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ENERGY AND ENVIRONMENT UPDATE

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Energy and Climate Legislation

With Congress returning from recess this week, legislators and the Administration worked to quickly continue filling in the gaps in comprehensive energy and climate legislation this past week. Senators John Kerry (D-MA), Lindsey Graham (R-SC), and Joe Lieberman (I-CT) are planning on unveiling their bill the week of April 19, and there are still a number of major details that have yet to be finalized.

The three Senators have built a good rapport with industry leaders and their moderate colleagues as they attempt to strike a balance that would garner 60 votes on the compromise measure. President Obama's recent oil and gas announcement as well as his nuclear announcement earlier in the year may have helped to move the effort along as well, but more liberal Democrats and environmental organizations are frustrated by the concessions the trio seem to be giving away. Some of those issues include employing a phased-in approach to the cap by requiring only the power sector to cap and reduce emissions in 2012, and then bringing manufactures under the cap in 2016.

Discussions over preemption continued last week as well. The National Association of Clean Air Agencies sent letters last week to Senate and House leaders urging them to preserve the authority of the EPA and state agencies to regulate greenhouse gas emissions even as they consider federal climate legislation. Senators Kerry, Graham, and Lieberman are using the House's 2017 preemption date as a starting point in their own legislation. Also last week, attorneys general from seven states called on the trio to resist state preemption in their federal legislation.

Allotment of allocations is another hot button issue of the debate. With the KGL effort including a larger auction pool at the expense of free allocations, the scramble for allocations continues. Two weeks ago, renewable energy supporters were concerned that the legislation would not provide allocations to states to pursue renewable energy and energy efficiency efforts, and last week the Clean Energy Group said that states should receive some of the revenue generated from the auction of permits in order to finance renewable energy projects.

Eight Democratic senators, all sponsors of Clean-Tea legislation, sent a letter to the trio last week cautioning them that a carbon tax or link fee on transportation emissions might not do enough to reduce the sector's emissions and could even interfere with congressional efforts to reauthorize the multiyear highway transportation bill. The letter encouraged the senators to include aid for public transit and other infrastructure in order to more fully address transportation sector emissions, and the group was joined by more than two dozen groups representing highway contractors, public transit advocates, local government organizations, and labor organizations in asking that funds generated from the fee be reinvested in the Highway Trust Fund.

Senate Majority Leader Harry Reid (D-NV) urged Senators Kerry, Lieberman, and Graham to also include adaptation and water conservation measures in the legislation.

Carol Browner, President Obama's chief climate advisor, said last week that Congress should push forward with a climate bill that caps CO2 emissions. Reiterating what Larry Summers told energy officials at the annual Energy Information Administration conference, she said that Congress should not opt for an energy bill alone, because American jobs and the economy as a whole depend on strong renewable energy policies in order to help create a new generation of clean energy jobs and transition the US to a clean energy economy.

Further complicating the timeframe, Supreme Court Justice John Paul Stevens announced last Friday that he would retire at the end of the term this summer. President Obama pledged to quickly nominate a successor, setting the stage for a summertime Senate confirmation battle that could make it more difficult to pass climate and energy legislation then.

EPA Administrator Lisa Jackson last week warned, however, that if Congress does not pass a climate bill, EPA will impose carbon dioxide restrictions beginning next January.

When the Senate returns this week, they will first focus on financial services reform and additional jobs bills. Senator Chuck Grassley (R-IA) vented his frustration last week that Congress had failed to reach an agreement on a tax extenders package, and said that their delay has resulted in jobs losses already.

Progress is being made in post-Copenhagen negotiations. At the Ad-hoc Working Group meetings in Bonn, Germany, last week, delegates worked to determine the agenda for the rest of the preparatory meetings leading up to the Conference of Parties in Mexico at the end of 2010. The next set of meetings will run May 31-June 11. Though many were disappointed that the Copenhagen negotiations were unable to end in an enforceable treaty, environmentalists and financial groups last week said that the greenhouse gas reduction commitments from individual nations may translate into even more reductions than discussed under the 1997 Kyoto protocol.

