



ML Strategies Update

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Energy & Environment Update

ENERGY AND CLIMATE DEBATE

The House Appropriations Committee approved July 15 a fiscal year 2015 spending bill for the Interior Department, the Environmental Protection Agency, and related agencies after Republicans opposed Democratic attempts to remove 24 legislative riders. The measure would increase Interior Department funding for oil and gas permitting and inspections on Bureau of Land Management land, as well as funding for fighting and preventing wildfires. The package would reduce the Environmental Protection Agency's budget by \$717 million, about nine percent. The overall bill would amount to \$30.2 billion, a \$162 million increase from the fiscal year 2014 enacted level. The riders are designed to halt some agency initiatives, including greenhouse gas regulations, a new definition of Clean Water Act jurisdiction, revised water pollution rules for surface coal mining, and the possibility of an Endangered Species Act listing next year of the greater sage grouse.

Congressman Jim Moran (D-VA) filed an amendment early last week to strip out the 24 riders, but it failed on a 29-19 vote. He then offered an amendment to remove the bill's provision to prevent the Environmental Protection Agency from implementing greenhouse gas regulations for power plants, but that failed also.

With just two weeks to go before the August recess, the Senate will try to make progress on a short-term highway funding bill that would replenish funds for highway and mass-transit projects through next May. The House plans floor action on a series of education measures. Issues that may also garner congressional attention between now and the end of the month include a conference negotiation on a provision (H.R. 3230) to reduce waiting times for veterans in need of medical care; the influx of Central American children crossing the United States-Mexico border; various tax issues; and additional appropriations negotiations. Committee work on energy issues this week is outlined below.

CONGRESS

FERC Nominees Approved

The Senate confirmed July 15 the nominations of Cheryl LaFleur and Norman Bay to the Federal Energy Regulatory Commission. Ms. LaFleur will continue to lead the commission for nine more months while Mr. Bay gets some experience serving on the commission. At that time, Mr. Bay will assume the chairmanship, while Ms. LaFleur serves out the remainder of her five-year term as commissioner.

Ex-Im Bank Timeline

Senator Barbara Boxer (D-CA) said July 16 that legislation to reauthorize the Export-Import Bank might be brought to the Senate floor without a provision from Senator Joe Manchin (D-WV) that would reverse bank policy limiting the financing of overseas coal projects. The bank's charter expires September 30. The bill is likely to be brought to the floor clean, with a separate vote to be held on Senator Manchin's coal measure.

Legislation Introduced

Representative Peter Welch (D-VT) introduced July 10 the American Renewable Energy and Efficiency Act (H.R. 5072). The measure would establish a Federal renewable electricity standard for retail electricity suppliers and a Federal energy efficiency resource standard for electricity and natural gas suppliers.

Senator John Barrasso (R-WY) introduced the Secret Science Reform Act of 2014 (S. 2613) July 16 to prohibit the Environmental Protection Agency from proposing, finalizing, or disseminating regulations or assessments based upon science that is not transparent.

The same day, Representative Bruce Braley (D-IA) introduced the Country of Origin Labeling for Fuels Act (H.R. 5123) to require gas stations to post the fuel's country of origin on the pump.

Upcoming Hearings

The Senate Energy and Natural Resources Committee will hold a hearing July 22 to discuss the benefits to states and local governments from further development of the nation's natural resources.

The Senate Foreign Relations Committee will meet July 22 to consider the domestic security implications of the United States' energy and climate policies.

The Senate Environment and Public Works Committee will hold a hearing July 23 to consider the Clean Power Plan. Environmental Protection Agency Administrator Gina McCarthy will testify.

The House Energy and Commerce Subcommittee on Environment and the Economy will hold a hearing July 23 on modernizing environmental regulations and protections.

The Senate Energy and Natural Resources Committee will consider July 24 the nomination of Elizabeth Sherwood-Randall as deputy secretary of Energy, replacing Daniel Poneman.

The House Energy and Commerce Subcommittee on Energy and Power will hold a hearing July 24 on the impacts of United States' energy policies as they relate to encouraging democracy.

ADMINISTRATION

Ralls Corp. Decision Ruled Unconstitutional

The United States Court of Appeals for the District of Columbia Circuit [ruled](#) July 15 that President Obama's 2012 order blocking Chinese-owned Ralls Corporation from purchasing Oregon wind farms violated the Constitution's due process protections. The court ordered that Ralls Corp. must be allowed to challenge evidence used against it to require the company to sell assets and operations connected to the project.

