

ML Strategies' Weekly Energy and Environment Update – Week of January 27, 2014

January 28, 2014 | | By David Leiter

By David Leiter, Sarah Litke, Jean Cornell, Bryan Stockton, Jordan Collins and Neal Martin

While Congress was in recess last week, many Obama Administration and Congressional officials traveled to Davos, Switzerland, to participate in the annual World Economic Forum. About a third of the panels addressed climate issues; please find more information below.

Congress returns this week, and President Obama will give his State of the Union address January 28. The president aims to outline a “year of action,” which builds on his call last year to not necessarily await Congressional action as he moves forward with a broad range of executive efforts. In addition to outlining his plans for education, job training, and manufacturing, we anticipate that the president will point to his climate action plan as an area of potential significant development. Though it is not yet clear whether President Obama will announce any new energy or environment initiatives, several Environmental Protection Agency regulations are ripe for release. Discussion of clean energy, particularly as it relates to natural gas, energy exports, and transitioning to a carbon-constrained world, is probable, though a mention of the Keystone XL pipeline is unexpected.

In addition to energy-related hearings in both the House and Senate this week, which are outlined below, the Senate will continue its work on the flood insurance measure (S. 1926) and the potential extension of unemployment benefits (S. 1845), while House and Senate negotiators are expected to produce a conference agreement on a five-year farm bill (H.R. 2642).

Though the fiscal year 2015 budget is officially due this time next week, the White House announced last week that it will release it March 4, pointing to the recent budget debates as cause for the delay.

Utility Renewable Energy Tax Credit Legislation

Senators Amy Klobuchar (D-MN) and John Hoeven (R-ND) are leading a bipartisan proposal to create a tax incentive for utilities to increase their investment in wind and solar power. The measure (S. 1899) would provide a consumer renewable credit, based on a utility's investment in renewable energy production and its renewable portfolio, or its share of total production from renewable sources. The credit would start at 0.1 cents/KWh of renewable energy produced for utilities with a renewable portfolio of 6 to 8 percent, and range up to 0.6 cents/KWh for utilities with a renewable portfolio of more than 24 percent. The measure will match efforts by 37 states that have mandatory standards or voluntary goals for renewable portfolios. Representatives Erik Paulsen (R-MN) and Ron Kind (D-IN) have offered a similar House proposal (H.R. 3838).

RFS Modification Urged

Senate Majority Whip Dick Durbin (D-IL) led 30 of his colleagues in a letter to Environmental Protection Agency Administrator Gina McCarthy January 22 charging that the agency's proposal to decrease the amount of renewable fuel required by the renewable fuel standard is a step back. In November, the agency proposed a first-time 3 billion gallon reduction in the amount of renewable fuel that refiners are required to blend into the motor fuel supply in 2014. A group of representatives, led by Congresswoman Cheri Bustos (D-IL) sent a letter January 16 calling on the agency to finalize a mandate that sets volumes based on production in order to protect farmers and promote domestic energy production. Seven Midwestern House Democrats are also seeking a meeting with the White House to discuss the proposed requirements. Thirty senators led by Senator Heidi Heitkamp (D-ND) sent a letter to Administrator McCarthy January 27 asking the agency to reverse course on their proposal.

PTC Extension Urged

The Advanced Energy Economy sent a letter signed by more than 60 businesses and other groups January 23 to Senate Finance Committee Chair Max Baucus (D-MT) and House Ways and Means Committee Chair Dave Camp (R-MI) urging them to extend the renewable energy production tax credit and other energy tax credits that expired at the end of 2013.

Keystone Decision Sought

Senate Minority Leader Mitch McConnell (R-KY) led the entire Senate Republican caucus in sending a letter to President Obama January 24 asking him to make a decision on the Keystone XL pipeline soon. The Department of State is expected to complete its environmental review within weeks.

Moniz Addresses Conference of Mayors

Speaking to the Conference of Mayors January 22, Secretary of Energy Ernest Moniz said that the agency is still planning to issue a new loan guarantee solicitation for renewable energy projects in 2014. The agency has roughly \$3 billion in loan guarantee authority for renewables in the 1703 program. The same afternoon, he told the conference that he believes the national laboratories have a greater potential to bring their work to the private sector than they are currently achieving.

\$50 Million for Advanced Vehicles

Secretary of Energy Ernest Moniz made available January 22 \$50 million for advanced vehicle projects. The **funding** will be directed through the agency's 2012 electric vehicle program, which aims to make plug-in electric vehicles more affordable than existing gasoline vehicles within a decade. Applications are due April 1. During remarks at the Washington Auto Show the same day, Secretary Moniz said that the agency is considering reviving the Advanced Technology Vehicles Manufacturing program, and is open to ideas about how to do so. The program has \$16.6 billion in loan authority remaining.

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