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ENERGY AND ENVIRONMENT UPDATE

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Energy and Climate Legislation

A short work week turned eventful with the President's State of the Union announcement, the Senate's return from recess, and the election of a Republican to fill Senator Kennedy's Massachusetts Senate seat.

First thing last Tuesday, the White House announced that the President will give the State of the Union on Wednesday, January 27. Later in the day, Massachusetts voters elected Republican Scott Brown in a political upset that ended Democrats fifty year hold of the seat and less than year long filibuster-proof majority in the Senate.

Mr. Brown's victory, though not unexpected by Election Day, sent shock waves through Washington and is certain to reshape both the policy agenda and political climate in the coming months. Adding question marks to the health and climate debates, Mr. Brown's win adds incentive to pass jobs legislation and a tax reform packages as soon as possible.

Though Mr. Brown's election does have political ramifications, it was not entirely practical to think that Democrats could govern with a 60 vote strategy, and the loss of the filibuster-proof majority may come as a relief to some Democrats. What it does mean is that there are likely to be many more moderate pieces of legislation through the remainder of this year. As Independents played a big role in Mr. Brown's election, it is hard to deny that many throughout the country believe that DC has been too partisan for too long. During his own campaign, President Obama promised to change the partisan nature of DC politics, and he and both parties would be well advised to get this message or anti-incumbent votes will be the name of the game come November.

Last week, the House announced that it is unlikely to pass the health bill that comes out of the Senate, and, with numerous theories as to how to move forward, the health care debate might take longer than initially planned in 2010. That pushes jobs legislation and financial services reform to the front of the cue, and inches the energy debate forward in the schedule. Senator-elect Brown supported Massachusetts' entry into the Regional Greenhouse Gas Initiative, but has since questioned the link between humans and climate change.

This week will be filled with debate on the debt limit, and pressure is building to pass an extenders package. Finance Committee Chair Max Baucus (D-MT) and Ranking Member Chuck Grassley (R-IA) pledged to approve the extenders package in early 2010, which includes business tax breaks that expired December 31. The first opportunity might come February 28, when unemployment benefits and health insurance subsidies for laid-off workers expire, though no decisions have been made on either the timing or vehicle, or whether the provisions will be part of a larger jobs bill.

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Senate Democrats are expected to unveil a jobs bill as early as this week. Senate Majority Whip Dick Durbin (D-IL) and DNC Chairman Byron Dorgan (D-ND) are leading efforts to craft the bill, and they and Majority Leader Harry Reid (D-NV) met with committee chairs last Friday to see where everyone stands on jobs bill provisions. President Obama visited manufacturing workers in Ohio last Friday to reiterate his promise that creating jobs will be his top priority in 2010. He mentioned the need to increase clean energy jobs in America, and also pledged to continue to fight for health insurance reform and financial reform legislation as part of the package to rebuild the American economy.

Senator Lisa Murkowski (R-AK) introduced a resolution last Thursday to block the EPA from regulating greenhouse gases under the Clean Air Act. In addition to securing 36 Republican co-sponsors, Senator Murkowski was able to secure some Democratic support for her resolution, including Senate Agriculture Committee Chair Blanche Lincoln (D-AR), Senator Mary Landrieu (D-LA), and Senator Ben Nelson (D-NE). The Senate is planning a vote this week on the resolution, and the outcome could have implications for Senate climate change legislation that will come to the floor in the spring. Nearly 150 industry groups sent letters last week supporting Senator Murkowski's efforts.

While the resolution has little chance of becoming law, Senate Foreign Relations Committee Chairman John Kerry (D-MA), who is working with Senators Lindsey Graham (R-SC) and Joe Lieberman (I-CT) continues to work on his compromise climate bill. In fact, Senator Graham is a co-sponsor of Senator Murkowski's resolution, and some believe that Senator Murkowski may eventually join the three Senators in their compromise efforts.

We are starting to hear more and more that clean energy provisions will get done in stages, with some in the jobs bill, some in the tax extenders bill, and some in energy and climate-lite legislation. And it is becoming increasingly likely that Congress will move forward with an energy bill alone. Senator Dorgan said last week that he believes that Congress can promote renewable energy in a number of ways this year, but that it is very unlikely that they will be able to pass a climate bill. He believes that there is enough support to promote renewable energy, conservation, fuel efficiency, alternative fuels, and even a renewable electricity mandate so that an energy bill would be "climate-friendly." Others are calling for a delay on cap-and-trade in order to focus on jobs; moderate Democrats including Senators Bob Casey (D-PA), Dianne Feinstein (D-CA), Carl Levin (D-MI), Tom Carper (D-DE) have urged Senator Reid to focus efforts on improving the economy before addressing another contentious issue in the Senate.

