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ENERGY AND ENVIRONMENT UPDATE
December 19, 2010

Energy and Climate Debate

Following another busy lame duck week, President Obama signed into law the tax package December 17th, and congress passed a three-day Continuing Resolution (CR) to fund the federal government until this Tuesday.

The \$858 billion tax package (H.R. 4853)—in addition to extending the 2001 and 2003 income tax rates for all taxpayers until 2012, unemployment benefits for an additional 13 months, the alternative minimum tax for two years, and reducing the Social Security payroll tax for one year—also extends several clean energy tax credits.

The bill, which passed the Senate (81-19) on December 15th and the House (277-148) later the next day, includes a one-year extension of the 1603 Grants in Lieu of Tax Credits Program, an extension of the ethanol production tax credit at its current level of 45 cents per gallon through the end of 2011, a tax break for home energy efficiency projects, and a tax credit for manufacturers of energy-efficient appliances.

Despite efforts in the Senate and House, the bill did not include an extension of the 48C Advanced Energy Manufacturing Credit, though champions of the measure said last week that they will try again to extend the program in the 112th Congress.

Having abandoned a \$1.1 trillion 12-bill omnibus, Senate leaders agreed Sunday evening to a compromise Senate amendment to H.R. 3082, a Continuing Resolution that would fund the federal government through March 4, 2011. Senate Majority Leader Harry Reid (D-NV) filed cloture on the amendment December 19th with a cloture vote expected to take place this Tuesday, the same day the current three-day-long CR expires. Under the most recent version, funding would continue at FY 2010 enacted levels for most programs, with approximately \$1.16 billion additional allocated for certain programs.

With senators and representatives looking toward the end of 2010 and the beginning of the 112th Congress, the idea of a clean energy standard is beginning to surface as an increasingly possible path forward for energy policy. Senate Energy and Natural Resources Chairman Jeff Bingaman (D-NM) last Monday gave a cautious endorsement of a clean energy standard, and later in the week, Energy Committee Ranking Member Lisa Murkowski (R-AK) more readily endorsed it as part of a broad approach to the domestic energy portfolio. Senators Lindsey Graham (R-SC), Mark Begich (D-AK), and Tom Carper (D-DE) have already emerged as likely leaders of a measure, and as the 111th Congress comes to a close, Democrats frustrated with Congress' inability to pass any significant energy measures are reconsidering the possibility of a broader, clean, as well as renewable, electricity standard. Meanwhile, Senator Jay Rockefeller (D-WV), who had hoped to move his two-year delay of EPA's greenhouse gas (GHG) regulations under the Clean Air Act before the end of the year, has pulled his measure from consideration for next congress, noting that Republicans are planning plenty of EPA oversight and delay measures themselves.

In the House, Energy and Commerce Chairman-Elect Fred Upton (R-MI) announced December 16th his selections to run the panel's six subcommittees. After splitting the current Energy and Environment Subcommittee into two panels, Congressman Upton awarded leadership positions to all the members who ran against him for the chairmanship. Congressman Ed Whitfield (R-KY) will lead the newly created Energy and Power Subcommittee, which will have jurisdiction over energy and Clean Air Act issues. Congressman John Shimkus (R-IL) will head the new Environment and Economy Subcommittee, which will focus on environmental regulations and their economic impact. Congressmen Greg Walden (R-OR), Cliff Stearns (R-FL), Mary Bono Mack (R-CA), and Joe Pitts (R-PA) will serve as chairmen of the subcommittees on Communications and Technology; Oversight and Investigations; Commerce, Manufacturing, and Trade; and Health, respectively. In a nod to his seniority, current Ranking Member and former Chairman Joe Barton (R-TX) will serve as Chairman Emeritus.

Congress

Diesel Grants Reauthorized

The Senate unanimously passed legislation (S. 3973) December 16th that would reauthorize grants to state, local, and tribal governments for programs to reduce emissions from existing diesel engines. Senator George Voinovich (R-OH) was joined by 32 cosponsors in introducing the bill mid-November, and the Senate Environment and Public Works Committee approved the legislation November 30th. As passed by the Senate, the legislation authorizes \$100 million each year for the grants for FY 2012 through 2016 and those grants will be used to reduce diesel emissions through retrofitting diesel engines with emissions controls.

Hybrid Noise Bill Passed

The House passed (379-30) a safety-technology bill (S. 841) December 16th designed to protect pedestrians by adding sound to hybrid and electric vehicles. Now on President Obama's desk, the Pedestrian Safety Enhancement Act will require the Department of Transportation to determine a minimum level of sound for safety purposes and to develop corresponding standards for manufacturers of silent vehicles.

