



## ML Strategies Update

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## Energy & Environment Update

### ENERGY AND CLIMATE DEBATE

The House and Senate have a full schedule for the remaining three weeks of the summer session before the August recess.

The House will consider appropriations measures, small business, microloan, veterans, tribal land, and hurricane relief legislation this week. The Senate will resume consideration of No Child Left Behind reform (S. 1177) and then move to highway and cybersecurity bills. The Export-Import Bank reauthorization and highway authorization debates loom as well. Additional issues that may see some time and attention in Congress before the August recess include Toxic Substances Control Act reform, student performance, the medical device tax, medical research, customs enforcement, air traffic control, appropriations, and nominations.

House Ways and Means Committee Chair Paul Ryan (R-WI) is continuing an effort to make some of the tax extenders permanent as part of a broader effort to reform the U.S. tax code. The House has voted several times this year to make some of them permanent, and Representative Ryan hopes to address the rest of them in September. In the meantime, Senate Finance Committee Chair Orrin Hatch (R-UT) is taking his own approach to tax extenders, indicating recently that he prefers to advance tax extenders, including the production tax credit, this month. Senator Hatch is likely to try to move a bill very similar to the last EXPIRE Act, and we predict a smooth markup of the measure, reporting out a bill that extends tax breaks retroactively for 2015 and for 2016. Finance Committee Chair Hatch and Ranking Member Ron Wyden (D-OR) unveiled July 8 the [reports](#) from the committee's five tax reform working groups, which will help to guide the Senate's broader tax reform negotiation in the coming months.

Senate Energy and Natural Resources Committee Chair Lisa Murkowski (R-AK) and Ranking Member Maria Cantwell (D-WA) are in the midst of negotiations over which of the 114 committee-considered measures, as well as any other potential language, will be included in their broad bipartisan energy package. The broad measure, the first significant update of national energy policy since 2007, could serve as a vehicle for lifting the 40-year old ban on crude oil exports, easing existing offshore drilling restrictions, advancing renewable energy projects, and authorizing U.S. electricity grid modernization funding. Of course, the biggest challenge is that supporters of the measure will eventually need to secure sufficient bipartisan support in both houses of Congress and avoid a presidential veto in order to see success. Senator Murkowski intends to move the four-titled bill through the committee, most likely on a title-by-title basis, beginning with the energy efficiency title before the August recess and continuing through the others when the chamber returns in September. Senator Cantwell will soon release with her Democratic Committee colleagues a broad energy bill to emphasize the caucus's priorities. The Senate energy bill may ultimately include a tax title, which would be written by the Senate Finance Committee and added to the measure on the Senate floor. Senator Cantwell, a member of the Senate Finance Committee, is very interested in

including a tax title, and Senator Murkowski has expressed a willingness to add tax language as well.

On the House side, Energy and Commerce Committee Chair Fred Upton (R-MI) and Energy and Power Subcommittee Chair Ed Whitfield (R-KY) are crafting their own broad energy bill. After securing some additional time last month to work out some of the stickier issues, House leadership expects to release the measure soon and mark it up this month. House Majority Leader Kevin McCarthy (R-CA) has cleared floor time for the legislation before the August recess.

## CONGRESS

### FERC on Premature Retirements

Representatives Fred Upton (R-MI) and Ed Whitfield (R-KY) and Senator Lisa Murkowski (R-AK) sent a [letter](#) July 8 to Federal Energy Regulatory Commission Chair Norman Bay asking the commission to take action to ensure that market rules do not lead to premature nuclear and coal-fired power plant retirements.

### Global Climate Negotiations Hearing

During a Senate Environment and Public Works Committee [hearing](#) July 8, Committee Chair James Inhofe (R-OK) said that the U.S. pledge to reduce CO2 emissions up to 28 percent over the next decade as part of a global climate change agreement is unrealistic. The hearing focused on the Obama administration's efforts to ensure a successful global climate agreement in Paris at the end of the year, with committee members split along party lines over the president's engagement in the United Nations climate talks.

### DHS Climate Focus Hearing

During a House Homeland Security Subcommittee on Oversight and Management Efficiency hearing July 8, committee Republicans said that concerns that climate change could threaten national security are a waste of taxpayer money, while Department of Homeland Security officials contended that climate change is one of a number of factors that contributes to national security.

### Green Climate Funding

During debate on the fiscal year 2016 State Department and related agencies appropriations bill, the Senate Appropriations Committee adopted, 16-14, an [amendment](#) July 9 to allow the Obama administration to proceed with U.S. funding for the Green Climate Fund. The committee approved the broader measure the same day. The United States announced last November that it would pledge \$3 billion over four years to the Green Climate Fund, which has received more than \$10 billion in international pledges.

