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ENERGY AND ENVIRONMENT UPDATE

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Energy and Climate Debate

The House returned last week, and the Senate will return to Washington this week following President Obama's second inauguration. As leadership changes are made and new administration and Congressional agendas are prepared, energy issues continue to receive national attention.

The Treasury Department is expected to run out of borrowing capacity sometime between mid-February and early March, necessitating an increase in the \$16.394 trillion debt ceiling. On March 1, the across-the-board spending cuts that were originally scheduled to begin this month will take effect, and on March 27, current funding for the government expires. With those concerns in mind, House Republican leaders announced January 18 a plan to condition a three-month increase in the debit limit on the Senate committing to passing a fiscal year 2013 budget by the April 15 statutory deadline. They will vote on raising the debt limit this week.

Congress

API Asks Congress to Reform RFS

The American Petroleum Institute said January 15 that Congress should take immediate action to reform the renewable fuel standard as refiners are expecting to hit the blend wall in 2013. The amount of ethanol the Environmental Protection Agency will require petroleum refiners to blend into the country's gasoline supply is likely to exceed the amount that can be legally blended into the fuel unless Congress acts. The institute favors repealing the standard entirely.

1603's Overseas Benefits

House Energy and Commerce Committee majority staff released a report January 17 charging that the 1603 Grants in Lieu of Tax Credits program appears to have "unduly benefitted" foreign companies. The report examined \$16 billion in grants distributed through the Recovery Act program, and found that almost \$4 billion went to the American operations of a number of European or Asian companies.

Legislation Introduced

Representative Mike Pompeo (R-KS) introduced legislation (H.R. 259) January 15 to end almost all corporate energy tax credits but retain business deductions that are available to multiple industries and the research and development credit. The Energy and Economic Prosperity Act is similar to legislation the congressman introduced in 2011, and would eliminate about \$20 billion in energy tax credits, savings that would be used to reduce the overall corporate tax rate.

The same day, Representative Cathy McMorris Rodgers (R-WA) introduced legislation (H.R. 267) to improve hydropower licensing.

Representative David McKinley (R-WV) introduced a concurrent resolution (H. Con. Res. 8) expressing Congress' opposition to Federal efforts to establish a carbon tax on fuels for electricity and transportation.

Department of Energy

Budget Cuts Expected

Speaking to the U.S. Conference of Mayors January 17, Secretary of Energy Steven Chu warned that the Department of Energy was likely to face budget cuts as Congress and the president negotiate the fiscal year 2013 budget. He said that the federal government is likely to offer more funding to towns and cities for energy efficiency or similar programs.

Furnace Standard Rewrite Likely

The Department of Energy and the American Public Gas Association filed a proposed settlement January 14 in the U.S. Court of Appeals for the District of Columbia Circuit requiring the agency to rewrite energy efficiency standards for furnaces before they are scheduled to go into effect. The settlement vacates a portion of an October 31 direct final rule that sets new efficiency standards for non-weatherized natural gas furnaces.

Set-Top Box Test Procedure

The Department of Energy issued a pre-publication Federal Register notice January 14 of proposed rulemaking for a test procedure for set-top boxes. The agency will host a public webinar February 27.

Department of Interior

Public Land for RE Development

The Department of Interior released a record of decision January 17 for the Restoration Design Energy Project, designating 192,100 acres of Arizona public land as suitable for utility-scale solar and wind energy development. The decision also creates the 2,550-acre Agua Caliente Solar Energy Zone. Identified lands include former agricultural sites near areas with high electricity demand and reasonable access to transmission lines, and the record sets standards for renewable projects, though individual projects must still undergo an environmental review.

Salazar to Depart

Interior Secretary Ken Salazar announced January 16 that he will resign in late March to return to Colorado, where he was a former U.S. senator and state attorney general. Secretary Salazar's announcement follows Environmental Protection Agency Administrator Lisa Jackson's decision to leave in early February; Energy Secretary Steven Chu is not expected to stay for the president's second term, but he has not yet announced his plans.

Proposed Fracking Rule Withdrawn

The Department of Interior announced January 18 that it will retract its draft rule on fracking and issue and amended proposal sometime in the first quarter of this year. The decision to review the fracking rule was made amid concerns that implementing the rule would be too costly and cumbersome.

Department of State

Keystone XL Pipeline

Eighteen of the country's top climate scientists sent a letter to President Obama January 15 urging him to reject the Keystone XL oil sands pipeline on the grounds that the project will lead to higher levels of greenhouse gas emissions than the State Department had previously estimated. The Natural Resources Defense Council, 350.org, and Oil Change International held a news conference January 17 to release new research showing that without the project, oil industry plans to triple tar sands production in Canada would be significantly impeded. Opponents of the pipeline will hold a rally February 17 in Washington,

D.C. to urge the president to deny a permit for the project. Meanwhile, Saskatchewan Premier Brad Wall, and ten Republican governors sent a letter to President Obama January 17 urging him to act swiftly to approve the pipeline. The State Department does not anticipate a final decision on TransCanada Corporation's permit request before the end of the first quarter.

