



ML Strategies Update

David Leiter, DJLeiter@mlstrategies.com

Sarah Litke, SLitke@mlstrategies.com

Jordan Collins, JMCollins@mlstrategies.com

Neal Martin, RNMartin@mlstrategies.com

ML Strategies, LLC
701 Pennsylvania Avenue, N.W.
Washington, DC 20004 USA
202 434 7300
202 434 7400 fax
www.mlstrategies.com

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Energy & Environment Update

ENERGY AND CLIMATE DEBATE

Congress returns to Washington this week for a two-week session before leaving again to campaign in advance of the November elections. The House will vote on a fairly clean continuing resolution on Thursday, with the Senate to debate the funding measure shortly thereafter. The continuing resolution will likely fund the government through December 11. The measure could serve as a vehicle for two other September priorities: reauthorization of the Export-Import Bank, the charter of which is set to expire September 30, and passage of the Permanent Internet Tax Freedom Act. Following the November 4 election, Congress will return for an intense lame duck session that could include debate on a lengthy and wide range of issues, including a host of expired tax provisions such as the production tax credit.

In addition to the continuing resolution, the House is scheduled to bring up an energy package comprised of 13 already-passed measures, including legislation approving the Keystone XL pipeline (H.R. 3), limiting environmental regulations (H.R. 1582), and opening federal lands to energy extraction (H.R. 4899). The House may also consider three other messaging issues: a jobs measure that draws from a list of 40 previously passed House bills, a healthcare bill (H.R. 3522), and Representative Frank Wolf's (R-VA) legislation to authorize the use of military force against the Islamic State of Iraq and Levant. The Senate will debate its own line up of messaging bills: legislation to raise the minimum wage (S. 2223), address pay equity issues (S. 2199), and student loan rates (S. 2432), and guarantee access to contraception (S. 2578), as well as a constitutional amendment to limit campaign contributions and spending (S.J. Res. 19). For more information, please see our outlook for the remainder of the year, also out today.

During Senate Majority Leader Harry Reid (D-NV)'s seventh annual National Clean Energy Summit September 4, keynote speaker Hillary Clinton called for urgent action to address climate change and increase renewable energy production and energy efficiency efforts and offered conditional support for increasing domestic crude and liquefied natural gas exports. Senate Majority Leader Reid told that summit that allowing clean energy tax incentives to remain expired is not an option. He plans a vote before the end of the year on the \$84 billion tax extenders package (EXPIRE Act of 2014, H.R. 3474) that would retroactively extend more than 50 expired tax credits, including nearly \$20 billion in energy incentives such as the production tax credit, biodiesel credit, and others.

Upcoming Hearings

The Senate Environment and Public Works Committee will hold a hearing September 9 on the nominations of Jeffery Baran and Stephen Burns to serve on the Nuclear Regulatory Commission.

The House Energy and Commerce Subcommittee on Energy and Power will hold a hearing September 9 to gather state perspectives on the Environmental Protection Agency's Clean Power Plan.

DEPARTMENT OF AGRICULTURE

Vilsack at Clean Energy Summit

Agriculture Secretary Tom Vilsack told the National Clean Energy Summit September 4 that he is confident that the final 2014 Renewable Fuel Standard will be better for biofuels than what the Environmental Protection Agency proposed last year.

\$105 Million Loan Guarantee for Waste to Energy

Agriculture Secretary Tom Vilsack awarded September 4 a \$105 million loan guarantee to Fulcrum Sierra Biofuels to build a biorefinery in Nevada and convert landfill waste to commercial and military jet fuel.

DEPARTMENT OF DEFENSE

RI Offshore Wind Approved

The Army Corps of Engineers granted Deepwater Wind LLC final federal approval September 5 to begin construction of a 30 MW offshore wind farm about three miles off the coast of Rhode Island. The Block Island Wind Farm is expected to begin construction next summer, and placed in service in 2016, at which point it will generate over 125,000 MWh annually. Federal approval is still pending for a proposed 21-mile subsea cable to bring the electricity to the mainland, with the Interior Department's Bureau of Ocean Energy Management expected to grant transmission approval in the coming weeks.

DEPARTMENT OF ENERGY

AMO RFI

The Department of Energy's Advanced Manufacturing Office requested information last week on mid-Technology Readiness Level research and development needs, market and supply chain challenges, and shared facility needs for clean energy manufacturing. The request for information will close on October 3, with a workshop to discuss technical areas scheduled for October 8-9.