Climate Resilience Initiatives

President Obama met with the State, Local, and Tribal Leaders Task Force on Climate Preparedness and Resilience July 16 to discuss efforts to increase electricity infrastructure resiliency to climate change. The meeting was the fourth and final before the 26-member panel makes its recommendations this fall. In response to early feedback, the administration announced a series of [initiatives](#) to strengthen climate resilience. Most of the funding comes from the Department of Agriculture's Rural Utilities Service, which awarded \$263.3 million in loans to several rural cooperatives to modernize and improve rural electric system reliability. The agency also awarded \$20 million for smart grid improvements, particularly for improving rural transmission lines. The United States Geological Survey and other agencies will allocate \$13.1 million to support advanced three dimensional mapping data that would allow states and local governments to better respond to weather-related disasters. The Bureau of Indian Affairs will create a \$10 million program for tribal climate change adaptations.

Lithium Batteries Air Transport Review

The Office of Management and Budget concluded its review July 17 of a final rule on transportation of lithium batteries and returned the rule to the Pipeline and Hazardous Materials Safety Administration. The proposal would update federal hazardous materials transportation standards, particularly for air transport of lithium batteries and cells.

DEPARTMENT OF COMMERCE

State of the Climate

The National Oceanic and Atmospheric Administration released a [study](#) July 17 finding that greenhouse gas emissions continued to increase, sea levels continued to rise, and the Arctic continued to warm last year. The *State of the Climate* report for 2013 offers a wide-ranging review of climate change's global impacts, and concludes that most climate indicators confirm that the planet is warming.

DEPARTMENT OF ENERGY

IEA Climate Guidance

International Energy Agency Executive Director Maria van der Hoeven told the Energy Information Administration conference July 14 that governments should reduce or eliminate fossil fuel subsidies because they increase energy consumption and worsen climate change. She challenged the United States to lead in addressing climate change.

B5 Blend

Speaking July 15 at the Energy Information Administration's Energy Conference, Daimler's William Woebkenberg called for a national standard for a B5 blend, containing five percent biodiesel. He said that using higher levels of biodiesel would require drivers to more frequently change their car's oil. Countering Daimler's comments, the National Biodiesel Board touted the benefits of fuel blended with up to 20 percent biodiesel.

Upton Vows Energy Action

During remarks at the Energy Information Administration's conference July 15, House Energy and Commerce Committee Chair Fred Upton (R-MI) vowed to take action on energy legislation to approve the Keystone pipeline (H.R. 3), halt Environmental Protection Agency regulations, and hasten liquefied natural gas exports (H.R. 6) if Republicans win control of the Senate in November.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Climate Health Hazards

The Centers for Disease Control and Prevention released a [report](#) last week describing the health hazards of climate change related factors such as higher temperatures and rising sea levels.

DEPARTMENT OF INTERIOR

NJ Offshore Wind Auction

The Department of Interior announced July 17 plans to auction about 344,000 acres off the New Jersey coast for offshore wind energy development. The New Jersey Wind Energy Area may provide as much as 3.4 GW of power, enough for 1.2 million homes. A 60-day comment period on the proposed sale ends September 19.

DEPARTMENT OF STATE

Papp to Lead Arctic Policy

Secretary of State John Kerry announced July 16 that Admiral Robert Patt Jr. will lead efforts to raise the profile of American interests in the Arctic as the State Department's first special representative to the region. Admiral Papp retired from the Coast Guard this year after a 39-year career. Secretary Kerry named Fran Ulmer special adviser on Arctic science and policy. She will continue to chair the U.S. Arctic Research Commission. Secretary Kerry will assume next April a two-year chairmanship of the Arctic Council, where he is expected to focus in part on climate change issues.

ENVIRONMENTAL PROTECTION AGENCY

CPP's Economic Impacts

The Analysis Group released a [study](#) July 14 finding that existing state level CO2 regulation programs demonstrate that the economy can handle the impacts of the Environmental Protection Agency's proposed CO2 standards for existing power plants. The report concluded that programs such as the Regional Greenhouse Gas Initiative or California's cap and trade program are likely to have modest impacts on consumers' electricity rates in the near term, but that they could have long-term benefits such as reduced electricity bills and net increases in economic output and jobs.

Boiler MACT Methodology Explained

The Environmental Protection Agency provided the U.S. Court of Appeals for the District of Columbia Circuit July 14 an [explanation](#) of its methodology for establishing the maximum achievable control technology (MACT) floor in rules limiting emissions from industrial boilers and incinerators. The agency provided the explanation in advance of the court's consideration of lawsuits challenging the rules.

