



ML Strategies Update

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Energy & Environment Update

ENERGY AND CLIMATE DEBATE

Congress has recessed until after the November elections, and we turn our attention this week to energy and climate issues on the Administration and international fronts.

The House approved the continuing resolution (H.J. Res. 124) last week, keeping the government open through December 11, and the Senate's approval followed shortly thereafter. The House also passed an energy package, the [American Energy Solutions for Lower Costs and More American Jobs Act](#) (H.R. 2) September 18. The measure, consisting of 13 already-House-approved bills, would approve the Keystone XL pipeline (H.R. 3, H.R. 3301), limit environmental regulations (H.R. 1582, H.R. 3826), and open federal lands to energy extraction (H.R. 4899). The House also approved a tax and deregulatory package, the [Jobs for America Act](#) (H.R. 4). The White House announced last week that the president would veto both the energy and tax packages if they came to his desk. The Senate will not act on the measures, but they afford a preview of the issues the upper chamber would consider if Republicans assume control of the Senate in 2015.

The Senate Finance Committee held a hearing September 17 to consider ways in which to overhaul the energy tax code. During the hearing, Senator Wyden made the case that short-term tax extensions put renewable technologies at a disadvantage to traditional resources that have permanent incentives. The Joint Committee on Taxation released a report September 16 providing detail and discussion of energy-related tax incentives. Committee Chair Ron Wyden (D-OR) and retiring House Ways and Means Committee Chair Dave Camp (R-MI) confirmed earlier this month that they are considering a possible post-election agreement on a one-year extension of expired tax breaks, in lieu of the stalled \$85 billion two-year Senate extension package (S. 2260). The Senate Finance Committee-approved package was designed to allow more time for Congress to negotiate broader tax reform during 2015, but the measure was halted during a procedural fight over floor amendments. A one-year patch would resemble the tax extenders language in the 2012 fiscal cliff agreement. The Joint Committee on Taxation estimated earlier this year that a one-year extension package would cost roughly \$47 billion.

United Nations Secretary-General Ban Ki-moon, more than 120 world leaders, as well as leaders in the business and finance sectors, plan to attend the September 23 meeting at the United Nations headquarters in New York City. While not a negotiation session, the meeting is a prelude to talks in Lima this December, and participants are expected to announce actions to address climate change in the hope of building support and momentum for an ambitious 2015 climate agreement in Paris.

President Obama continues to emphasize the actions he has launched under his climate action plan to reduce

greenhouse gas emissions from power plants and other sources. The United States sent its [submission](#) September 17 to the United Nations, in which it contended that the post-2020 global climate agreement should include near-term pledges from both developed and developing nations to reduce GHG emissions by 2025 to encourage countries to be as ambitious as possible. The United States has pledged that it will make public its post-2020 pledge by the end of March 2015 in order to give negotiators sufficient time for debate prior to the Paris talks.

In advance of the summit, Secretary of State John Kerry told the Major Economies Forum on climate change in New York September 21 that world leaders must confront climate change with the same urgency as issues like terrorism or the Ebola outbreak. He spoke today at the opening of Climate Week NYC, and he will speak at the launch of the Global Alliance for Climate-Smart Agriculture on Wednesday and will host an ocean conservation event on Thursday. United Nations Secretary General Ban Ki-moon, Al Gore, and Leonardo DiCaprio, joined nearly 400,000 people for the People's Climate March September 21. Organizers had projected that about 100,000 attendees would process through midtown Manhattan in the largest climate-related protest in history.

Democratic senators said last week that they expect significant corporate commitments toward addressing climate change and momentum toward an international agreement to come out of the meeting. The group, including Senators Barbara Boxer (D-CA) Sheldon Whitehouse (D-RI), Bernie Sanders (I-VT), and Brian Schatz (D-HI), said that despite concern over the absence of certain heads of state, including China and India, other events, such as the People's Climate March, demonstrate the public opinion on climate change has begun to shift. Twenty-six senators sent a [letter](#) September 19 endorsing the climate march and calling for immediate action to address climate change. More than a dozen members of the House Sustainable Energy and Environment Coalition also released supportive statements last week.