Environmental Protection Agency

E15 Challenge Denied

The U.S. Court of Appeals for the District of Columbia Circuit denied without comment January 15 a request from grocery producers, the petroleum industry, and engine manufacturers to rehear lawsuits challenging an Environmental Protection Agency decision to increase the amount of ethanol allowed in gasoline to up to 15 percent in model year 2001 and newer vehicles. Industry groups may appeal their case to the U.S. Supreme Court.

Demand Response Rule

The Environmental Protection Agency released a final rule January 15 allowing backup stationary engines that generate electricity to run without emissions controls for 100 hours per year during emergencies and peak-use periods. The engines must use ultralow-sulfur diesel fuel beginning in 2015, at which point operators will be required to submit annual reports with their locations and dates and times of operations, providing the agency with information on the engine's impact on air quality.

Particulate Program Encourages Emissions Reductions

The Environmental Protection Agency launched a voluntary program January 17 to help areas that meet fine particulate matter standards in making additional emissions reductions. The Particulate Matter Advance program, modeled after the Ozone Advance program, has participation from 30 areas in 18 states and is aimed at helping areas avoid nonattainment designations in the future, especially after the agency begins implementing the 2012 national standards for fine particles.

Fracking Reconsiderations

The Environmental Protection Agency told the U.S. Court of Appeals for the District of Columbia Circuit January 16 that it would reconsider aspects of the fracking air pollution standards, and that it has laid out a schedule for further rulemaking. The agency asked the court to put the legal challenges on hold during the reconsideration process, and also to separate the challenges into two cases: one to focus on new performance standards, and another to address the challenge to national emissions standards for hazardous air pollutants.

2013 Renewable Fuels Standard

According to a senior Environmental Protection Agency official, the agency is likely to release its 2013 renewable fuels standard volume requirements as a proposed rule rather than a direct rule. The agency's proposed rule for 2013 is currently under review at the White House Office of Management and Budget.

NOx Reductions

The Environmental Protection Agency proposed new standards for the Navajo Generating Station near the Grand Canyon January 18 that would reduce nitrogen oxide emissions 84 percent by 2018. The proposed standards would improve visibility in the parks and wilderness areas near the power plant.

Federal Energy Regulatory Commission

RE and the Grid

The Federal Energy Regulatory Commission issued a notice for a new rulemaking January 17 aimed at making it faster and easier for small, mostly renewable, energy sources to connect to the electric grid.

International Trade Commission

Wind Tariffs

The International Trade Commission gave the final approval January 18 for significant tariffs on utility-scale wind towers imported from China and Vietnam. U.S. Customs and Border Protection may begin collecting tariffs as high as 105 percent on towers from China and 58 percent for towers from Vietnam as soon as the commission publishes its decision in the Federal Register. The trade complaint was brought last December by a group of domestic manufacturers who found that unfair practices made it difficult to compete. The Commerce Department set the final tariff figures last month.

Personnel

Jonathan Pershing will soon leave his post as a senior climate change negotiator at the State Department to begin a new role as deputy assistant secretary for climate change policy and technology at the Department of Energy.

International

Climate Law Initiative Launched

During the Global Legislators Organization's World Summit of Legislators January 14-15, the group launched an initiative to support their peers in developing climate change laws and creating political conditions to ensure that a global agreement is reached by 2014. The GLOBE Climate Change Legislation Initiative will serve as a platform that senior legislators from 22 countries may use to discuss common challenges and share good practice information. The organization also released its *Third Climate Legislation Study*, highlighting progress made in a number of countries and the role national legislation plays in complementing international negotiations.

Environmental Impact Management Standards

ValueStream Performance Advisors said last week that proposed revisions to the ISO 14001 standard, a global standard for managing an organization's environmental impacts, might be expanded to include supply chain transparency and more GHG and other sustainability data monitoring. The standard, last updated in 2004, is undergoing revision, and the final standard is expected to be published early 2015. Organizations would have to follow specific processes for monitoring and measuring GHG emissions, water use, and other performance data.

Clean Energy Investment Declined

Bloomberg New Energy Finance announced January 14 that global clean energy investment declined by 11 percent in 2012 because of regulatory uncertainty and policy changes in the United States, India, Italy, Spain, and other large markets. Overall 2012 investment totaled \$268.7 billion, a decrease from 2011's \$302.3 billion, and the United States' investment dropped by 32 percent, to \$44.2 billion. China, however, invested a record \$67.7 billion in clean energy, a 20 percent increase due in large part to solar energy.