CPP Builds on State Success

During a July 14 Environmental Law Institute Forum, Environmental Protection Agency Associate General Counsel for Air and Radiation Lorie Schmidt said that the agency built from successful state initiatives when it proposed CO2 standards for existing power plants.

Supreme Court Asked to Review MATS Ruling

A coalition of 21 states, the National Mining Association, and the Utility Air Regulatory Group filed separate petitions for a writ of certiorari with the Supreme Court July 15, asking the court to review the U.S. Court of Appeals for the District of Columbia's April decision upholding the Environmental Protection Agency's mercury and air toxics standards for power plants. The MATS rule is one of the most expensive agency regulations, with an estimated \$9.6 billion in annual compliance costs.

Ozone Standard SIP Deadlines

Sierra Club [asked](#) the U.S. District Court for the Northern District of California July 15 to require the Environmental Protection Agency to take action to approve or disapprove elements of 21 state implementation plans for the 2008 national ambient air quality standard for ozone, and to compel Tennessee to submit an implementation plan.

Perciasepe to Depart

The Environmental Protection Agency announced July 17 that Deputy Administrator Bob Perciasepe would depart the agency in August to become president of the Center for Climate and Energy Solutions, formerly the Pew Center on Global Climate Change.

TX Asks Court to Vacate CSAPR

Texas filed a [motion](#) in the U.S. Court of Appeals for the District of Columbia Circuit July 17 seeking a court order that would vacate the Environmental Protection Agency's cross state air pollution rule as applied to the state. Texas contends that the agency's application of the rule would result in "impermissible over-control" of fine particulate matter and ozone emissions from Texas plants. State and local petitioners asked the court to extend their deadline until July 31 to respond to motions to lift stay of the rule. The agency, industry groups, and state governments filed responses the same day to various motions on how the court should proceed with the suit. Several public health and environmental groups [asked](#) the court July 11 to lift the rule's stay, requiring states to comply with the rule's emissions limits in 2015. The groups contend that the agency's proposal the delay compliance with the rule's Phase 2 emissions limits until 2017 would negatively impact public health.

McCabe on CPP

During a July 17 National Press Club event, Environmental Protection Agency Acting Assistant Administrator for the Office of Air and Radiation Janet McCabe detailed the most common concerns that the agency has heard about its proposed CO2 standard for existing power plants. To date, the most common questions and concerns center around the following: the baseline date; nuclear energy's role; how states join multi-state plans; energy efficiency's role in compliance planning; renewable energy, particularly renewable portfolio standards and double counting prevention. Administrator McCabe said that the agency is not planning to establish any type of model state plan for meeting the requirements. She also said that most states are likely to need additional

times to submit their implementation plans, noting that many states would have to issue additional regulations or enact legislation that might take more than a year to complete.

RIN Quality Assurance Published

The Environmental Protection Agency finalized July 18 a voluntary program to verify renewable fuel credits. The [final rule](#) would establish a voluntary third-party auditing program to ensure the validity of renewable identification numbers that petroleum refiners use to demonstrate compliance with the renewable fuel standard. The agency also published a [final rule](#) approving the use of compressed and liquefied natural gas produced at landfills and municipal water treatments sites to produce cellulosic ethanol.

State CPP Compliance

A July [report](#) from Wilkinson Barker Knauer LLP found that states face difficult deadlines in getting policies in place to comply with the Environmental Protection Agency's proposed Clean Power Plan, and may need to take additional action such as passing state laws to ensure that they have the necessary authority over their energy markets.

FEDERAL ENERGY REGULATORY COMMISSION

Grid Security Proposed

The Federal Energy Regulatory Commission issued a proposed rule July 17 to enhance physical security of the bulk power grid. Comments are due 45 days after publication in the Federal Register.

INTERNATIONAL

Alberta Without Effective GHG Monitoring

Alberta Auditor General Merwan Saher said July 14 that the province missed its emissions reduction targets in 2012, and that the government has no effective system in place to monitor the emissions. One of Canada's selling [points](#) to the United States in lobbying for American approval of the Keystone XL pipeline is the nation's claim that Alberta could closely monitor emissions from the oil sands region.

Potential Expansion for Chinese Cap and Trade Programs

The Chinese National Development and Reform Commission said July 14 that it could expand the scope of the nation's seven carbon trading pilot projects and hasten the development of a national emissions trading system based on experiences from those projects. The commission expects to provide additional carbon trading guidance this year.

Chinese Trade Case

The World Trade Organization ruled July 14 that the United States broke rules on imposing substantial duties on Chinese steel products, solar panels, and other goods. The panel found that the United States had overstepped its mark in justifying the countervailing duties as a response to alleged subsidies to exporting firms by China's government. The panel ruled in a similar case in support of some claims by India against tariffs on steel exports.