Administration

Environmental Justice Forum Convened

Five Cabinet secretaries and senior officials from a wide range of federal agencies and offices participated in the first White House Forum on Environmental Justice December 15th. More than 100 environmental justice leaders from across the country attended the event, which featured White House Council on Environmental Quality Chair Nancy Sutley, Environmental Protection Agency Administrator Lisa Jackson, Attorney General Eric Holder, Energy Secretary Steven Chu, Interior Secretary Ken Salazar, Labor Secretary Hilda Solis, Secretary of Health and Human Services Kathleen Sebelius, and Secretary of Homeland Security Janet Napolitano.

Department of Energy

Energy Information Administration (EIA) Releases Energy Forecast

The Department of Energy's Energy Information Administration released a long-range domestic energy forecast December 16th that doubles the estimated resource base for natural gas produced from shale formations based on recent discoveries in shale gas drilling. The increase has significant repercussions for natural gas prices and for renewable energy, which will face strong competition from natural gas-fired power plants in the electricity generation sector.

Rare Minerals Proposal Outlined

The Department of Energy released a report December 15th detailing a plan to address access to rare earth metals and other minerals critical to the development of clean energy technologies. The report summarized the agency's 2010 findings and a three-pillared strategy related to new clean energy

technologies and suggested the diversification of global supply chains, the development of substitutes, and the recycling, reuse, and increased efficient use of rare minerals.

\$7 Million to Support Building Codes

The Department of Energy selected 24 states to receive \$7 million to support the adoption of updated, energy-efficient building codes December 17th. The Building Energy Codes Program will expand existing partnerships between states and the federal government to help states more rapidly adopt new residential and commercial building codes and increase compliance with those codes.

\$184 Million for Vehicles

Energy Secretary Steven Chu announced December 16th that the Department is accepting applications for up to \$184 million over three to five years to accelerate the development and deployment of new efficiency vehicle technologies that reduce U.S. dependence on foreign oil, save drivers money, and limit carbon pollution. The Funding Opportunity Announcement focuses on eight approaches to improving vehicle efficiency, and applications are due at the end of February 2011.

\$50 Million for Solar Technologies

The Department of Energy announced December 16th that it will fund up to \$50 million to test and demonstrate innovative technologies that will lead to cost-competitive solar energy technologies. The demonstration program will serve as a critical link between the Department's advanced technology development programs and full-scale commercialization efforts, with a Funding Opportunity Announcement anticipated for early 2011.

\$1.3 Billion Loan Guarantee Finalized

Energy Secretary Steven Chu announced December 16 that a partial loan guarantee for a \$1.3 billion loan has been finalized to support the world's largest wind farm. The loan will finance the Caithness Shepherds Flat project, an 845 MW wind generation facility located in eastern Oregon.

Photovoltaic Balance of System Request for Information Released

The Department of Energy's Solar Energy Technologies Program issued a request for information last week asking solar industry stakeholders to assist in the development of a potential Funding Opportunity Announcement to reduce photovoltaic balance of system costs. Comments must be received by the end of January 2011.

Cool Roof Installation Completed

Energy Secretary Steven Chu announced the completion of a new cool roof installation on the Department of Energy's Headquarters West Building on December 14th. There was no incremental cost to adding the cool roof as part of the roof replacement project, and it will save taxpayers \$2,000 each year in building costs.

\$30 Million for Biofuels

The Department of Energy announced December 14th that it will award \$30 million for small-scale process integration projects that support the development of advanced biofuels. The Funding Opportunity Announcement provides \$30 million over the next three to four years to support up to five projects that focus on optimizing and integrating process steps that convert biomass into biofuels and byproducts that are used to support hydrocarbon fuels and chemicals.

\$400 Million Loan Guarantee Finalized

The Department of Energy finalized a \$400 million loan guarantee for Abound Solar Manufacturer to manufacture thin film solar panels on December 14th. The project includes facilities in Colorado and Indiana and will use new manufacturing technology for cadmium-telluride panels that has never been deployed commercially.

Department of Interior

Solar Zones Identified

The Departments of Interior and Energy announced December 16th that they had jointly identified 24 proposed solar energy zones on 677,000 acres of public land across six Western states for which large-scale solar energy projects would receive expedited permitting and other preferential treatment. The zones were identified in a Draft Solar Programmatic Environmental Impact Statement after a two-year public land environmental analysis.

Sequestration Methodology Announced

The Department of Interior's U.S. Geological Survey announced a new methodology for measuring natural carbon sequestration December 13th that will provide a better understanding of how natural resources can be used in long-term carbon storage plans.

Environmental Protection Agency

GHG Permitting Rule Sent to Office of Management and Budget (OMB)

The Environmental Protection Agency sent a final rule to the White House Office of Management and Budget December 15th to facilitate GHG permitting in all states. The final rule would ensure that every state has the authority to issue permits to large, new, and modified sources for emissions beginning January 2nd by imposing a federal implementation plan on 13 states that have laws and regulations that currently do not allow them to begin issuing emissions permits under the prevention of significant deterioration program of the Clean Air Act.