### Interior-EPA Approps

House leadership cancelled a vote on the \$30 billion fiscal year 2016 Interior-EPA appropriations bill (H.R. 2822) July 9 after Republicans disagreed over amendments that would have prohibited the sale and display of the Confederate flag and riders that targeted a host of the Obama administration's environmental rules. The measure may return as part of a continuing resolution or omnibus spending bill in the fall. The Senate is on an uphill track for its own version of the funding, with Senate Democrats objecting to the sequester-level funding in the bills and the high number of policy riders. The White House has threatened to veto both versions of the measure.

### Crude Oil Export Ban Hearing

The House Energy and Commerce Subcommittee on Energy and Power held a hearing July 9 during which Subcommittee Chair Ed Whitfield (R-KY) said that the reasons behind the 40-year old crude oil export ban are no longer relevant, and that lifting the ban would create almost a million jobs and reduce domestic gasoline prices. The hearing considered legislation (H.R. 702) from Representative Joe Barton (R-TX) to lift the trade restriction. The House Agriculture Committee held a hearing the previous day on legislation (H.R. 2369) from committee Chair Michael Conaway (R-TX) that is nearly identical to legislation (S. 1312) from Senate Energy and Natural Resources Committee Chair Lisa Murkowski (R-AK) to lift the ban.

### Legislation Introduced

Senators Jim Risch (R-ID) and Martin Heinrich (D-NM) introduced legislation (S. 1706) July 7 to amend the Energy Independence and Security Act of 2007 to promote energy efficiency via information and computing technologies.

Senators Bernie Sanders (I-VT) and Jeff Merkley (D-OR) introduced legislation (S. 1713) July 7 to require the Secretary of Energy to provide \$200 million in loans and grants for solar installations in low-income and underserved areas.

Representative Paul Tonko (D-NY) introduced legislation (H.R. 2961) July 7 to establish a research, development,

and technology demonstration program to improve the efficiency of gas turbines used in combined cycle and simple cycle power generation systems.

Representative Joe Kennedy (D-MA) introduced legislation (H.R. 2984) July 8 to amend the Federal Power Act to provide that any inaction by the Federal Energy Regulatory Commission that allows a rate change to go into effect shall be treated as an order by the Commission for purposes of rehearing and court review.

Senator Martin Heinrich (D-NM) introduced legislation (S. 1723) July 9 to amend the Public Utility Regulatory Policies Act of 1978 to promote safe and reliable interconnection and net billing for community solar facilities.

Senator Tom Carper (D-DE) introduced legislation (S. 1736) July 9 to amend the Internal Revenue Code of 1986 to provide for an investment tax credit related to the production of electricity from offshore wind.

Representative Dennis Ross (R-FL) introduced legislation (H.R. 2997) July 9 to authorize the Secretary of Housing and Urban Development to carry out a demonstration program to enter into budget-neutral, performance-based contracts for energy and water conservation improvements for multifamily residential units.

Representative Peter Welch (D-VT) introduced legislation (H.R. 3001) July 9 to authorize certain long-term contracts for Federal purchases on energy.

Representative Ann Wagner (R-MO) introduced legislation (H.R. 3015) July 9 to require the Administrator of the Environmental Protection Agency to primarily consider, and to separately report, the domestic benefits of any rule that addresses emissions of CO<sub>2</sub> from any existing source, new source, modified source, or reconstructed source that is an electric utility generating unit, in any such rule, and in the regulatory impact analysis for such rule.

Representative Mike Pompeo (R-KS) introduced legislation (H.R. 3021) July 10 to amend the Natural Gas Act to allow the use of aerial survey data for certain applications.

### **Upcoming Hearings**

The Senate Energy and Natural Resources Committee will hold a hearing July 14 on islanded energy systems, looking at infrastructure issues in Alaska, Hawaii, and the U.S. territories.

The House Natural Resources Subcommittee on Energy and Mineral Resources will hold a hearing July 14 about the role of seismic surveying in Outer Continental Shelf energy exploration.

The House Energy and Commerce Subcommittee on Energy and Power will hold a hearing July 14 on how the Pipeline and Hazardous Materials Safety Administration has progressed or not in implementing reforms in the Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011.

The House Natural Resources Subcommittee on Energy and Mineral Resources will hold a hearing July 15 to consider the future of fracking on federal land.

## **ADMINISTRATION**

### **Social Cost of Carbon Revised**

The Office of Management and Budget Office of Information and Regulatory Affairs released an [update](#) of the [social cost of carbon estimate](#) July 2, finding that CO<sub>2</sub> pollution imposes long term domestic costs of \$36 for every ton emitted by power plants, vehicles, and other sources. 34 proposed federal rulemakings have used the social cost of carbon estimate since 2009. The social cost of carbon has been calculated between \$24-\$38 MT/CO<sub>2</sub>.