The Secretary General is joined by a growing chorus of people who contend that consensus on carbon pricing in both the public and private sectors could be one of the key deliverables from the summit. Individual companies, investors, and national and local governments are expected to voice support for placing a price on carbon emissions through carbon taxes, emission trading systems, or other programs, as well as call for new measures to drive low carbon investments. CDP, formerly the Carbon Disclosure Project, released a [report](#) September 15 finding that about 150 of the world's largest companies are outpacing their governments by incorporating a price on carbon in to their business decisions. Nearly 500 companies around the world are already regulated through carbon markets. The World Bank records that about 40 countries and more than 20 cities, states, and provinces have or soon will launch carbon pricing policies. These carbon pricing instruments cover about 12 percent of annual global greenhouse gas emissions. The bank has undertaken a campaign to gather public statements in support of pricing carbon, with more than 230 companies and almost 30 governments already signed onto the statement.

Nearly 350 institutional investors representing more than \$24 trillion in assets are issuing their own call for government leaders to provide a carbon price that helps to direct investments away from fossil fuels and toward clean energy and climate solutions. The Rockefeller Brothers Fund, an \$860 million philanthropic organization built upon an oil fortune, announced September 21 that it would divest itself from fossil fuels. In recent years, 180 institutions, including philanthropies, religious organizations, pension funds, and local governments, and hundreds of individual investors have pledged to rid their portfolios of assets tied to fossil fuel companies and invest in cleaner alternatives. In all, the groups have pledged to divest assets worth more than \$50 billion, while individuals have made more than \$1 billion in commitments.

CONGRESS

NRC Nominees Confirmed

The Senate confirmed September 16 Jeffery Baran and Stephen Burns to fill vacancies on the Nuclear Regulatory Commission.

McConnell to Continue EPA Fight

Senator Mitch McConnell (R-KY) said September 17 that his fight against Environmental Protection Agency regulations on power plants is far from over. Senator McConnell is likely to continue to use the appropriations process to block the Clean Power Plan, and he has vowed to increase his efforts if Republicans take control of the upper chamber in 2015.

EPA GHG Rules Questioned

The House Science, Space, and Technology Committee held a hearing September 17 to consider the Obama Administration's climate plan. Questioning the climate science underpinning Environmental Protection Agency proposals to regulate power plant CO2 emissions, committee Republicans charged that the proposed rules would not significantly slow global climate change, but that they would impose substantial costs on utilities and energy consumers. White House Office of Science and Technology Policy Director John Holdren testified that the climate

action plan is based on the best available scientific and technological data.

Sherwood-Randall Confirmed

The Senate confirmed September 18 Elizabeth Sherwood-Randall as deputy secretary of the Department of Energy.

Grid Innovation Caucus Launched

Representatives Renee Ellmers (R-NC) and Jerry McNerney (D-CA) formed September 19 the Grid Innovation Caucus in a bipartisan effort to promoting grid modernization.

Legislation Introduced

Senators John Hoeven (R-ND), Lisa Murkowski (R-AK), Joe Donnelly (D-IN), and Joe Manchin (D-WV) introduced the [North American Energy Infrastructure Act](#) September 16 to expedite international energy projects such as the Keystone XL pipeline. The effort lays the groundwork for next Congress.

ADMINISTRATION

HFC Reduction Commitments

The White House Council on Environmental Quality [announced](#) September 16 that it had obtained commitments from several industry groups to reduce the use of hydrofluorocarbons and adopt alternatives with lower global warming potentials. The commitments will reduce emissions by 700 MMT CO₂e through 2025. The White House also announced a series of federal agency steps, including federal research and development funding through the Department of Energy, to promote the phase out of HFCs and adoption of alternatives.