Nations have officially nominated seven candidates to replace Yvo de Boer as Executive Secretary of the UN Framework Convention on Climate Change when he steps down July 1, 2010. Six countries named candidates: Christiana Figueres of Costa Rica, Vijay Sharma of India, Marthinus van Schalkwyk of South Africa, and candidates from Ecuador, Kenya, and Pakistan. Janos Pasztor, who is Ban Ki-Moon's top climate change adviser, is also a candidate. As expected, all of the national nominees are from developing countries. Delegates are hoping that the next executive secretary will be chosen in time for the early June meetings.

Congress

Toxic and Climate Goals May Be Addressed in FY11 Appropriations

Congressman James Moran (D-VA), the new chair of the House Appropriations Interior, Environment, and Related Agencies Subcommittee, said last week that he is open to using the EPA's fiscal year 2011 funding bill to strengthen federal regulation of endocrine-disrupting chemicals and block the EPA from raising its permitting threshold for GHG emissions. He did note that there are limitations to mandating new policies are changes to existing rules in appropriations legislation, but said that the subcommittee will begin marking up the EPA's appropriations bill next month, and that it will strongly consider including funding to regulate GHG emissions and endocrine disruptors, especially in the case that Congressman Moran's stand-alone legislation (H.R. 4190) fails to gain any traction and Congress fails to address GHG regulation in ongoing climate legislation soon.

Upcoming Hearings

The House Ways and Means Committee will hold a hearing on energy tax incentives and the green job economy on Wednesday, April 14. The hearing will examine the effectiveness of current energy tax policy and identify additional steps that the Committee can take to ensure continued job growth in the area while also advancing national energy policy as a whole.

The Interior, Environment, and Related Agencies Appropriations Subcommittee will hold hearings on proposed fiscal year 2011 appropriations Tuesday through Thursday of this week. The Energy and Water Development Appropriations Subcommittee will also hold a hearing on Wednesday.

The House Select Committee on Energy Independence and Global Warming will hold a hearing on the role of coal in a new energy era on Wednesday, April 14.

The Africa and Global Health Subcommittee of the House Foreign Affairs Committee will hold a hearing on Thursday that examines the challenges of combating climate change in Africa.

The Water Resources and Environment Subcommittee of the House Transportation and Infrastructure Committee will hold a hearing Thursday on proposals for a Water Resources Development Act of 2010.

Department of Defense

To honor the 40th Anniversary of Earth Day, the Navy will participate in activities to celebrate environmental stewardship. This year's theme, "Partnering for a Greener Future," emphasizes the Navy's partnerships with other military services, federal and state agencies, NGOs, industry, and civilians. The Navy relies on partnership to achieve its goals of protecting the environment and providing energy security for the nation.

Department of Energy

DOE Awards \$100 for Smart Grid Work Force Training and Development

The Department of Energy announced last Thursday, April 8, its plans to distribute \$100 million for training of at least 30,000 people to support smart grid infrastructure. Funding will be distributed to 54 training programs in 32 states and the District of Columbia for electricians, line workers, technicians, system operators, power system engineers, cyber security specialists, and transmission planners. The funds will be matched by \$95 million from the facilities themselves.

Study Finds Energy Efficiency Training Lacking

Researchers at the Department of Energy's Lawrence Berkeley National Laboratory released a report last week outlining the increasing demand for energy efficient jobs and the shortage of workers currently available. Demand for workers who have energy-efficiency service skills, for example program managers, specialized engineers and architects, and construction and installation workers, is expected to double by 2020. There is already a shortage of formal training programs in energy efficiency.