Biorefinery Begins Production

Project LIBERTY, the country's first commercial-scale cellulosic ethanol plant to use corn waste as a feedstock, began production September 3. Once operating at full scale, the Iowa biorefinery will produce 25 million gallons of cellulosic ethanol per year. The project was developed with the support of about \$100 million in investments and research from the Department of Energy.

Dirty Coal Demand Growing

The Energy Information Administration found September 5 that the dirtiest domestic coal is becoming the most popular coal source, due to stricter emission standards forcing power plants to reduce pollutants. Demand for Illinois Basin coal, which has higher sulfur content than other coals and either costs less or has a higher heat content, increased last year to the highest level since 1990 as sales of Appalachian coal dipped and consumption from Wyoming's Powder River Basin grew more slowly.

DEPARTMENT OF TRANSPORTATION

Climate Vulnerability Determinations

The Federal Highway Administration released a [report](#) September 5 using an indicator based approach to assist government agencies in assessing transportation systems' vulnerability to climate change impacts. The report, "Impacts of Climate Change and Variability on Transportation Systems and Infrastructure: The Gulf Coast Study, Phase 2, Task 3.1, Screening for Vulnerability," is one of several interim reports developed or underway as part of the agency's Gulf Coast Phase Two Study.

ENVIRONMENTAL PROTECTION AGENCY

CO2 Stream Determination Challenged

Industry petitioners led by the Carbon Sequestration Council filed a brief August 28 in the U.S. Court of Appeals for the District of Columbia Circuit charging that the Environmental Protection Agency overextended its authority when it concluded that CO2 streams could be regulated as a solid waste under the Resource Conservation and Recovery Act. The agency will file its brief in the case by November 6.

Methane Strategy Forthcoming

Environmental Protection Agency Administrator Gina McCarthy announced September 2 that the agency will issue a strategy this fall to reduce methane emissions from the oil and natural gas sector. The strategy could include revisions to 2012 well performance standards. President Obama has ordered the agency to complete any new regulations by March 2016.

FutureGen Approved

The Environmental Protection Agency [approved](#) September 2 for the first time four Class VI permits allowing FutureGen Industrial Alliance to inject CO2 deep underground for permanent storage. FutureGen, in Illinois, is a demonstration project designed to capture 1.1 million tons CO2 4,000 feet underground annually for 20 years from a retrofitted coal fired power plant.

OR Propane Exports

The Port of Portland, Oregon, [agreed](#) September 2 to the construction of a \$500 million propane-export terminal on the Columbia River. Pembina Pipeline Corporation will develop a 37,000 barrel per day facility that will go into service early 2018, exporting propane derived from natural gas production in western Canada primarily to Asian markets.

Litigation Over GHG Rules

Eleven states and two cities announced September 3 that they are intervening on behalf of the Environmental Protection Agency in a case brought by a dozen other states fighting the agency's proposed GHG standards for existing and future power plants. New York state Attorney General Eric Schneiderman is leading the effort within the U.S. Court of Appeals for the District of Columbia Circuit to counter a lawsuit by West Virginia and other states that are challenging a 2010 settlement agreement in which the agency agreed to establish the regulations.

Aircraft GHGs

The Environmental Protection Agency [announced](#) September 3 that it would propose endangerment findings in late April 2015, determining whether to regulate greenhouse gas emissions from aircraft. The agency will make final determinations in spring 2016.

Costco Agrees to GHG Reductions

Costco [agreed](#) September 3 to pay civil penalties and limit leaks of ozone-depleting refrigerants from 274 American stores under a proposed settlement with the Environmental Protection Agency. Proposed actions could reduce the company's annual GHG emissions by 30,000 MT CO2e and cost the company about \$2 million per year. The proposed settlement is subject to a 30-day public comment period and final approval by the U.S. District Court for the Northern District of California.

Heavy-Duty Truck Standards Forthcoming

The Environmental Protection Agency [submitted](#) an information collection request to the White House Office of Management and Budget for approval September 8 as it begins collecting the necessary data to propose the second round of GHG standards for medium- and heavy-duty truck standards in 2015 for model year 2018 and beyond. President Obama has ordered the agency and the National Highway Traffic Safety Administration to propose GHG and fuel economy standards for heavy-duty trucks by next March, with a final rule due in 2016.

INTERNATIONAL

Canadian Pipeline Development Challenged

Vancouver challenged Canada's energy regulator last month over Kinder Morgan Energy Partners LP's proposed \$4.9 billion expansion of the Trans Mountain conduit linking the oil sands to the Pacific. The expansion is beginning to face the same kind of backlash that turned TransCanada Corporation's Keystone XL pipeline into a proxy battle against climate change.

