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ENERGY AND ENVIRONMENT UPDATE

July 1, 2012

Energy and Climate Debate

In the midst of a big week for health care, energy issues had a number of their own headlines as well.

On June 26, a three-judge panel with the U.S. Court of Appeals for the District of Columbia Circuit dismissed challenges from industry groups and some states to the Environmental Protection Agency's tailoring rule in an unsigned opinion that reaffirmed the rules in their entirety. The tailoring rule limits greenhouse gas permitting to the largest industrial sources. The court ruled that the petitioners lacked standing to challenge the rule because it was aimed at easing their permitting burden by limiting the number of sources that need to have permits. The court also denied challenges to the agency's endangerment finding for greenhouse gases and subsequent emissions standards for cars and light-duty trucks. Petitioners are reviewing the decision and considering whether to seek a full hearing before the District of Columbia Circuit or appeal to the Supreme Court. The Supreme Court ruled in 2007 that the agency had the authority under the Clean Air Act to regulate greenhouse gases as a pollutant.

After months of negotiating, and weeks of conference committee work, the House and Senate cleared the transportation reauthorization bill on June 29, one day before its June 30 expiration. The House approved it, 373-52, as part of a package also containing measures to extend flood insurance and reduce federal student loan rates. No Democrats voted against the package, which includes \$37.5 billion for 2013 and \$37.8 billion for 2014 in federal highway aid, but 52 Republicans did. The Senate approved the conference report, 74-19, with Senator Olympia Snowe (R-ME) voting present. The Senate vote followed three other votes to table procedural motions intended to kill the bill. The final version did not include provisions approving the Keystone XL pipeline or concerning the Environmental Protection Agency's regulation of coal ash, as appeared in the House language. The measure does, however, include language that would streamline the environmental review process for projects by expanding categorical exclusions and assigning financial penalties to federal agencies that fail to meet review deadlines as well as a section dedicating penalties paid by BP for the 2010 oil spill to restore Gulf Coast coastlines and economies damaged by the spill.

The House and Senate are in recess for the Independence Day holiday, but Senate Majority Leader Harry Reid (D-NV) said June 26 that he has not given up on his plans to move appropriations measures separately this year and may try to bring some to the floor in July. Thus far, none of the 12 fiscal year 2013 bills has come to the floor, but several have been reported out of the Senate Appropriations Committee. Small business tax cuts and cybersecurity legislation are also vying for floor time after the

July 4th recess. Should Congress be unable to approve the 12 appropriations bill by October 1,, it will have to pass a continuing resolution to fund the government by the end of September, and many project that most of the meaningful appropriations work will occur during the lame duck session.

Congress

\$700 Billion Could Be Saved

Taxpayers for Common Sense, Friends of the Earth, and the R Street Institute released a study June 26 finding that Congress could save taxpayers nearly \$700 billion over 10 years by eliminating environmentally harmful subsidies and programs ranging from oil and gas industry tax breaks to loan guarantees for alternative energy projects. The report, *Green Scissors 2012*, identified more than 100 energy, agriculture, transportation, and public lands and water subsidies and programs that could be cut. Specifically, the report pointed to \$269 billion in energy programs, including \$158 billion in fossil fuel subsidies, \$37 billion from the elimination of the Department of Energy's loan guarantee program, and the elimination of the liability limitations for offshore oil drilling.

House Appropriations Approves Interior-EPA Spending

On June 28, the House Appropriations Committee approved, 26-19, a \$28 billion Interior-Environmental Protection Agency appropriations bill for fiscal year 2013. The measure included amendments limiting Environmental Protection Rules such as greenhouse gas restrictions for power plants. The bill cuts EPA's budget to \$1.4 billion, or 17% less than last fiscal year. Rejected amendments included two from Rep. Gerald Moran (D-VA) that would have cut 19 of the Republican offered policy riders and reinstate the superfund tax on petroleum products and hazardous waste. Rep. Steve Austria had his amendment added to the final bill that would restrict EPA's ability to enforce the recently enacted CAFÉ standards.

Energy Extenders Markup

The Senate Finance Committee will mark up an energy extenders package in July or September. The package, which is expected to be only partially offset if at all, is likely to extend credits for the construction of new energy efficient homes and certain non-business energy property as well as the date for wind facilities to claim the production tax credit. It is not likely to expand the investment tax credit or the advanced energy manufacturing tax credit.