Efficiency, Solar Efforts

The White House announced September 18 a [series of actions](#) to improve energy efficiency and increase residential and commercial solar power. The actions would reduce CO₂ emissions by about 300 MMT by 2030 and save \$10 billion in energy costs. Agriculture Secretary Tom Vilsack announced that the agency will provide \$68 million for 540 renewable energy and energy efficiency projects in rural areas, 240 of which focus on solar power. The Department of Energy will train technicians to design and install solar power infrastructure, and will open programs at three military bases this fall. The agency will also certify a new set of building codes and propose energy efficiency standards for commercial unit air conditioners. The Department of Housing and Urban Development will clarify that one of its economic development funding programs can be used for clean energy and energy efficiency projects.

Drop-In Biofuels Funding

The White House announced September 19 that the Navy and Departments of Energy and Agriculture would give \$210 million over the next several years toward building three facilities that will develop drop-in biofuels for the military. The refineries are expected to produce 100 million gallons of military grade fuel in 2016 and 2017 at a price lower than \$4 per gallon.

Cost of Climate Denial

White House Office of Management and Budget Director Shaun Donovan told the Center for American Progress September 19 that climate denial will cost the United States billions of dollars. A recent Council of Economic Advisers report showed that delaying international climate policy could impose additional global economic costs.

DEPARTMENT OF AGRICULTURE

RFS Increase Expected

Agriculture Secretary Tom Vilsack told Growth Energy's advocacy conference September 16 that he is "reasonably sure" that the Environmental Protection Agency will increase the 2014 renewable fuel blending mandate when it releases the final rule later this year. The agency sent the final rule to the White House Office of Management and Budget for interagency review August 22.

DEPARTMENT OF DEFENSE

Permit Review Suspended

The Army Corps of Engineers suspended September 15 its review and environmental assessment of Ambre Energy's proposed Coyote Island coal-export terminal on the Columbia River. The Oregon Department of State Lands rejected August 18 a removal-fill permit for the project that would ship up to 8.8 million tons of coal a year to Asia.

DEPARTMENT OF ENERGY

Solar Price Drop

Lawrence Berkeley National Laboratory and SunShot released a [report](#) last week finding that the price of solar systems continued to drop between 12-15 percent through 2013 and between five and 12 percent the first half of this year, depending on the systems' size.

\$5 Million for Federal Facilities

The Department of Energy announced September 22 \$5 million for nine projects that will advance the development of combined heat and power and renewable energy technologies at federal government facilities to help meet energy efficiency, renewable energy, and GHG reduction goals. The Federal Energy Management Program's inaugural Assisting Federal Facilities with Energy Conservation Technologies funding will provide nearly \$2 million for three projects to increase the use of CHP and more than \$3 million for renewable energy projects to install photovoltaic systems.

DEPARTMENT OF INTERIOR

Fracking's Earthquake Impact

The Bulletin of the Seismological Society of America published September 16 a [study](#) from United States Geological Survey scientists finding that deep underground wastewater injection from natural gas production is responsible for a significant rise in the number of earthquakes in the Raton Basin in Colorado and New Mexico

ENVIRONMENTAL PROTECTION AGENCY

Air Monitoring Technology

Environmental Protection Agency Office of Research and Development's National Exposure Research Laboratory project leader Ronald Williams said September 11 that the agency is hoping to launch a [program](#) for evaluating nanosensors and other next-generation air monitoring technology next fall. The agency awaits program funding.

Coal Plant Retirements to Increase

The Government Accountability Office released a [report](#) September 15 finding that more than 42,000 MW of coal-fired generating capacity will be retired by 2025 in response to Environmental Protection Agency regulations. The report projects that generators will update pollution controls on 70,000 MW of coal fired capacity, less than projected in 2012.

CPP Comment Period Extended

The Environmental Protection Agency announced September 16 that it would extend the public comment period on its proposed Clean Power Plan for 45 days, to December 1. The agency still intends to issue a final rule next June. The extension comes after repeated requests for additional time to prepare comments on the proposed rule; the original 120-day period was scheduled to expire October 16.