### **\$520 Million for Solar**

The White House [announced](#) July 7 more than \$520 million in private and state funding to advance community solar power and increase low- and moderate-income household solar use. The administration plans to install 300 MW of renewable energy on federally subsidized housing by 2020. President Obama's 2013 Climate Action Plan set an initial goal of installing 100 MW of renewable energy on subsidized housing by 2020, but 185 MW have already been committed for installation, hence the larger goal. The Department of Energy and other federal agencies also announced the National Community Solar Partnership with state and local governments, solar equipment manufacturers, and associations to make solar power more accessible for the nearly 50 percent of businesses and households that are renters or that lack the necessary roof space for solar installations. The Federal Housing Administration will allow homeowners to borrow up to \$25,000 for solar and energy efficiency upgrades, and the Department of Housing and Urban Development will release a renewable energy toolkit in August to make it easier to use Section 108 community development block grants for solar systems. Additionally, housing authorities, rural electric cooperatives, power companies, and organizations across more than 20 states have committed to more than 260 solar projects, including projects to assist low- and moderate-income

communities reduce their energy bills and build more community solar power. The initiative builds upon the Obama Administration's April announcement to train 75,000 people for jobs in the solar industry by 2020.

### **Paris Agreement**

The Center for American Progress released a [report](#) July 7 concluding that the Obama administration could avoid seeking Senate approval of any global climate agreement that emerges from the international negotiations at the end of the year in Paris. Using Congressional Research Service [research](#) that Representative Earl Blumenauer (D-OR) requested, the report demonstrates that there is a precedent for using an executive agreement rather than a treaty in other international accords, including the North American Free Trade Agreement.

### **CPP Forthcoming**

Several state environmental regulators will meet July 14 with senior Obama administration staff from the Office of Management and Budget, the Environmental Protection Agency, the Council on Environmental Quality, and others as they hope to shape the final version of the Clean Power Plan before its late summer release. The meeting – mostly a listening session – follows a string that began a month ago with a Sierra Club meeting and continued with energy companies – traditional and clean, alike, electric utilities, energy efficiency companies, high performance manufacturing industry representatives, environmental and public health organizations, and a wide assortment of related associations.

## **DEPARTMENT OF COMMERCE**

### **\$120 Million ESPC**

The Census Bureau's National Processing Center [awarded](#) recently a \$120 million Energy Savings Performance Contract to decrease the National Institute of Standards and Technology's environmental impact. The institute's utility bill savings will range from \$4.1-\$6.7 million annually over the 25-year life of the contract.

### **Chinese Solar Trade Case**

The Commerce Department decided July 8 to uphold and increase antidumping and anti-subsidy tariffs against an array of Chinese manufacturers. Most Chinese companies will face a final anti-dumping rate of 9.7 percent as well as a final anti-subsidy rate of about 20.9 percent, combined up about five percentage points from 2012. Immediate Chinese reaction has been mostly quiet.

## **DEPARTMENT OF ENERGY**

### **\$18 Million for Algal Biofuels**

The Department of Energy [awarded](#) \$18 million for six projects July 9 to reduce the modeled price of algae-based biofuels to less than \$5 per gasoline gallon equivalent by 2019. The agency is investing in applied research and development technologies that can achieve higher yields of targeted bioproducts and biofuels from algae, thus increasing algae biomass's overall value.

### **CCS Project Funding Halted**

The Department of Energy stopped July 10 stimulus funding payments for the Hydrogen Energy California carbon capture and sequestration project, finding that SCS Energy LLC had failed to meet certain milestones necessary for the \$408 million grant. The demonstration project would convert coal and petroleum coke into hydrogen, which would be used to fuel a 300 MW power plant and produce a million tons of fertilizer each year. The project's CO<sub>2</sub> would be transported via pipeline to the Elk Hill Oil Field, where it would be used to increase oil production by 5 million barrels a year. The California Energy Commission suspended July 7 the project's application for certification for six months, noting that the project's backers were seeking buyers for its sequestered CO<sub>2</sub> after an Occidental Petroleum Corporation deal fell through. The agency suspended in February \$1 billion in stimulus funding for the FutureGen 2.0 project, leaving one stimulus funded, agency-backed CCS project remaining: Summit Power Group LLC's Texas Clean Energy Project.

## **DEPARTMENT OF TREASURY**

### **Wind Turbine Credits**

The Internal Revenue Service issued Notice 2015-51 July 13 granting wind turbines additional time to meet performance standards required to claim energy credits after the Distributed Wind Energy Association said that

there was not equipment on the market to meet the standards. Turbines with a rotor-swept area of more than 200 square meters acquired or placed into service after December 31 must meet established quality standards to claim a Section 48 energy credit. Smaller equipment must meet standards to qualify for the credit if acquired or placed into service after February 2 of this year.