CBO Report on CCS

On June 28, the Congressional Budget Office, at the request of the Senate Energy and Natural Resources Committee, released the report, *Federal Efforts to Reduce the Cost of Capturing and Storing Carbon Dioxide*, finding that carbon capture and storage (CCS) is still too expensive to be commercially viable, despite \$6.9 billion in funding to the Energy Department since 2005 to develop and demonstrate the technology. The Obama administration argues that in the next 4 years, six CCS projects will be in operation, and the technology will make economic sense within ten years. The CBO report concurs, but only if the CCS is adopted on a sufficiently large scale and that, the report says, seems somewhat unlikely because using CCS at a coal-fired electrical generating plant would raise costs by an average of 75%. A carbon tax or emissions trading scheme are the only policy mechanisms that might make the technology feasible. In addition to a carbon tax, the report argued for targeted subsidies and leaving major R&D and demonstration work to countries like India and China.

CRS Study of Wind PTC

On June 20, the Congressional Research Service released *U.S. Renewable Electricity: How Does the Production Tax Credit (PTC) Impact Wind Markets?*, which found that extending the 2.2-cent-per-kilowatt-hour production tax credit for the wind industry may not result in greater long-term wind power generation capacity, given natural gas prices and state renewable portfolio standards. Even as 2012 saw a record 10 to 12GW of generating capacity added in a race to meet the December 31 deadline for the credit's expiration, an extension of the credit would only result in 2-4GW of capacity in 2013-14, compared to 1-2GW if the credit is not extended. Congress is currently considering, with the industry's blessing, phasing out the credit overtime.

Legislation Introduced

Representatives Ed Markey (D-MA) and Grace Napolitano (D-CA) introduced legislation (H.R. 6024) June 26 to authorize development of hydropower and efficiencies at existing Bureau of Reclamation facilities.

The following day, Representative Earl Blumenauer (D-OR) introduced legislation (H.R. 6031) to amend the Internal Revenue Code of 1986 to extend the production and investment tax credits for wind facilities and to modify the foreign tax credit rules applicable to major integrated oil companies that are dual capacity taxpayers.

The same day, Congressman Ed Markey (D-MA) introduced legislation (H.R. 6041) to provide that the Secretary of Interior shall require the disclosure of political contributions as a condition of accepting bids for oil and gas leases of Federal onshore and offshore lands.

Senators Jeff Bingaman (D-NM), Olympia Snowe (R-ME) and Dianne Feinstein (D-CA) introduced the Expanding Industrial Energy and Water Efficiency Incentives Act (S. 3352) June 28 to amend the Internal Revenue Code of 1986 to extend energy-related tax provisions, creating incentives for America's industrial sector to significantly enhance its end-use energy efficiency in four critical areas – water reuse, advanced motors with adjustable speed drives using process control and connection to Smart Grid, chillers, and highly efficient thermal biomass – and enhancing incentives for combined heat and power systems.

On June 29, Rep. Jeff Flake (R-AZ) introduced the Phantom Fuel Reform Act (H.R. 6047), which would tie the amount of cellulosic ethanol mandated by the Environmental Protection Agency's renewable fuel standard to actual cellulosic biofuel industry production, as opposed to estimates of projected volumes.

Upcoming Hearings

The House and Senate are in recess for Independence Day.

Administration

Better Buildings Challenge Partners

The Obama Administration announced June 26 that 36 states, local governments, and school districts have joined President Obama's Better Buildings Challenge. The new commitments total nearly 300 million square feet in job-creating building energy upgrades. The same day, the Treasury Department released new public tax guidance making it easier for state and local governments to access more than \$2 billion in existing low-cost financing to fund energy efficiency and renewable energy projects through Qualified Energy Conservation Bonds. Led by former President Clinton and the President's Council on Jobs and Competitiveness, the Challenge is part of the Better Buildings Initiative President Obama launched in February 2011 to support job creation and make buildings 20 percent more efficient over the next decade by catalyzing private sector investment in commercial and industrial building energy upgrades. The announcement brings the total number of public and private sector partners to over 100.