Obstacles to Job Creation

The World Bank's International Finance Corporation released a study January 14 finding that developing countries would be able to hasten job creation if they removed key private sector obstacles, such as lack of credit and poor infrastructure. The study concludes that the main obstacles to private sector job growth include a weak investment climate; inadequate infrastructure; limited access to finance for small and medium companies; and insufficient training and job skills.

Addressing Climate Change Based on Capacity

Speaking to the World Future Energy Summit January 15, Todd Stern, the State Department's special envoy for climate change, said that a 2020 global climate pact could allow for different commitments from industrialized and developing countries but should require that a central group of fast-developing countries take actions that could be tied to their capabilities and GHG emissions. He argued that differentiating between various countries' responsibilities must be based on real capacity differences to address climate change.

Canadian Carbon Tax Economic Impacts

Randall Wigle said January 16 that a two-year research project will provide more accurate economic models to help Canadian policymakers assess potential carbon pricing and carbon tax impacts on the domestic economy. Ten researchers participating in the project, funded in part by the Canadian government, aim to provide government officials with the results of those economic models to identify the impact of measures to reduce CO₂ emissions and encourage low-carbon innovation. Researchers will unveil the project's main outcomes toward the end of the two-year period, but the group expects to release two or three academic papers over the next 12 months on the economic model development.

EU EE Funds Improperly Spent

The European Court of Auditors released a report last week finding that European Union funding for public building energy efficiency projects lacked rational objectives and will take as long as 150 years for an investment return. The report concludes that some member states did not choose projects based on their potential to produce financial benefits through energy savings, and only 10 percent of efficiency funding was properly spent.

EU Incinerated MSW Increases

The Confederation of European Waste-to-Energy Plants released a report January 15 finding that European waste-to-energy plants incinerated 69.5 MMT MSW a year between 2007 and 2010, a 9 percent increase from the previous four-year period. The *CEWEP Energy Efficiency Report*, considered data from 314 waste-to-energy plants operating in 17 European countries.

U.N.'s Climate Change Priorities

Climate change will remain the top environmental priority of the United Nations in 2013. The U.N. Environment Program, the Food and Agricultural Organization, the World Meteorological Organization, and the U.N. conventions on biodiversity and desertification have already listed climate change as an area of focus for the year. The Intergovernmental Panel on Climate Change is expected to spend the year finalizing its work toward the 2014 release of its Fifth Assessment to address climate change impacts. The United Nations Framework Convention on Climate Change remains the primary body on the topic.

Mercury Agreement in Jeopardy

The International POPs Elimination Network said during a January 17 briefing on the state of the fifth International Negotiating Committee that efforts to conclude the first international legal instrument on controlling mercury pollution might fail because of a battle between developed and developing countries over financial commitments. Participants are also at odds over how to accommodate certain national industries and processes that use, release, or emit CH₄ naturally occurring in metal ores, minerals, or coal, and whether to allow thousands of tons from decommissioned chlor-alkali plants to enter the market.

International RE to Double

The International Renewable Energy Agency launched an effort January 13 to double renewables' share in the global energy mix to 30 percent by 2030. During the third annual assembly, the agency announced REMAP 2030, a global road map to identify policies and actions for reaching the goal. The agency also presented a number of reports, including a study of the potential for renewable energy investments in Africa and one showing that renewable energy can economically compete with fossil fuels.

Groups Call for Increased Focus on Water Scarcity

At the inaugural International Water Summit in Abu Dhabi January 15-17, officials from the World Bank, United Nations, and other organizations recommended that governments give greater attention to water issues in future discussions about energy and climate change policy. The Middle East and North Africa regions suffer from the most severe water scarcity, and a recent World Bank report, "Adaptation to Changing Climate in the Arab Countries," concluded that the world is likely to experience unprecedented climate extremes, including rising temperatures, decreasing rainfall, and droughts. Sultan Ahmed al-Jaber, CEO of Abu Dhabi's Masdar, announced plans last week to develop advanced seawater desalination technologies powered by renewable energy.

States

VA Flooding Prevention

The College of William and Mary's Virginia Institute of Marine Science submitted a report to Virginia's governor and General Assembly January 15 advising that preservation of the state's coastal region will require a sustained commitment by state and local officials to address land-use restrictions and major investments in flood prevention infrastructure. The report, *Recurrent Flooding Study for Tidewater Virginia*, was commissioned last year by joint House and Senate resolutions (H.J. Res. 50, S.J. Res. 76), and recommended that state government and coastal localities immediately begin comprehensive and coordinated planning efforts.