Job Loss Impact Study Suit

The U.S. District Court for the Northern District of West Virginia denied September 16 the Environmental Protection Agency's motion to dismiss a lawsuit seeking a job impact evaluation of air pollution regulations. The judge ruled that the suit may proceed because Section 321 of the Clean Air Act imposes a mandatory duty on the agency.

MI Pollution Control Settlement

Consumers Energy agreed September 16 to a [proposed settlement](#) in which it will spend \$1 billion on pollution control technologies at five of its coal-fired power plants in Michigan. The Environmental Protection Agency expects the measures will reduce emissions of SO₂ and NO_x by a combined 46,500 tons per year. The proposed settlement is subject to a 30-day public comment period and final court approval.

Effluent Limit Guidelines

The Environmental Protection Agency [published](#) September 16 final 2012 effluent guidelines program plan and the preliminary 2014 plan, determining that wastewater effluent limits will not be established for the coal bed methane extraction or chlorine and chlorinated hydrocarbon manufacturing industries. The agency will move forward with a rulemaking to establish final effluent limits for the power plant sector and to propose pretreatment standards for mercury in dental amalgam. The White House Office of Management and Budget completed an interagency review of the proposed amalgam rule September 15.

CPP and Reliability

Six current and a dozen former state public utility commissioners sent a letter to the Environmental Protection Agency and several public utility regulators September 17 criticizing the Clean Power Plan, charging that the proposed standards could pose a threat to electricity reliability and affordability.

Low Income Solar Installation

Environmental Protection Agency Administrator Gina McCarthy, Housing and Urban Development Secretary Julian Castro, White House energy and climate adviser Dan Utech, and acting Council on Environmental Quality Chair Mike Boots participated last week in the launch of the nonprofit group GRID Alternatives' regional presence by installing solar systems on ten Habitat for Humanity homes in Washington, DC. The group has already installed solar in low-income communities in California, Colorado, New Jersey, and New York.

CPP Rate vs. Mass Based Guidance

Environmental Protection Agency senior counsel on climate Joe Goffman said September 18 that the number one request that agency officials have been hearing related to the Clean Power Plan is to better explain how states can convert rate based targets into mass based targets. Rate targets are calculated as pounds of CO2 per MWh. States may convert that target to a mass based goal, which would establish an overall emissions cap.

CH4 Standards

Sixteen environmental groups sent a [letter](#) September 18 to President Obama urging him to set strong methane emissions limits for the oil and gas industry. The administration plans to issue standards sometime before the end of the year.

CPP Suit Response Ordered

The U.S. Court of Appeals for the District of Columbia Circuit ordered September 18 the Environmental Protection Agency to respond to Murray Energy's lawsuit seeking to block its proposed existing power plant CO2 standards by October 20. The company must file its reply 14 days after the agency responds.

CPP's Nuclear Impact

Former Federal Energy Regulatory Commission chairman nominee Ron Binz told the Brookings Institution September 19 that the Environmental Protection Agency's Clean Power Plan highlights the importance of nuclear power, but the guidance may not come soon enough for the nuclear industry. The agency estimates that offsetting the revenue shortfall for at risk nuclear plans will cost between \$12-17/MT CO2. The agency considers that cost reasonable.

FEDERAL ENERGY REGULATORY COMMISSION

Order 745 En Banc Hearing Denied

The U.S. Court of Appeals for the District of Columbia Circuit denied September 17 a rehearing request by the Federal Energy Regulatory Commission to save Order 745, the demand response compensation program.

Sabine Pass Export Addition Affirmed

The Federal Energy Regulatory Commission denied September 18 a Sierra Club request for a rehearing of a commission order approving an expansion of Cheniere Energy's Sabine Pass liquefied natural gas export terminal in Louisiana. The terminal is seeking Department of Energy license approval for expansion.

NUCLEAR REGULATORY COMMISSION

Reactor Design Approved

The Nuclear Regulatory Commission [approved](#) September 16 an advanced power reactor design, making possible the use of GE Hitachi's Economic Simplified Boiler Water Reactor in the United States. The commission has received four applications to build ESBWR reactors.