Department of Defense

Water Concerns

Speaking at an Association of Climate Change Officers conference on defense, national security, and climate change June 26, Marc Kodack, program manager in the Defense Department's Office of the Assistant Secretary of the Army for Energy and Sustainability said that a portion of U.S. Army suppliers is likely to face water supply challenges, thus posing a threat to military missions. The Army uses 432.8 billion gallons of water per year; 24.4 billion of which are used to produce primary fuels, and 159.4 billion to generate electricity. Mr. Kodack also stressed that the Army needs to consider water availability when planning facility locations.

Alternative Fuel Development

At an Association of Climate Change Officers conference on defense, national security, and climate change June 25, Sharon Burke, assistant secretary of defense for operational energy plants and programs, stated that the Pentagon is relying on the private sector to develop alternative fuels for military

vehicles and aircraft. The military will start requiring the use of alternative fuels as soon as they are cost-competitive with traditional fuels. The largest consumer of energy in the United States, the military used 5 billion gallons of petroleum last year, 2.75 billion of which were used by the Air Force. 75 percent of its energy use is for military operations, while 25 percent is used in military facilities.

Biofuels Phase 1 FOA

On April 27, the Department of Defense released a \$30 million Funding Opportunity Announcement for Phase 1 of a \$210 million effort to establish the commercial-scale manufacture of drop-in replacement transportation biofuels for aviation and marine diesel use. The first phase, which is applicable to this FOA, is expected to include five awards at up to \$6 million each (\$30 million total). Up to three Phase 2 awards are expected at approximately \$70 million each (\$180 total Government share). Only \$100 million is from FY12, so total funding depends on future appropriations, and awardees selected for phases 1 and 2 will be required to share at least 50% of the cost. Phase 1 involves planning and preliminary design of a domestic Integrated Biofuels Production Enterprise (IBPE) with at least a 10 million gallon per year capacity, while Phase 2 includes the construction, commissioning, and performance testing of such a facility. Responses are due August 13, 2012, and awards will be announced on March 1, 2013.

TransCanada Acquires Domestic Permits for Keystone XL

Last week, TransCanada Corp. received two of the three permits, from the Tulsa, OK and Galveston, TX districts, from the U.S. Army Corps of Engineers needed to construct Keystone XL's Gulf Coast segment. TransCanada's permit request from the Fort Worth, TX District is still pending as the District has requested more information from the company.

Department of Energy

Abound Solar to File for Bankruptcy

The Department of Energy announced June 28 that Abound Solar Manufacturing LLC, a Colorado-based manufacturer of thin film solar panels and recipient of a \$400 million loan guarantee, plans to stop operations this week, making it the fourth company backed by the Department of Energy's loan guarantee program to file for bankruptcy. The company received a loan guarantee in December 2010 to help fund construction of two commercial-scale plants. To date, the Department of Energy has loaned \$70 million to Abound Solar, and the taxpayer loss is expected to be between 10 to 15 percent of that amount. The company's announcement comes as prices for crystalline silicon solar panels fell 50 percent last year and are expected to fall further.

\$14 Million for Building Efficiency

The Department of Energy announced June 27 new investments in state-led energy efficiency projects, supporting the administration's commitment to reduce building energy costs and transfer those savings to taxpayers. The agency awarded nearly \$14 million to 22 states and territories to conduct energy efficiency upgrades in public facilities and develop local policies and programs to help reduce energy waste. Projects selected fall under three categories: Advancing Energy Efficiency in Public Buildings, Stimulating Energy Efficiency Action in States, and Deploying Fee-Based Self-Funded Public Facilities Energy Retrofit Programs.

\$102 Million for Small Business R&D

Energy Secretary Steven Chu announced June 27 that the Department of Energy will award \$102 million to 104 small businesses across the country for research and development projects. The Small Business Innovation Research and Small Business Technology Transfer grants will support businesses in 26 states, helping companies to continue to develop promising technologies with a strong potential for commercialization and job creation.

U.S. May Not Meet RFS Requirements

The Energy Information Administration released its Annual Energy Outlook 2012 June 25, concluding that the Energy Independence and Security Act of 2007's requirement that mandates 36 billion gallons of biofuels in the nation's fuel supply by 2022 is unlikely to be met. The outlook shows that biofuel

production will increase substantially while coal-fired power will decline, but that fiscal and technological hurdles are expected to delay the start of advanced biofuel and cellulosic ethanol production projects.

