released. He also commented that the reliance on FracFocus is beneficial since at least 18 states use the disclosure website.

Interior Approves Wind Project

The Interior Department approved a 500 MW wind project to be built on federal lands June 28. The Arizona project consists of 243 turbines and will power up to 175,000 homes.

DEPARTMENT OF STATE

Kerry on Climate Change in India

Secretary of State John Kerry visited India from June 23 to 25, advocating that the two countries work together on climate change mitigation. The secretary, who was joined by Energy Secretary Ernest Moniz, warned about the negative implications of global warming for both countries.

Keystone SEIS Requested

Bold Nebraska, the Center for Biological Diversity, the National Wildlife Federation, the Natural Resources Defense Council, Oil Change International, and the Sierra Club submitted a [request](#) to the State Department on June 24 for a supplement to the March Keystone XL Draft Supplemental Environmental Impact Statement. The groups urged the department to review the oil market, saying previous analyses are outdated.

DEPARTMENT OF TREASURY

Low Visits NREL

Treasury Secretary Jack Lew visited the National Renewable Energy Laboratory July 1. While the lab also researches energy efficiency, Secretary Lew primarily focused on NREL's renewable energy efforts.

ENVIRONMENTAL PROTECTION AGENCY

OIG E-Waste Report Released

The Environmental Protection Agency Office of the Inspector General released its report [Improved Information Could Better Enable EPA to Manage Electronic Waste and Enforce Regulations](#) June 21, finding that a uniform definition of e-waste would assist the agency in enforcing federal electronic waste regulations. The report recommended the agency evaluate needed resources as well as the electronics certification programs implementation.

Luminant Challenge Sent to SCOTUS

Luminant Generation Co. LLC appealed a suit against the Environmental Protection Agency to the Supreme Court on June 24. The U.S. Court of Appeals for the Fifth District previously upheld the agency's authority to disapprove state air pollution control plans; Luminant contended that the authority was too expansive.

Environmental, Industry Groups Sue EPA over Mercury Rule

Environmental and industry groups filed lawsuits against the Environmental Protection on June 24 over changes to a proposed rule governing emissions limits for mercury and other air toxins at new coal- and oil-fired power plants. The challenges come after the agency increased the limit on mercury emissions based on industry complaints that the original limit was too low to measure accurately. The two cases have been consolidated and will be heard in the U.S. Court of Appeals for the District of Columbia.

MATS Comment Period Open for Startup, Shutdown Definitions

The Environmental Protection Agency [announced](#) June 25 that it will reopen the comment period for startup and shutdown definitions as part of the Mercury and Air Toxics Standards final rule for power plants. Comments will be accepted through August 26.

Coal Ash Comfort Letter Sent

The Environmental Protection Agency sent a letter to We Energies on June 26, saying that coal ash that is mixed with virgin coal materials can be considered a non-waste fuel when burned in certain incinerators. The mixture had previously been considered a solid waste.

Tier 3 Finalized by End of 2013

The Environmental Protection Agency plans to issue finalized regulations regarding Tier 3 standards for vehicle emissions and fuels by the end of 2013, according to Office of Transportation and Air Quality Director Christopher Grundler June 26. Speaking at the 2013 Alternative Clean Transportation Expo, Grundler noted that finalizing the rules is a major focus for the agency. The comment period on the proposed rules concludes today.

Sussman to Depart EPA

Environmental Protection Agency Senior Policy Counsel to the Administrator Bob Sussman will leave the agency on July 8. Sussman has served in this position since 2009 and previously served as deputy administrator from 1993 to 1994.

INTERNATIONAL

EU Car, Light Van Emissions Deal Struck

European Parliament and EU member states representatives met June 24 to find a compromise on CO2 regulations for new cars sold after 2020. The representatives agreed to limit emissions to 95 g/km as a fleet-wide average; Parliament and the EU Council must ratify the agreement. A current standard restricts emissions to 130 g/km by 2015. The next day, representatives agreed to regulations for light vans, limiting emissions to 147 g/km by 2020.