APEC Energy Commitments

The Asia-Pacific Economic Cooperation released the [Beijing Declaration](#) September 2, agreeing to double the use of renewable energy sources by 2030 and reduce energy consumption 45 percent by 2035. APEC also committed to reducing fuel subsidies and to eliminate trade protection that would harm renewable energy development.

Beijing Air Pollution Fines

Beijing's Environmental Protection Bureau fined 615 companies \$2.1 million September 3 in the first six months of its strengthened anti air pollution campaign. 330 files were due to companies not installing airborne emissions treatment devices or not operating them properly, and 117 were for failing to obtain proper environmental approvals or for refusing to allow environmental inspections. The municipal government announced the same day an awards program to encourage companies to purchase and install advanced emissions control technologies, with companies eligible for up to \$3.2 million for individual projects that reduce SO₂, NO_x, or volatile organic compound emissions. The province also established a commission of more than 30 experts to advise the Beijing and Tianjin municipalities and Hebei province on drafting plans to integrate the environmental policies of the three areas.

Climate Summit Representation

After China and India announced that their top leaders would not attend the climate change summit in New York September 23, United Nations Secretary General's Climate Change Support Team Director Selwin Hart said September 8 that the two nations will have representatives at the event. More than 100 heads of state, including President Obama, have committed to attending the summit.

Investment Factors

HSBC Climate Change Centre of Excellence head Zoe Knight told Stockholm International Water Institute's World Water Week September 4 that natural capital factors, including water availability, are increasingly driving economic productivity, and policymakers should act to manage the change.

STATES

VA Fracking Guidance Forthcoming

The Virginia Department of Mines, Minerals, and Energy Gas and Oil Regulatory Advisory Panel has reached consensus on all but one recommendation to expand the state's fracking regulations. Members still need to agree what substances should be measured in pre- and post-drilling groundwater quality tests. The panel will hold a fifth meeting September 24.

NV Fracking Rules

The Nevada Commission on Mineral Resources adopted unanimously August 28 [rules](#) that would require water well sampling before a company could conduct oil and gas exploration using fracking. The next step is review by a legislative interim committee on rulemaking. The commission's Division on Minerals anticipates codification within two months.

OK Power Ruling Appealed

The Sierra Club appealed August 29 a March lower court ruling with the U.S. Court of appeals for the 10th Circuit regarding their claim for civil penalties against Oklahoma Gas & Electric Company due to its modifications of a coal fired boiler at a generating station without obtaining a permit and installing pollution controls.

IN Ethanol Case

The Indiana Supreme Court ruled September 2 that the state's Department of Environmental Management was not required to subject its interpretation of Clean Air Act rules to federal review and was within its rights when it granted ethanol permits without subjecting them to chemical process plant requirements under the act.

Tesla Selects NV

Nevada Governor Brian Sandoval (R) announced September 4 that Tesla will build a \$5 billion factory in the state to manufacture lithium ion batteries. More than 6,500 people will work at the factory producing more than 35 GWh of battery cells each year. The state offered the company as much as \$1.3 billion in tax incentives to build the world's largest li-ion battery plant in the state.

OK Seismic Activity Council

Oklahoma Governor Mary Fallin (R) announced September 4 the Coordinating Council on Seismic Activity to link researchers with state legislators and the energy industry to discuss seismic activity and help guide policy efforts.

RGGI's 25th Auction

The Regional Greenhouse Gas Initiative [announced](#) September 5 that CO2 allowances sold for \$4.88 each in the latest auction, the initiative's 25th, raising \$87.8 million for the nine participating states. Auction proceeds will be used primarily for energy conservation, renewable energy, and direct bill assistance programs. The next auction is scheduled for December 3.

NE Keystone Case

The Nebraska Supreme Court heard oral arguments September 5 in the Keystone XL pipeline lawsuit, after landowners challenged the revised pipeline route through the state. The court is not expected to rule on the case until after the November elections.

MISCELLANEOUS

Water Shortages Could Limit Fracking

The World Resources Institute released a [report](#) September 2 finding that nearly 40 percent of the world's oil shale is located in areas considered to have extreme water stress, meaning that water limitations could hinder the rapid development of natural gas reserves.

Climate CBA Expansion Necessary

The Georgetown Climate Center released a [report](#) September 4 finding that the Environmental Protection Agency, the National Oceanic and Atmospheric Administration, and the White House Council on Environmental Quality should expand their cost-benefit analyses to include the costs of not acting to combat climate change and continued ecosystem damage due to inaction.

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