LEDs More Environmentally Friendly than Other Lighting

The Department of Energy released a report June 29 finding that LED lamps have significantly lower environmental impact than incandescent lighting and a slight environmental edge over compact fluorescent lamps. The report, *LED Manufacturing and Performance*, compares the three technologies from the beginning to the end of their life cycles, analyzing the energy and environmental impacts of manufacturing, assembly, transport, operation, and disposal of the three lighting types.

Department of Interior

Offshore Leasing Plan Unveiled

The Department of Interior released June 28 its proposed final five-year oil and gas offshore leasing plan. The 2012-2017 plan schedules 15 potential lease sales, including 12 in the Gulf of Mexico and three in the Arctic, but none on the Atlantic or Pacific coast.

Bird Information Sought

The American Bird Conservancy filed a lawsuit against the U.S. Fish and Wildlife Service and the Bureau of Indian Affairs in the U.S. District Court for the District of Columbia June 26. The suit charges that the Interior Department has suppressed information about wind energy projects on federal lands and their impact on birds by failing to respond to numerous Freedom of Information Act requests. The agencies failed to provide information such as correspondence with wind energy developers and other information related to potential impacts on birds and bats, and bird and bat deaths at wind developments in 10 states.

Fracking Rule By Year's End

Heather Zichal, deputy assistant to the president for energy and climate change, said June 25 that the administration is committed to issuing an Interior Department rule to regulate fracking on federal lands by the end of the year. The Interior Department announced June 22 that it would extend the public comment period 60 days, to mid-September, to accommodate extensive feedback on the proposed rule. The May 11 proposed rule would require public disclosure of chemical additives with provisions to protect a company's proprietary information.

East Coast Sea Level Rise High

The U.S. Geological Survey published a report June 24 finding that the rates of sea-level rise between Boston and Cape Hatteras, North Carolina, since 1990 are three to four times higher than the global average. The study, "Hotspot of Accelerated Sea-Level Rise on the Atlantic Coast of North America," published in the journal *Nature Climate Change*, concludes that since 1990, the sea level along that 600-mile stretch of the East Coast has risen 2 to 3.7 millimeters per year; the global annual average over the same period was 0.6 to 1.0 mm.

Department of State

Climate Envoy Praises Public-Private Partnerships

On June 25, the State Department's Jonathan Pershing, deputy special envoy for climate change, told a conference on defense, national security, and climate change organized by the Association of Climate Change Officers (ACCO) that public-private partnerships are the biggest winners to emerge from the U.N. Conference on Sustainable Development in Rio de Janeiro from June 20-22. In addition to government initiatives and cooperation, an engaged private sector is key to fighting climate change.

Environmental Protection Agency

Ozone's Heart Impact

An Environmental Protection Agency-funded study published June 25 in the American Heart Association's *Circulation* found that young adults who are exposed to ozone in short periods experienced

temporary cardiovascular and nervous system changes that are linked to cardiovascular ailments. The study concludes that nearly all papers that previously evaluated the health effects of ozone focused on respiratory rather than cardiovascular effects. The Environmental Protection Agency set an ozone standard of 0.075 ppm in 2008, and is now working to implement the standard while studying whether to strengthen it in the coming years.

Cement Standard Updates

Responding to a December 2011 U.S. Court of Appeals for the District of Columbia Circuit ruling, the Environmental Protection Agency proposed changes June 25 to its 2010 air standards for the Portland cement manufacturing industry. The proposal would maintain the significant emissions reductions from the 2010 standards while providing industry additional compliance flexibilities, including more time to implement the proposed updates by extending the compliance date for existing cement kilns from September 2013 to September 2015. The agency will finalize the rule by December 20.

Coal Ash Regulation Timing

The National Mining Association and the Utility Solid Waste Activities Group intervened on behalf of the Environmental Protection Agency last week in a lawsuit in which environmental advocates are seeking a firm deadline for the agency to issue final coal ash regulations. The agency asked the U.S. District Court for the District of Columbia June 15 to dismiss the lawsuit, claiming that the environmental groups and coal ash recyclers failed to establish subject matter jurisdiction; four days later, the court granted a motion to consolidate a lawsuit from a coalition of environmental groups and two separate lawsuits from coal ash recyclers. The agency offered a proposed rule in May 2010.