Mexican Energy Policy Overhaul

Mexican Senate committees approved energy laws July 15 to increase the local content requirement to 35 percent, up from the 25 percent level proposed in April. The committees approved bills that provide the implementing tools necessary to open the country's energy sector for international oil and gas investment, including guidelines for how new fields will be offered for investment, how profits will be shared between the government and private companies, and the new regulatory structure.

China Fines Over SO2 Emissions

China fined ten major coal fired power plants July 15 for failing to remove sulfur dioxide emissions, even while they took government subsidies to fund the process. The government fined the plants \$25.4 million. The government has levied a total of \$84 million in fines and penalties for desulfurization violations across the country.

Europe Must Increase Green Technology Use

The European Environment Agency published a [study](#) July 15 finding that the European Union needs to encourage the widespread use of existing environmental technologies and overhaul its tax system in order to meet its long term environmental sustainability goals.

\$1 Billion for Green Climate Fund

German Chancellor Angela Merkel promised July 16 \$1 billion to the United Nations Green Climate Fund. Germany's commitment marks the fund's first major pledge, which is designed to provide climate assistance to developing nations. Executive Director Hela Cheikhrouhou said in June that she is seeking to raise as much as \$15 billion by the end of the year.

EU Sanctions Russia

The European Parliament approved a resolution July 17 calling for tougher Russian sanctions and a plan to allow for reverse gas flows to Ukraine. Parliament did not approve an amendment to halt the South Stream pipeline that would bypass Ukraine and bring Siberian gas to at least seven European Union member states.

Australia Ends Carbon Tax

The Australian Senate abolished July 17 the country's two-year old carbon tax on the largest GHG emitters. The repeal is retroactive to July 1. The government faces an uphill battle to obtain parliamentary support for an alternative plan. United States Senate Republicans hailed Australia's carbon tax repeal, saying that it should serve as a red flag for Senate Democrats who support the tax.

CEC 5 Year Plan

Environmental Protection Agency Administrator Gina McCarthy said July 18 that the North American Free Trade Agreement's

Commission for Environmental Cooperation's [decision](#) to make climate change adaptation and mitigation a strategic priority in its five year plan supports President Obama's identification of climate change as a signature legacy issue for his second term.

STATES

CO Regional Haze Plan Revised

Colorado [agreed](#) July 8 to revise its state implementation plan for regional haze to include more stringent NOx emissions limits for a coal fired power plant in northwestern Colorado. Tri-State Generational and Transmission will install pollution controls at three units as part of the state's regional haze plan that the Environmental Protection Agency will consider by December 2016.

NY Fracking Suit Tossed

The New York Supreme Court dismissed July 14 two lawsuits to establish a deadline for completion of a health department fracking study. Judge Roger McDonough ruled that the Joint Landowners Coalition of New York and a trustee for Norse Energy lacked the authority to bring the legal challenge, and found that neither party would suffer environmental harm.

NE, Canada Energy Pledge

Following the 38th Annual Conference of the New England Governors and the Eastern Canadian Premiers July 14, conference co-chairs pledged to continue addressing issues related to energy, climate change, and transportation on a regional basis. The conference adopted a resolution directing the Northeast International Committee on Energy to organize a regional public-private forum this year to discuss ongoing changes in the region's energy landscape.

WA, UK Climate Agreement

Washington Governor Jay Inslee (D) and United Kingdom Minister of Energy and Climate Change Gregory Barker signed a phase two agreement July 14 to expand their climate change work. The parties entered an agreement last fall to work together to identify market-based solutions to address climate change.

CH4 Leak Map

The Environmental Defense Fund and Google's Earth Outreach program announced last week that they are working together to [map](#) natural gas leaks in Boston, Indianapolis, and Staten Island. Methane that leaks from pipelines that carry gas throughout the cities has been an environmental target because of its high global warming potential.

MISCELLANEOUS

Green Bonds Market Growth

Climate Bond Initiative released a [report](#) July 17 finding that the green bonds market has gone from niche to mainstream after impressive growth in bond finance for low carbon projects over the last year. The report projects that green bonds issuance will grow by \$40 billion this year and reach \$100 billion next year.

Global Clean Energy Investment Up

Bloomberg New Energy Finance released data last week finding that global clean energy investments topped \$63.6 billion in the second quarter of 2014, up 33 percent from the first quarter, and up nine percent from the same period last year. The record was set in the second quarter of 2011 at \$78 billion.

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