Energy Sector Water Use to Quadruple

At the Energy Information Administration's annual conference last week, Michael Hightower, a technical staff member at Sandia National Laboratory, said that water consumption associated with the energy sector may quadruple over the next quarter century, which could constrain generation growth. About 50 percent of the water used in the US is used by electric power plants, primarily to cool condensers in thermal electric generation plants. With a one percent electricity consumption increase expected each year through 2030, places that currently experience water shortages will face difficult choices over having enough energy supply or enough water.

DOE to Examine Fracking

In an effort to bring its data more up to date, the Energy Information Administration will expand its data gathering from smaller, independent natural gas drillers that are likely to be using hydraulic fracturing technologies. EIA had previously focused its surveys on large natural gas producers and estimated the production of smaller producers. Hydraulic fracturing is currently a topic of intense debate on the Hill and among environmentalists, and the EPA, under mandate of its fiscal year 2010 budget, is studying the risks of the practice because of its potentially negative effects on drinking water sources.

DOE to Examine CCS Project

The Department of Energy will prepare an environmental impact statement for a planned 390 MW power plant in Kern County, California. The plant would gasify coal and petcoke to produce synthesis gas, but would capture carbon dioxide emissions and transport them by pipeline to a location where the emissions would be injected into underground oil and gas reservoirs. The project is eligible to receive \$308 million, about 11% of the project cost, through the department's Clean Coal Power Initiative.

China May Exceed US in Renewable Energy Development

In a talk with the US-China Economic and Security Review Commission, David Sandalow, Assistant Secretary of Energy for Policy and International Affairs, said that China is investing heavily in clean energy and is likely to dwarf US development if the United States does not implement policies that foster growth soon. Recently, China has adopted a 15 percent clean energy standard, an efficiency target that requires energy intensity to drop to 20 percent below 2005 levels by the end of 2010, and a carbon intensity target requiring reductions of 40 to 50 percent below 2005 levels by 2020.

Department of State

The State Department released a draft of the US Climate Action Report on April 8. The document details efforts the US is making at the federal, regional, and local level to reduce greenhouse gas emissions, and will be submitted to the Secretariat of the UNFCCC after a comment period ends May 6. The report also includes projections from the Department of Energy of greenhouse gas emissions for the next ten years.

Environmental Protection Agency

Tailoring Rule Could be Published Before End of the Month

The EPA may finalize its tailoring rule, which establishes greenhouse gas controls for large new and modified stationary sources, by the end of April. Regulation of mobile source greenhouse gas emissions under the Clean Air Act triggers requirements for stationary sources under the prevention of significant deterioration program, and the EPA announced a final rule March 29 that will phase in GHG control requirements for new and modified stationary sources starting January 2, 2011, when the vehicle requirements also take effect.

GHG Emissions Reporting Comment Period Opens

The comment period for three rules proposed by the EPA to require GHG emissions reporting at oil and gas wells, CCS facilities, and facilities that produce and use fluorinated gases will run April 12 through June 11. These facilities were not included under the final economy-wide mandatory reporting rule for GHG emissions in October so that the EPA could carefully consider these specific cases. The rules will also require facilities that report their emissions to identify their corporate parent companies, provide the North American Industry Classification System codes that apply, and declare whether or not reported emissions include those from cogeneration units.

Lawsuits against GHG Regulations

Industries are beginning to formally question the EPA's regulatory authority over power plant emissions. Mining and agriculture groups, including the Coalition for Responsible Regulation, the Industrial Minerals Association-North America, the National Cattlemen's Beef Association, and the Rosebud Mining Company filed a lawsuit April 2 to challenge the EPA's rule that paves the way for limiting stationary source emissions under the Clean Air Act beginning next January.

\$2 Million in Environmental Innovation Grants Awarded

The EPA awarded more than \$2 million to 34 small businesses to develop cutting-edge sustainable technologies last Monday. The EPA's Small Business Innovation Research program focuses on environmental research areas in green building efficiency, GHG reduction, treatment technologies for hazardous waste sites and drinking water, and improving water infrastructure.