Asian Black Carbon Reductions

The Environmental Protection Agency released a report June 11 finding that low-cost programs to improve efficiencies in industrial brick kilns and heavy duty trucking fleets would help to reduce black carbon emissions in South Africa. The report, *Reducing Black Carbon Emissions in South Asia: Low Cost Opportunities*, identifies heavy trucking and brick making as sectors that offer high-impact, readily accessible opportunities to reduce emissions of black carbon. Secretary of State Hillary Clinton announced in February that the United States had joined the Climate and Clean Air Coalition to Reduce Short-Lived Climate Pollutants, an international organization that aims to reduce climate pollutants such as black carbon and methane.

Stationary Combustion Turbine Standard Revisions

In response to a 2006 petition for reconsideration from the Utility Air Regulatory Group, the Environmental Protection Agency announced June 25 proposed revisions to the emissions performance standards for stationary combustion turbines, which set emissions limits for nitrogen oxides and sulfur dioxide. The proposed rule would exempt some combustion turbines from the performance standards, provided they comply with emissions limits under other provisions of the Clean Air Act; the revisions also clarifies when the performance standards apply and corrects technical errors.

McCarthy Defends CO2 Standards Before House Committee

On June 29, Gina McCarthy, the Environmental Protection Agency's assistant administrator for air and radiation, told the House Energy and Commerce Subcommittee on Energy and Power that EPA regulations will contribute to the closing of old coal-fired electrical generation units, while also paving the way for more advanced coal-fired units. "Fuel neutral" was the phrase she used, in response to heated questioning from Republican committee members, to describe the agency's proposed carbon dioxide regulation for all new fossil fuel-fired power plants. Republicans complained about the poor economics of the CCS technology that a coal-fired unit would need to meet the standards and claimed EPA was misleading the public about the rule.

New-Build Issues Severed and Expedited in MATS Challenge

June 28, the U.S. Court of Appeals for the District of Columbia Circuit granted White Stallion Energy Center LLC, Sunflower Electric Power Corp., Tri-State Generation and Transmission Association Inc., Power4Georgians LLC, Deseret Power Electric Cooperative, and Tenaska Trailblazer Partners LLC's collective motion to sever issues specific to new coal-fired power plants from a host of other complaints

covered under their suit challenging the Environmental Protection Agency's mercury and air toxics standards. The new plants' issues will be litigated under an expedited briefing schedule. The petitioners' first brief is due July 27, final briefs are due October 4, followed by oral arguments.

Groups to Sue Over Lack of State Lead Plans

On June 27, the Center for Biological Diversity and the Center for Environmental Health issued a notice of intent to sue the Environmental Protection Agency over its alleged failure to act on state implementation plans for the 2008 lead air quality standards. EPA missed a May 12 deadline for officially finding that 33 states, as well as Washington, D.C., Puerto Rico, and the U.S. Virgin Islands, have submitted no such plans. The groups are giving EPA 60 days to issue findings, or it will sue.

General Services Administration

Consideration of Supply Chain Risks

Speaking at an Association of Climate Change Officers conference June 25, General Services Administration Director Nancy Gillis said that the federal government is looking for suppliers that consider risk in their supply chains. Companies that do not address supply chain risk have additional costs that are embedded in the final price of their products and services; the federal government is aware of those costs and considers them when looking at suppliers. The administration will launch an online forum on data.gov this week that will enable companies to share their experience with creating sustainable supply chains.

Nuclear Regulatory Commission

Jaczko Investigation Completed

Responding to an August 2011 investigation request from Senators James Inhofe (R-OK), John Barrasso (R-WY), David Vitter (R-LA), and Jeff Sessions (R-AL), the Nuclear Regulatory Commission inspector general's office completed June 26 its investigation into Chairman Gregory Jaczko's management style and has written a report that leaves both Chairman Jaczko and his critics claiming victory. On May 21, Chairman Jaczko announced his intention to resign from the commission as soon as the Senate could confirm his replacement.

National Research Council

Sea Level Findings

The National Research Council (NRC) released *Sea Level Rise for the Coasts of California, Washington and Oregon: Past, Present and Future*, a report finding that while global sea levels are rising, the sea level south of California's Cape Mendocino is falling while levels in Oregon and Washington are rising. The global mean for sea levels, together with ocean and atmospheric circulation patterns, tectonics, and gravitational changes combine to make the situation on America's west coasts somewhat complex. These results differ from the findings of the U.S. Geological Survey, mentioned above.