Storage Rule Published

The Nuclear Regulatory Commission published September 19 the [Continued Storage](#) rule, formally known as the Waste Confidence Rule. The rule governs the agency's oversight of nuclear waste stored around the country, and will take effect October 20. The commission also published a related [environmental impact statement](#).

INTERNATIONAL

EU Climate, Environment Portfolio Plan

European Commission president-elect Jean-Claude Juncker proposed a plan September 10 to combine

management of European Union environment policy with fisheries policy, and climate policy with energy policy. Following a September 11 [letter](#) from a Green 10 group of environmental advocacy organizations, the commission said September 16 that the plan might be revisited.

World Bank Emission Reduction Investments

The World Bank announced September 15 that the Pilot Auction Facility for Methane and Climate Change Mitigation will employ options to encourage climate friendly investment using carbon market rules such as auctions. The bank concluded that the approach could be used for other GHG emissions as well, and may attract investments from the United Nations Green Climate Fund and other institutions.

Green Economy Promotes Growth

The Global Commission on the Economy and Climate released a [study](#) September 16 under the New Climate Economy project finding that rapid technological innovation and investment in new infrastructure are making it possible for governments and businesses to reduce CO2 emissions while still promoting economic growth.

Short Term Chinese Climate Plan

China's National Development and Reform Commission Deputy Director Xie Zhenhua said September 19 that the country is preparing to establish standards for energy consumption and CO2 emissions as part of the 13th Five Year Plan, which runs 2016-2020. He also announced a national action plan on climate change from 2014-2020, reaffirming the country's commitment to reach a 40-45 percent carbon intensity reduction by the end of 2020 compared to 2005 levels. By the end of last year, China had reduced national carbon intensity by 28.56 percent compared to 2005 levels.

Global Emissions Up

The Global Carbon Project released a [study](#) September 21 finding that CO2 emissions from burning fossil fuels and producing cement increased 2.3 percent last year, and are expected to increase another 2.5 percent this year. Emissions last year were the highest in history and 61 percent higher than in 1990. Coal burning accounts for 43 percent of those emissions, while 33 percent comes from oil, and 18 percent from natural gas. The report concluded that the globe is on track to warm between 3.2 and 5.4 degrees Celsius above pre-industrial levels by 2100, significantly above the 2-degree mark scientists agree would prevent the worst climate effects. The majority, 58 percent, of the increase came from China last year, with the United States contributing 20 percent of the increase and India, 17 percent; the European Union reduced emissions 11 percent.

Climate Research Collaboration

More than 1,100 Chinese and United States scientists are engaged in a joint public-private partnership to collaborate on dozens of potential clean energy breakthroughs. As the research agreement nears its December 2015 expiration, officials are considering a more ambitious second phase, the details of which are expected to be on the agenda in November when President Obama travels to China for an Asian summit.

STATES

NYC Green City Commitment

New York City Mayor Bill de Blasio (D) pledged last week to decrease GHG emissions by 80 percent by 2050 from 2005 levels. In order to reach its goal, the city will overhaul energy efficiency standards for public buildings and will encourage private landlords to make similar improvements.

CA Supports E-Vehicles

California Governor Jerry Brown (D) signed last week several bills to help build the market for electric cars in his state. The legislation is designed to make electric vehicles more affordable for low-income residents in an effort to have at least a million zero- and near-zero-emission vehicles on the road by 2023. Related legislation will install charging stations for electric vehicles in apartment buildings in low-income neighborhoods and offer assistance to car sharing programs.

MISCELLANEOUS

Faulty Well Construction Contaminates Water

The Proceedings of the National Academy of Sciences published findings September 15 showing that contaminated drinking water linked to fracking appears to have been caused by inadequately constructed drilling sites. The report suggests that where natural gas contamination has occurred, it was caused by problems with casing and cementing in the wells.

School Solar Installations Increasing

The Solar Energy Industries Association released a [report](#) last week finding that solar power installation at K-12

schools has increased significantly over the last decade. In 2003, domestic K-12 schools had 303 KW installed solar capacity, but now have 490 MW.

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