EU LRTAP Update Report Released

The European Environment Agency released its report [EU Emission Inventory Report 1990-2011 Under the UNECE Convention on LRTAP](#) on June 26, finding the EU emissions targets set up by the U.N. Convention on Long-range Transboundary Air Pollution are close to being met. Under the agreement, the EU must reduce ammonia, fine particle, and non-methane organic compound emissions by 2020.

UN HFCV Regulations Released

The U.N. World Forum for Harmonization of Vehicle Regulations reached an agreement on hydrogen and fuel cell-powered vehicles new global safety [standards](#) June 27. The U.N. Global Technical Regulation accounts for existing standards from Canada, China, the EU, Japan, South Korea, and the U.S.

European Commission Proposes Large Ship GHG Regulations

The European Commission issued a draft regulation for large ship GHG emissions June 28. The regulation, similar to one proposed for international flights, would require ships that dock in EU ports to report GHG emissions. The European Parliament and the EU Council must approve the regulation before it is enacted.

STATES

ME Legislature Overrides Governor's Energy Veto

The Maine Senate voted unanimously June 26 to override Governor Paul LePage's (R) veto of a bill that will expand natural gas pipeline development and increase state funding for energy efficiency projects. The House overrode the veto last week. Governor LePage vetoed the bill because he preferred to scale back the state's wind power goals.

Non-RGGI Emissions Report

The Regional Greenhouse Gas Initiative released its report [CO₂ Emissions from Electricity Generation and Imports in the Regional Greenhouse Gas Initiative: 2011 Monitoring Report](#) June 27, finding that CO₂ emissions from non-RGGI sources did not increase from 2006-2008 to 2009-2011.

MISCELLANEOUS

Fracking Impact on Water Report Released

Researchers at Duke University released their report [Increased stray gas abundance in a subset of drinking water wells near Marcellus shale gas extraction](#) June 24, finding that water wells closer to Pennsylvania fracking sites have methane levels six times higher than wells farther away. The report discovered that most of the methane is from deep underground sources; the report suggested the increase in production is causing leaks.

Water Utility Biogas Advocated

Speaking at an Alliance to Save Energy water-energy efficiency briefing June 24, San Francisco East Bay Municipal Utility District Wastewater Engineering Manager Ed McCormick advocated for the installation of anaerobic digesters at water treatment plants to convert fats, greases, and oils into biogas. While these substances could create environmental issues if they enter sewers, they could be used to generate energy.

Renewable Investment Report Released

The American Council on Renewable Energy, the California Clean Energy Fund, and the Climate Policy Initiative released their report [Strategies to Scale-Up U.S. Renewable Energy Investment](#) June 25, examining renewable energy financing. The report recommended state and federal cooperation and promoted renewable portfolio standards.

RFS Poll Released

Fuels America found that 73 percent of Americans support the Renewable Fuel Standard and 80 percent believe that the country should be using more renewable fuel, according to a June 26 poll. The poll also found that 75 percent support more renewable fuel options at gas stations.

Water Efficiency Report Released

American Rivers released its report [Drinking Water Infrastructure: Who Pays and How](#) on June 26, advocating that water efficiency should be central to the planning phase of any water supply project. Previous infrastructure mega projects are too inefficient and do not adequately address the challenges associated with extreme weather, climate change, and fiscal austerity. The report also discussed rate structures, financing conservation, risks associated with financing water infrastructure, water systems' hesitation to make conservation a priority, balancing conservation and affordability, and building support for conservation.

NACAA MATS Survey Released

The National Association of Clean Air Agencies released its [survey](#) on Mercury and Air Toxic Standards compliance deadline extensions June 27, finding that no request has been refused since the rule was published in February 2012. 51 extensions have been requested, of which 48 have been granted; the remaining three are still under consideration.