CA, Australia Emissions Trading Linkage

California and Australia launched official discussions January 15 to explore how the two governments could link their GHG emissions programs. The United States-Australian Dialogue on Carbon Pricing coincided with a daylong carbon pricing event at the University of California-Davis, which focused on the need for and benefits of building a broader international carbon market to address climate change and transition to clean energy technologies.

NJ Offshore Wind

Atlantic Wind Connection announced January 15 that they have selected the New Jersey coast as the first phase of a 10-year, \$5 billion project to develop a 350-mile undersea transmission line to bring power from offshore wind farms along the Atlantic Coast to the mainland. Construction of the 189-mile New Jersey Energy Link will begin in 2016, pending federal approval, and the overall transmission line, which is designed to carry 7,000 MW from multiple farms off the coast, is essential to establishing the nation's offshore wind energy industry.

MD Coal Ash Settlement

GenOn Energy Inc. agreed December 21 in the U.S. District Court for the District of Maryland to pay a civil penalty of \$1.9 million and perform remedial actions to prevent future surface water and groundwater contamination from three Maryland coal ash ponds. The proposed consent decree would require GenOn MD Ash Management to cap and seal all closed cells in the landfills and install liner systems in all leachate and stormwater collection ponds and perform a study to characterize the levels of contamination at the sites.

Miscellaneous

Corporate Sustainability Reporting Rising

The Governance and Accountability Institute released a report last week finding that the number of American companies disclosing their GHG emissions, water use, and other environmental data is expected to increase this year. 333 companies prepared sustainability reports in 2011, compared to 178 in 2010. The Global Reporting Initiative finds that sustainability reporting is not mandatory in most countries, but it is becoming standard practice among companies.

Early Warning Systems Critical

Kristie Ebi, consulting professor in the department of medicine at Stanford University and former executive director of a technical support unit at the United Nations Intergovernmental Panel on Climate Change, told the National Conference on Science, Policy, and the Environment January 16 that developing early warning systems is one of the key elements of increasing communities' ability to respond to severe, climate change related, weather events.

Black Carbon Increases Global Temperatures

A January 15 study in the *Journal of Geophysical Research: Atmospheres* found that black carbon's impact may have a more significant role in raising global temperatures than previously thought. The study, "Bounding the Role of Black Carbon in the Climate System: A Scientific Assessment," concluded that black carbon has about 2/3 the global warming impact of CO₂, and placed it ahead of methane in terms of its role in contributing to increasing global temperatures.

WRI Advises Using Existing Authority to Reach GHG Goal

The World Resources Institute said January 15 that President Obama can use existing authorities to ensure that the United States meets its goal to reduce GHG emissions 17 percent from 2005 levels by 2020. The organization will release a report in February detailing how the administration can issue regulations on emissions from existing power plants, take advantage of the natural gas boom, and undertake other actions to reach the goal.

Sustainable Transportation Partnership

The C40 Cities Climate Leadership Group and the World Resources Institute's center for sustainable transport, EMBARQ, announced January 17 a joint effort to promote sustainable transportation initiatives and reduce GHG emissions. The groups will contribute to sustainable transit and urban planning in the 59 cities that are members of C40, with an emphasis on rapid transit bus systems, bike paths, and bike-sharing systems.

Sierra Club's Climate Campaign

The Sierra Club launched January 14 "100 Days of Action for Climate and Clean Energy," a series of public events between the president's second inauguration and Earth Day. The effort will begin with a Presidents Day rally focused on encouraging the president to reject the Keystone XL pipeline, followed by other events that underscore citizens' interest in climate change issues.

Anaerobic Digestion Industry Growth

Waste re-use advocates, including the American Biogas Council, said January 17 that there is significant room for growth of the anaerobic digestion industry in the United States, but that the technology will not be as popular as it is in Europe without additional investment and government subsidies. Gaining access to the national renewable fuel credit program, the re-emergence of climate change as a federal issue, the establishment of state organic waste programs, and increased corporate interest in zero-waste programs could also hasten the technology's growth.

U.S. May Lose Clean Energy Edge

The Pew Charitable Trusts released a report January 17 concluding that the United States is at risk of losing its competitive edge in clean energy development and deployment without policies in place to encourage the industry. The report, *Innovate, Manufacture, Compete: A Clean Energy Action Plan*, projected that global revenue from clean energy will reach \$327 billion in 2018. Global clean energy investment increased 600 percent between 2004 and 2011, with renewable energy accounting for almost half of all new generating capacity during that time. The United States is expected to account for 14 percent of related revenue between 2012 and 2018.