Personnel

The Senate unanimously confirmed June 29 Allison Macfarlane and Kristine Svinicki as commissioners of the Nuclear Regulatory Commission. President Obama intends to appoint Ms. Macfarlane to chair the agency once she has been officially sworn in to fill the remainder of current chairman Gregory Jaczko's term through next June. Ms. Svinicki's current term expired June 30, with her new term lasting through June 2017.

Former EPA Region 6 administrator Al Armendariz will begin his job as a senior representative for the Sierra Club's Beyond Coal campaign in mid-July.

States

NY Acid Rain Monitoring

The Adirondack Council urged the New York Department of Environmental Conservation June 25 to reconsider a plan to close one of its acid rain monitoring stations in the southwestern portion of Adirondack Park, saying the site provides 25 years of historic monitoring data and should not be supplanted by a nearby federal monitoring station. The statewide plan proposed closing the station at Nick's Lake near Old Forge because it is considered redundant with a nearby station operated under the National Atmospheric Deposition Program.

CA Commuter Benefits

The California Assembly passed, 52-22, legislation (S.B. 1339) June 25 that would allow San Francisco area air quality and transportation officials to require some businesses to offer commuter benefits to boost the use of public transit, reduce traffic congestion and greenhouse gas emissions, and curb air pollution. The Senate passed the bill, 30-7, May 7, and Governor Jerry Brown (D) has until July 6 to sign or veto the measure.

IN Fracking Reporting

Indiana oil and gas well drillers will be required to disclose information about additives and pressures used in the fracking process beginning July 1. The rule puts into effect legislation (H.B. 1107) Governor Mitch Daniels (R) signed in February. Prior to the rule, operators were only required to report the total volume of fluid they were pumping and the amount of sand with which it was mixed.

VT Nuke Block Attempt Didn't Exhaust Admin Remedies

The U.S. Court of Appeals for the District of Columbia Circuit ruled June 26 that Vermont cannot block a 20-year license renewal for the Vermont Yankee Nuclear Power Station on the basis of a Clean Water Act procedural requirement after the state failed to exhaust its administrative remedies at the Nuclear Regulatory Commission. The Vermont Department of Public Service contended that the March 2011 license renewal for Entergy Nuclear Vermont Yankee LLC violated Section 401 of the Clean Water Act because the state had not given the company a water quality certification. The Commission argued that the state should have raised that objection through the commission's administrative procedures.

NH RGGI Departure Potential

According to New Hampshire legislation (H.B. 1490) that went into effect June 23 without the signature of Governor John Lynch (D), the state will be allowed to leave the Regional Greenhouse Gas Initiative if two other states, or one other accounting for at least 10 percent of the program's load, terminates or authorizes termination in the program. The measure is the second environmental bill this session that Governor Lynch has allowed to become law without signing; two days earlier, legislation (H.B. 1487) prohibiting the state from participating in a low-carbon fuel standard went into effect.

MD Renewable Credit Fraud

A federal jury in the U.S. District Court for the District of Maryland convicted June 25 Rodney Hailey of Perry Hall, MD, in connection with a scheme in which he sold \$9 million in renewable fuel credits that he falsely claimed were produced by his company, Clean Green Fuel, LLC. Mr. Hailey registered his company with the Environmental Protection Agency as a producer of biodiesel fuel. Between March 2009 and December 2010, Mr. Hailey sold more than 35 million renewable identification numbers, representing 23 million gallons of biodiesel fuel, to brokers and oil companies for at least \$9 million. The company had produced no fuel, and the facility did not have the capability of producing biodiesel fuel.

CA Budget Delays Linkage with Quebec

California Governor Jerry Brown (D) approved a budget plan June 28 forcing the California Air Resources Board to delay adoption of regulations that would allow the agency to link the state's greenhouse gas emissions trading program with one Quebec is implementing. The legislation (S.B. 1018) requires the agency to convince the governor that the two cap and trade programs are equally stringent and enforceable. The governor must then submit his findings to the legislature within 45 days.