On the international front, UN climate official Yvo de Boer said last Thursday that the nonbinding Copenhagen agreement is at risk of falling apart. Participants agreed to submit their plans for reducing emissions by January 31, and fewer than 25 nations have followed through out their commitment.

Senate

The Senate returned from recess last week and, while facing the addition of a new Senator, began work on several energy related issues.

Bingaman Endorses Industry Groups' CEDA Support

Senate Energy and Natural Resources Committee Chairman Jeff Bingaman (D-NM) endorsed calls last week by leading energy companies and venture capitalists to include a clean energy bank in any jobs bill Congress takes up this year. Included in both the House-passed climate bill and the Senate Energy bill, the Clean Energy Deployment Administration (CEDA) would be an independent government entity that would finance the development and deployment of clean energy technologies.

Energy Committee Holds Climate Hearing

The Senate Energy and Natural Resources Committee began the new year by hearing testimony from Energy Secretary Steven Chu on the research, development, and technology priorities associated with the mid and

long term challenges of climate change. The hearing was part of Chairman Bingaman's efforts to pursue a bipartisan approach to climate policy, but also offered senators a chance to speak about legislative possibilities and the Administration's current efforts. Secretary Chu underlined the need for more scientific research and announced administration plans to double federal investment in key research and development agencies. He suggested that Congress consider complimentary policies to cap-and-trade, including additional energy efficiency efforts and specific transportation guidelines in its effort to balance the domestic energy portfolio. Secretary Chu is also scheduled to testify before the committee on February 4 to coincide with the release of the President's FY2011 budget request. Chairman Bingaman also announced that he has scheduled a February 9 hearing on the status of DOE's loan guarantee program.

Upcoming Hearings

The Senate Environment and Public Works Committee and the Subcommittee on Green Jobs and the New Economy will hold a joint hearing Thursday, January 28 on solar energy technology and clean energy jobs. Interior Secretary Ken Salazar, eSolar Senior Vice President Robert Rogan, University of Illinois Law Professor Andrew Morriss, First Solar CEO Rob Gillette, and groSolar CEO Jeff Wolfe will testify.

The Senate Homeland Security and Governmental Affairs Subcommittee will hold a hearing January 27 to discuss strategies for reducing the federal government's energy bill. The Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security will examine the executive order calling for the government's use of sustainable energy.

House

Science Committee Considered ARPA-E Reauthorization

The House Science and Technology Committee held a hearing January 20 on the reauthorization of the Advanced Research Projects Agency-Energy (ARPA-E) and science, technology, engineering, and math (STEM) education programs. ARPA-E promotes the development of transformational energy technologies, and, signed into law in 2007, was officially started last year with \$400 million in stimulus funding. Thus far, the Department of Energy, which oversees this high-risk, high-reward energy research and development program, has awarded roughly \$4 million each to 37 projects. Funding authorization is set to expire at the end of 2010.

Energy and Commerce Committee Considered Exxon-XTO Merger

The House Energy and Commerce panel also met on January 20 to discuss the financial ramifications and environmental impact of Exxon's plans to purchase a XTO, a large independent natural gas company. The proposal would boost the oil and gas company's activity in unconventional natural gas, such as those from shales, tight sands, and coal seams. In addition to discussing the environmental impact of hydraulic fracturing¹, and a current House bill (H.R. 2766) that would require companies to disclose to the EPA the materials they use, the committee also discussed increase offshore and public lands drilling.

Upcoming Hearing

The House Science and Technology Committee will hold a hearing January 27 on the Advanced Research Projects Agency-Energy (ARPA-E), and will focus on the agency's progress in transforming the nation's energy innovation system. ARPA-E Director Arun Majumdar will testify.

Administration

White House Affirms Commitment to Comprehensive Climate Bill

¹ Hydraulic fracturing is a drilling technique that blasts chemicals, water, and sand or plastic beads into compact rock formations to release hydrocarbons. It is also called "fracking."

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Gary Guzy, Deputy Director of the Council on Environmental Quality, reaffirmed the Administration's commitment to comprehensive climate policy on January 21. Speaking at a conference hosted by the ICF International Consulting Group, Mr. Guzy said that the president believes that transforming to a clean energy economy is a critical part of achieving economic recovery, and that a comprehensive climate policy will play an important part in that pursuit.