Federal Energy Regulatory Commission

Midwest and California Transmission Plans Approved

The Federal Energy Regulatory Commission (FERC) approved a proposal December 16th designed to encourage the building of new transmission lines in the Midwest to serve wind energy projects. In a move seen as a test case for a proposed federal rulemaking, FERC approved a proposal by the Midwest Independent Transmission System Operator to create a new category of transmission projects that would qualify for spreading out the construction costs among the 13 states served by the grid operator. FERC also accepted a plan from the California Independent System Operator to create a new category of policy driven facilities to help meet the state's ambitious requirements to limit emissions and require 33% of electricity to be met by renewable energy.

Miscellaneous

Natural Resources Defense Council (NRDC) Releases Transportation Report

A report from the Natural Resources Defense Council and Smart Growth America found December 14th that most states are poorly using their transportation policies to reduce greenhouse gas emissions. The report, "Getting Back on Track: Aligning State Transportation Policy with Climate Change Goals," ranked how well each state uses transportation decisions to reduce GHGs and recommended policy improvements.

Solar Installations Up

The Solar Energy Industries Association and GTM Research released a report December 14th showing that the United States installed \$3.6 billion worth of solar energy in 2009 and net exports totaled \$723 million. Domestic solar installations created \$2.6 billion in direct value to the U.S. economy.

California Ready for Electric Vehicles

The California Plug-in Electric Vehicle Collaborative unveiled a report December 13th concluding that California is ready to launch a plug-in electric vehicle market. The report, *Taking Charge: Establishing California Leadership in the Plug-in Electric Vehicle Marketplace*, outlines a strategy to make the state a model market for the vehicles that ensures consumer acceptance and provides the needed infrastructure.

Groups to Assist Russian Renewable Development

The European Bank for Reconstruction and Development, the Global Environment Facility, the Russian Ministry of Energy, and the World Bank's International Finance Corporation launched a program

December 9th to spur private-sector investment and encourage regulations to help Russia develop its renewable energy potential. With a goal to start 30 renewable energy projects over five years, initial investment totals \$165 million.

North Carolina Adopts Building Codes

The North Carolina Building Code Council adopted new energy efficiency rules December 14th to promote green buildings and reduce energy bills and GHG emissions in the state.

South Korea Plans Energy Strategy

South Korea's Ministry of Knowledge Economy released new plans last week to increase its energy self-sufficiency in 2011 by developing and investing in more overseas energy products to meet its rising demands.

California Air Resources Board (CARB) Approves Trading Program

The California Air Resources Board voted 9-1 to approve the state's cap-and-trade plan December 16th. The most comprehensive, economy-wide, domestic cap to date on GHGs, the program would create the biggest carbon market in the country in an attempt to reduce GHG emissions to 1990 levels by 2020 under A.B. 32. The trading scheme will reduce emissions power plants, oil and gas refineries, steel manufacturers, and other heavy industries that emit more than 25,000 MT of CO₂ per year. During the first three-year compliance period, all emitters will receive enough free permits to cover the majority of their emissions, but they will gradually have to purchase more via quarterly auctions that will begin in February 2012. The system will cover 85% of the state's industrial emissions by the time it ends in 2020.

Diesel Regs Half Black Carbon

A December 15th study in Atmospheric Science found that California's decades-old diesel regulations have reduced black carbon soot by half, and demonstrated how the world can reap big benefits for health and climate.

Brazil Requires GHG Targets

Brazilian President Luiz Inacio Lula da Silva issued a decree (No. 7390) December 9th that implemented the December 2009 National Climate Change Policy law by requiring GHG-emitting sectors to draft plans and set voluntary targets for curbing emissions by 2020.

Tailoring Rule May Jeopardize Forest Projects

The National Alliance of Forest Owners released a study from Forisk Consulting December 15th that found that the EPA's GHG tailoring rule could result in the cancellation of 134 renewable energy projects that could use wood chips and other woody biomass for fuel, putting 26,000 jobs at risk. The report, *Economic and Regional Impact Analysis of the Treatment of Biomass Energy under the EPA Greenhouse Gas Tailoring Rule*, found that cancelling the projects would reduce capital investment by \$1.8 billion and result in 5,384 fewer MW of renewable electricity generating capability.

Solar Project Halted

The U.S. District Court for the Southern District of California found December 15th that the Department of Interior's Bureau of Land Management failed to consult adequately with the Quechan tribe before approving the construction of the Imperial Solar Valley Project. The project, for which San Diego Gas and Electric has signed a 20-year power purchase agreement, has been temporarily delayed as required under the National Historic Preservation Act.

Early Auction Comments Requested

The European Commission issued a consultation document December 6th requesting public comment on the volume and timing for auctions of allowances for GHG emissions under the EU's Emission Trading System prior to the start of the third trading period in 2013. The document suggested a range of 100 million to 300 million emission allowances.