Cape Wind Reaches Agreement with Fishermen

On June 26, the Cape Wind project announced an agreement with the Martha's Vineyard fishermen's association under which the wind developer will work to expand and protect commercial fishing

operations in exchange for the fishermen dropping their lawsuit. The two groups will work in concert to protect and maintain the fishing grounds at Horseshoe Shoal and create a Martha's Vineyard Permit Bank for local fishermen to purchase commercial fishing permits. In April 2011, the Interior Department approved construction and operation plans for the Cape Wind project, but legal challenges, a lack of financing, and a determination from the Federal Aviation Administration are all pending. Construction is set to begin in 2013, with commercial operations commencing in 2015.

New Jersey Anti-Fracking By-Products Law to Christie

On June 25, New Jersey Senate approved (on a 30-5 vote) a measure (already approved in the Assembly on a 56-19 vote) prohibiting the treatment, discharge, disposal, or storage of wastewater, wastewater solids, sludge, drill cuttings, or other by-products of hydraulic fracturing anywhere in the state. Gov. Chris Christie (R) now has 45 days to sign, veto, or conditionally veto the bill. Although there is no natural gas exploration or production New Jersey, there are geological formations in the state's northwest that might contain natural gas amenable to fracking.

International

BC Meeting GHG Reduction Goals

British Columbia's environment minister released a progress report and 2010 greenhouse gas inventory report June 27, indicating that the Canadian province is on track to meet its greenhouse gas emission reduction targets. According to *Making Progress on BC's Climate Action Plan*, the province had 4.5 percent less greenhouse gas emissions in 2010 than in 2007, a 2.9 MMT reduction. The Greenhouse Gas Reductions Target Act of 2008 required the country to reduce its emissions 33 percent from 2007 levels by 2020 and 80 percent by 2050. Interim reduction targets for 2012 – 6 percent – and 2016 – 18 percent were set by ministerial order.

Rio+20 Commitments Hard to Track

Representatives from development banks and nonprofit groups said last week that tracking progress on the more than 700 voluntary commitments to sustainable development made at the Rio+20 conference will be a challenge. The commitments represent more than \$513 billion of investment in sustainable development activities, including clean transportation and environmentally friendly agriculture.

Maritime Energy Efficiency

The International Maritime Organization said June 25 that improving energy efficiency of the shipping industry is an important part of its effort to ensure sustainable maritime development. The organization is considering a number of methods to promote sustainable shipping, including creating mechanisms to transfer green technology to developing countries; developing maritime infrastructure; strengthening the capacity of Sweden-based World Maritime University; and promoting acceptance and implementation of the organization's conventions on the environment.

ICAO Emissions Reductions Efforts

On June 29, the International Civil Aviation Organization's Ad Hoc Working Group on Market-Based Measures is working on three options for a global, market-based system for reducing airlines' greenhouse gas emissions, in order to defuse industry and government tension over the unilateral creation of an EU aviation emissions trading system. The body is considering mandatory offsets, a cap-and-trade system and a credit system.

Fracking in the UK

On June 29, the United Kingdom's Royal Society released, *Shale Gas Extraction in the UK: A Review of Hydraulic Fracturing*, claiming the health, safety, and environmental risks associated with hydraulic fracturing are manageable, provided there exists strong regulation and monitoring of well casing and cementing. In related news, the United Kingdom's Department for Energy and Climate Change (DECC) will make a final decision on the future of hydraulic fracturing operations for shale gas once it has considered feedback on a report into the risks of earthquakes posed by fracking.

Changes to British Columbia's Bio-Product Regulations

On June 26, the Canadian province of British Columbia's minister of forests, lands, and natural resource operations announced regulatory changes to the Forest Act, Forest and Range Practices Act, and Wildfire Act that will help bioenergy producers and manufacturers access needed logging slash and wood waste fiber. Under the new rules, residual license can be issued to these companies by primary forest license holders after harvesting, so that all smaller trees, branches, limbs, and tree tops piled roadside can be collected and utilized by the bio-products industry. The changes align with recommendations from the B.C. Committee on Bio-Economy's January report.

Italian Energy Efficiency Tax Provisions

On June 26, the Italian government officially passed into law a new set of tax incentives, financed by \$100 million from the treasury and bond sales, to support up to a 50% reduction in taxes on purchases used for the energy efficiency part of construction projects. Additionally, the tax rate for profits from private bonds used to finance infrastructure projects drops from 20% to 12.5%.