Department of Commerce

Commerce Approves First Technical Standards for Smart Grid Development

The National Institute of Standards and Technology finalized its first set of technical standards for the smart grid January 19, and plans to file its recommendations with FERC soon. Once NIST files, FERC will conduct a formal rulemaking process to authorize the first batch of smart grid technical standards. The finalized list includes 75 interoperability standards in addition to a reference model for designing open network architecture. They are concurrently drafting cyber security standards for the smart grid, and report will be issued in February.

Department of Energy

\$20.5 M for Community Renewable Energy Deployment Projects

Energy Secretary Steven Chu announced over \$20.5 million in stimulus funds January 21 for five projects to support the development of community-based renewable energy projects. The five recipients include the City of Montpelier, the Forest County Potawatomi Tribe, Phillips County, Colorado, the Sacramento Municipal Utility District, and the University of California at Davis, and their projects will promote investment in clean energy infrastructure that will create jobs, help communities provide long-term renewable energy, and save consumers money. The projects will be leveraged with \$167 million in local government and private industry funding.

\$12 M for Early Stage Solar Technologies

Energy Secretary Steven Chu announced January 20 that the National Renewable Energy Laboratory (NREL) will invest up to \$12 million in four companies to support the development of early stage solar energy technologies and help them advance to commercial scale. The program received \$10 million in stimulus funding and is directed toward making solar energy more cost competitive with conventional forms of electricity.

Study Shows Eastern US Could Get 20 Percent of Energy from Wind

According to the Department of Energy's Eastern Wind Integration and Transmission Study, released January 20, the eastern half of the United States will be able to obtain 20 percent of its power from wind energy by 2024. According to the National Renewable Energy Lab, infrastructure will need to be significantly expanded, and system operational changes could cost as much as \$175 billion in order to meet the 20%.

Department of the Interior

The Minerals Management Service is soliciting public comments on a revised paper concerning the adverse effects of the proposed Cape Wind offshore wind farm off Massachusetts. The revised finding is the result of five properties within the affected area receiving eligibility for inclusion in the National Register of Historic Places. The comment period closes February 12, and Secretary Ken Salazar plans to make a final decision in April.

Department of Labor

Labor Secretary Hilda Solis announced January 20 the release of \$190 million in State Energy Sector Partnership and Training Grants designed to support green jobs training.

Department of the Navy

Navy Secretary Ray Mabus and Agriculture Secretary Vilsack signed an agreement January 21 to coordinate their programs to develop biofuels and other low-emission fuels and work together to implement other programs to reduce the Navy's GHG emissions. The Navy is committed to convert half of Navy and Marine Corps equipment and installations to alternative fuels by 2020 and deploy an aircraft carrier battle group using no fossil fleets by 2016. The memorandum also commits the Navy to consider energy efficiency when awarding contracts.

Federal Communications Commission

In a plan the Federal Communications Commission (FCC) is preparing to give every U.S. home access to high-speed internet service, they will include recommendations for bringing broadband to the smartgrid. Nick Sinai, the FCC's energy and environment director said January 21 that specific recommendations will include potential ways to use federal spectrum bands for utilities' smart grid deployments, how to promote open standards and commercial networks, and how to use policies to encourage utilities to provide their customers with real-time access to energy data.

Personnel

Dan Kanninen will become the liaison between the White House and the EPA on February 1. Mr. Kanninen is currently the legislative director for Wisconsin Governor Jim Doyle.

Miscellaneous

LCV Releases Report Cards

The League of Conservation Voters awarded President Obama a B+ for his first year in office in their annual report card, released January 19. President Bush received a D- and President Clinton received a C+ in their first years. President Obama received high marks for his leadership on the climate bill, actions undertaken by the EPA, Cabinet appointments, and clean energy funding in the stimulus bill.

KY Senate Passes Nuclear Storage Bill

The Kentucky Senate passed a bill January 20 allowing the storage of nuclear waste in the state. Senator Bob Leeper (I), the bill's sponsor, is hoping such a move will encourage nuclear energy facilities to locate within the state. The bill now goes to the Kentucky House.

Smart Grid Could Reduce Electricity Emissions

According to a study released by the Pacific Northwest National Laboratory on January 21, the electricity sector could reduce energy use and GHG emissions 18% by 2030 via smart-grid technologies. Increased usage of the technology will spur consumers to conserve their energy use.