Miscellaneous

EU GHG Emissions Down in 2009

The European Union's carbon dioxide emissions fell by 11 percent last year, the most since Europe started its cap and trade program in 2005. The decline is largely due to a down economy rather than emissions reduction efforts.

UK Issues Rebates for Home Renewable Energy Projects

Through the Clean Energy Cashback program, the United Kingdom has started issuing rebates of up to \$1,500 per year to households that install small-scale renewable energy systems at their homes. The government may introduce another program that provides incentives for low-carbon home heating next April.

Study Demonstrates Offshore Wind Potential

Marine Policy professors from the University of Delaware published a study in the Proceedings of the National Academy of Sciences last week that determines that offshore wind projects could provide continuous power to customers from MA to NC if states construct a new electricity transmission system that connects turbines down the coastline.

MN Creates Low Cost Renewable Energy Financing

Minnesota Governor Tim Pawlenty signed a jobs bill recently that includes provisions for Property Assessed Clean Energy (PACE). PACE enable local governments to create voluntary programs that will allow property owners to finance renewable energy, energy efficiency, and electric vehicle improvements to their homes or businesses through voluntary property assessments.

Tokyo Requires Large Facilities to Reduce GHG Emissions

A municipal ordinance took effect April 1 that requires large offices and factories that emit more than 1,500 kiloliters per year in Tokyo to reduce CO2 emissions by 6 to 8 percent annually over the next five years or face fines. Tokyo is the first Japanese city to regulate GHG emissions, but Yokohama and Osaka are considering similar requirements.

Companies Call for Real-Time Energy Data

Nearly 50 companies and organizations sent a letter to President Obama April 5 requesting that the Administration require households and businesses to have access to timely, detailed information about their energy use. The group, which includes Google, AT&T, NRDC, Best Buy, and General Electric, believes that real-time data will compel consumers to make a more concerted effort to conserve energy.

LA Rejects Carbon-Reduction Surcharge

The Los Angeles City Council recently rejected a move by the Department of Water and Power to increase electricity rates in part to finance a shift to renewable energy. The council rejected the LADWP's 0.7 cent surcharge because the decision did not include sufficient details as to how the money would be used.

MS Includes Solar Manufacturing in Tax Exemptions

Mississippi amended its Major Economic Impact Act recently to include solar panel manufacturing as a project eligible for exemptions from franchise, sales, and use tax. To be eligible for the incentives, a manufacturer must have received an investment of at least \$132 million by the end of 2015 from sources other than Mississippi state or local governments and must create at least 500 new full-time jobs within five years after the start of commercial production. The law now permits a state agency to loan up to \$50 million for the construction of publicly owned building and purchase equipment to be leased by a solar panel manufacturer.

CDP Launches Water Disclosure Project

The Carbon Disclosure Project launched a database last week for companies to voluntarily report their water use, alongside their carbon emissions. The CDP is planning on using the data to craft solutions that companies can incorporate into business and policy decisions.

Southeast Asian Leaders Call for Treaty

The Association of Southeast Asian Nations is planning on calling for a global, legally binding agreement on climate change under the UNFCCC. The leaders, who met last week in Vietnam, will soon release a statement encouraging wealthier countries to take the lead in cutting greenhouse gas emissions.

Clean Energy Economy to Create Jobs

The Global Climate Network issued a study last week that found that if countries adopt clean energy and climate change policies, the world would create 19.5 million green jobs in the coming decade, about 10.5 million of which would likely be in India.

Smart Meter Education Needed

David Owens, Executive Vice President of the Edison Electric Institute, told a Brookings Institute Forum last Friday that the electric power industry needs to do a better job educating consumers about the benefits of smart meters. The devices cost about \$150 each, and are receiving mixed reviews in some communities that find that do not necessarily help households to reduce energy usage, and therefore electricity costs.