



ML Strategies Update

David Leiter, DJLeiter@mlstrategies.com
Sarah Litke, SLitke@mlstrategies.com
Neal Martin, RNMartin@mlstrategies.com

FOLLOW US ON TWITTER: [@MLStrategies](https://twitter.com/MLStrategies)

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

DECEMBER 18, 2015

Energy & Environment Update

ENERGY AND CLIMATE DEBATE

Congress approved today a \$1.1 trillion omnibus appropriations and \$680 billion tax extenders package ([H.R. 2029](#)) and adjourned for the first session of the 114th Congress. Please find below a special edition of our weekly energy and environment update that includes a brief overview of the measure and a handful of other updates from this week. We will return with our next weekly energy and environment update in the new year. In the meantime, if ML Strategies can be helpful to you in the coming weeks and months, please feel free to contact us, and we wish you and yours a happy holiday season.

Following weeks of intense negotiations, the bill includes a long-term extension and phasing down of the production tax credit and the investment tax credit. It provides an extension, retroactive to January 1, 2015, of the wind production tax credit at its current 2.3 cent rate through 2020, with a phase down of 20 percent per year beginning in 2017. The measure extends the investment tax credit for solar with a phase down of 30 percent through 2019, 26 percent in 2020, 22 percent in 2021, and then expires in 2022 for residential projects and reverts to the existing 10 percent credit for commercial projects at that time. The bill lifted the four-decades old crude oil export ban, but did not include many of the environmental riders that were being considered, such as language prohibiting the Environmental Protection Agency from implementing power plant or ozone standards or the Waters of the US rule, nor did it prohibit the administration from contributing to the Green Climate Fund.

Bloomberg New Energy Finance released an analysis December 17 finding that wind and solar installations could increase by more than 50 percent over the next five years under the extensions, amounting to a greater short-term impact on the industry than the Clean Power Plan or the international climate agreement.

The tax extenders package impacts 52 tax breaks, providing two-year renewals for some and five-year renewals for others, making still others permanent, containing Internal Revenue Service administrative practice language, and offering new rules related to real estate investment trusts, among other issues. The package extends or creates more than \$33 billion in energy-related tax credits over ten years, including, in addition to the above, extending through 2016 the \$1 per gallon biodiesel tax credit; the \$1.01 per gallon cellulosic biofuel tax credit; and a tax deduction for energy efficiency improvements to commercial buildings.

The omnibus spending bill funds the government until September 30, 2016, and [provides](#) \$29.7 billion to the Department of Energy, including \$2.1 billion for the Office of Energy Efficiency and Renewable Energy, \$986 million for nuclear energy programs, and \$632 million for fossil fuel research and development; \$8.14 billion to the Environmental Protection Agency for the 2016 fiscal year, an identical figure to its 2015 funding level; \$990 million to the Nuclear Regulatory Commission, a small decrease from the \$1.03 billion requested; and \$319.8 million to the Federal Energy Regulatory Commission, meeting the administration's request. President Obama is expected to

sign the measure shortly.

With the three-year reauthorization of the Land and Water Conservation Fund causing Senators Richard Burr (R-NC) and Kelly Ayotte (R-NH) to lift their holds on the bipartisan compromise Toxic Substances Control Act reform legislation, the Senate approved the measure December 17. The Senate and House will conference their bills next year, with the hope of finalizing TSCA reform in early 2016.

The House will return January 5 for 28 weeks of the second session of the 114th Congress, truncated by the presidential election, and the Senate will return January 11 for 31 weeks.

In the midst of an election year, Congress faces a fairly full schedule for 2016, and ML Strategies looks forward to sharing our 2016 outlook of legislative and administrative activity in early January. Included in that list, of course, will be renewed debates over tax issues, including hearings and markups that address extenders that, through a drafting error, were neither made permanent nor expanded in the approved package, like tax credits for non-solar technologies such as qualified fuel cells, microturbines, combined heat and power facilities, thermal energy properties, and more.

CONGRESS

Legislation Introduced

Representative Pete Olson (R-TX) introduced legislation (H.R. 4265) December 16 to amend the Clean Air Act with respect to national ambient air quality standards, including the 2015 ozone standards.

Representative Jerry McNerney (D-CA) introduced legislation (H.R. 4283) December 17 to amend the Internal Revenue Code of 1986 to impose a tax on coal, oil, and natural gas.

DEPARTMENT OF ENERGY

AC/Furnace Final Rule

The Department of Energy [issued](#) December 17 a commercial air conditioner and furnace efficiency standard [direct final rule](#) that could save up to 15 quads of energy, the equivalent of 75 percent of domestic households' annual energy consumption over 30 years. The record efficiency standards would be implemented over two phases, with an initial phase starting in 2018 that requires manufacturers to make their new commercial units 13 percent more efficient, and a second phase beginning in 2023 under which units are required to be 15 percent more efficient, or a total of up to 30 percent more efficient than existing units. The efficiency standard would result in up to \$167 billion in utility bill savings for businesses that use large rooftop units and would reduce CO2 emissions by 885 MMT between 2018-2048.

ENVIRONMENTAL PROTECTION AGENCY

Vehicle GHG Standards

The Environmental Protection Agency released an [annual report](#) December 16 finding that automobile manufacturers beat the agency's greenhouse gas emissions standards for passenger vehicles for the third straight year. Subaru outperformed the standard by 28 grams per mile, while among the 12 largest manufacturers, only Mercedes-Benz and Kia failed to meet the targets, even though both generated sufficient credits in previous years to comply.

INTERNATIONAL

EU GHG Reduction Targets

During a December 16 meeting in Brussels, European Union environment ministers agreed to a [draft directive](#), the EU's National Emissions Ceiling Directive, that would reduce the air pollution reduction targets that its 28-member countries would be required to achieve by 2030. The Council of the European Union must still agree on the final revision in negotiations with the European Parliament.

* * *

View ML Strategies professionals.

Boston · Washington www.mlstrategies.com