

ML Strategies Energy and Environment Update: Week of 11/17/2014

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ENERGY AND CLIMATE DEBATE

President Obama and Chinese President Xi Jinping jointly **pledged** November 11 in Beijing to make significant CO2 reductions in the next two decades. The United States will reduce its net greenhouse gas emissions by 26 to 28 percent below 2005 levels by 2025, accelerating the pace of reductions already planned by 2020. China will peak its CO2 emissions no later than 2030, by which point the country will obtain 20 percent of its energy supply from non-fossil fuel sources. China's commitment marks the first time the country has pledged to stop its rapidly increasing emissions; the nation has previously resisted calls for reductions, saying that as a developing country, the pollution increases are necessary for its growth. China is the world's largest greenhouse gas emitter, and the United States ranks second. The surprise joint announcement precedes the 20th annual COP/MOP, scheduled to begin December 1 in Lima, Peru, and it further builds momentum for next year's international climate negotiations in Paris. The two countries had pledged to make their commitments by this coming March. The United States and China join the European Union in making early commitments for Paris. European Union leaders agreed in October to set a target of reducing greenhouse gas emissions to at least 40 percent of 1990 levels by 2030.

The United States committed in 2009 to reducing emissions 17 percent from 2005 levels by 2020. The new goal will double the pace of carbon reduction, from an average 1.2 percent from 2005-2020 to an average of 2.3 percent to 2.8 percent between 2020 and 2025. China will need to add 800-1,000 GW of nuclear, solar, wind, and other zero-emissions energy generation by 2030 in order to meet its target, as well as scale up its cap and trade program or potentially implement a carbon tax. The country plans to launch a national carbon trading market in 2016 that could become fully operational in 2020. China is currently testing pilot emissions trading systems programs in seven provinces.

Republican congressional leaders remain sharply critical of President Obama's announcement, promising to work against Environmental Protection Agency greenhouse gas proposals when they assume Senate leadership in January. Senate Minority Leader Mitch McConnell (R-KY) and Speaker of the House John Boehner (R-OH) called the agreement unrealistic and not sufficiently binding, and Senator James Inhofe (R-OK) is likely to use his new post as Chair of the Senate Environment and Public Works Committee to question the science behind climate change in an attempt to undercut environmental policies. Congressional Democrats, meanwhile, praised the announcement, saying that the agreement would increase the chances of a strong 2015 international climate agreement, and said that Congress no longer has the excuse of China not acting to address climate change as leaders in both chambers urge Congress to act.

Secretary of State John Kerry, an instrumental force, along with White House counselor John Podesta and their Chinese counterparts, in negotiating the deal, published an **opinion piece** in *The New York Times* after the announcement in which he framed the agreement as a landmark effort by the world's two largest economies to address climate change and encourage the rest of the world to follow suit. Environmentalists, from the Natural Resources Defense Council to the Environmental Defense Fund, applauded the pact as a historic step. Several utility executives predicted blackouts and increased power bills if they are not given more time to achieve the reductions. White House counselor John Podesta said November 17 that Congressional Republicans would not be able to prevent President Obama from implementing his climate change agenda. He also noted that possible areas of bipartisan cooperation include energy efficiency and highway funding.

European Union carbon permits rose to their highest price in eight months on London's ICE Futures Europe exchange after the engagement was announced.

Looking toward upcoming Congressional action, Representative John Shimkus (R-IL), chair of the House Energy and Commerce Subcommittee on Environment and the Economy, said November 13 that he is likely to advance chemical safety reform, coal ash legislation, and Yucca Mountain nuclear waste repository legislation during the new Congress. He hopes to provide added certainty to energy markets and producers through legislative efforts the next two years. Representative Shimkus also expressed his dissatisfaction with the United States-China climate agreement, and said that he hopes to lift the ban on

exporting crude oil.

The House approved, 252-161, November 14 the Keystone XL pipeline ([H.R. 5682](#)), but President Obama is indicating that he may veto the measure if it comes to his desk. The Senate is scheduled to vote on an identical bill (S. 2280) November 18, but the legislation may fall short one or two votes in the upper chamber. In other congressional matters this week, House and Senate negotiators hope to complete work on a defense authorization measure for 2015. House Republicans will make chairmanship decisions and House Democrats will hold leadership elections, while the Senate will consider childcare subsidies, telephone data collection curbs, and judicial nominees.

The House will consider three measures this week to curtail the Environmental Protection Agency's procedures for writing new regulations. The first is the Secret Science Reform Act ([H.R. 4012](#)), which would require the agency to make public data used in writing regulations. The second, the EPA Science Advisory Board Reform Act ([H.R. 1422](#)), would alter the selection process for the panel and increase public participation in its activities. The third, the Promoting New Manufacturing Act ([H.R. 4795](#)), is aimed at reducing delays and increasing transparency in the agency's process for Clean Air Act preconstruction permits for new or modified stationary sources. The Senate will not take up the measures this year.

Both chambers are likely to adjourn by Thursday and not return until after Thanksgiving.

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