## ENVIRONMENTAL PROTECTION AGENCY

### CPP and RGGI

The Congressional Research Service released a [report](#) July 2 finding that the Regional Greenhouse Gas Initiative is not likely to meet the requirements of the Clean Power Plan, finding that it is uncertain whether the initiative's scope and stringency are sufficient for federal compliance. The regional initiative's current emissions cap ends in 2020, while the Clean Power Plan would run from 2020 to 2030. Additionally, RGGI's cost containment reserve could potentially allow for an additional 10 million tons of carbon allowances per year.

### Supreme Court MATS Ruling's CPP Impact

Speaking to a Christian Science Monitor event July 7, Environmental Protection Agency Administrator Gina McCarthy said that the recent Supreme Court decision on the agency's Mercury and Air Toxics Standards will not impact the upcoming Clean Power Plan. She said that because of the high court's limited ruling, the agency may be able to do a simple fix to address the Mercury Rule concerns at the U.S. Court of Appeals for the District of Columbia Circuit, while the Clean Power Plan remains on "solid legal ground" despite lawsuits from 27 states and more than a dozen industry groups.

### 50-Hour Engine Exemption

Calpine Corporation, the Conservation Law Foundation, and PSEG Power LLC said in a July 10 response that the U.S. Court of Appeals for the District of Columbia Circuit should vacate an exemption that allows stationary engines to run up to 50 hours a year without emissions controls. The groups charge that the exemption is indefensible following a May court decision vacating a similar exemption for engines that are part of an emergency demand-response program. The court is considering the Environmental Protection Agency's request to remand the exemption to the agency for further consideration.

## INTERNATIONAL

### Energy Taxes

Speaking at the Organization for Economic Cooperation and Development International Tax Dialogue in Paris July 6, International Monetary Fund Deputy Director for Fiscal Affairs Michael Keen [said](#) that countries should not wait for a global climate agreement to implement tax and other pricing measures to cover about \$5.3 trillion lost around the world every year to "mispricing" energy and environmental damage. Post-tax subsidies tied to local pollution from [energy use](#) account for more than half of the \$5.3 trillion, while global climate change linked to energy-related CO2 emissions accounts for about a quarter, and thus addressing local damage ought to be a more pressing concern than addressing climate change, though the end result would be the same.

### Global Climate Opportunity

The Global Commission on the Economy and the Climate released a [report](#) July 6 finding that volatile oil prices, unpredicted technology advances, declining renewable energy prices, and incremental carbon pricing growth have created a window of opportunity for significant global climate change progress. The study highlights ten policy changes that could keep global temperatures from increasing more than two degrees Celsius above pre-industrial levels, which is key to preventing the worst impacts of climate change.

### Green Bonds

The Climate Bonds Initiative released an [annual report](#) July 8 finding that green bonds are falling shy of a \$100 billion forecast for 2015, though they are expected to grow before the end of the year climate negotiations in Paris. With \$19 billion in green bonds issued thus far, the group predicts a total prediction of \$70 billion.

### Wynne on CO2 Reductions

During the opening address at the Climate Summit of the Americas in Toronto July 8, Ontario Premier Kathleen Wynne said that industrialized countries have a moral obligation to reduce emissions after benefiting from a high carbon economy. 22 state and regional governments signed a [pledge](#) during the summit to call on their governments to support carbon pricing, undertake climate action, meet existing GHG reduction targets, and,

undergo public reporting.

### **Climate Finance Tracking**

The African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank, World Bank Group, and the International Development Finance Club [agreed](#) July 9 to a [common approach](#) for tracking financial commitments aimed at helping vulnerable countries adapt to climate change impacts. The approach includes voluntary principles, definitions, and guidelines to track related financing. The United Nations Conference on Financing for Development begins July 13 in Ethiopia to focus on financing sustainable development goals that the United Nations will define in September as well as on ways to pay for climate adaptation, which will be defined at the global climate negotiations in Paris at the end of the year.

## **STATES**

### **Mayors on Climate Education**

During the U.S. Conference of Mayors annual meeting late last month, a group of bipartisan mayors from over 250 cities passed a resolution in the Environment Committee calling for schools to partner with the Alliance for Climate Education and similar organizations to provide climate education to students in their cities.

### **NY RE Growth**

During a hearing in Albany July 8, New York Public Service Commission Chair Audrey Zibelman said that large scale renewable projects are a significant part of the state's energy plan to grow renewable energy and reduce GHG emissions. The state could build wind turbines off the coast of Long Island as well as other large scale solar and wind farms within the next decade as it seeks to obtain half of its power from clean energy resources by 2030, double the current rate, which relies heavily on hydropower. Earlier in the week, the state announced that it had increased its solar capacity by 300 percent over the past four years, installing 314.5 MW of new solar between 2011 and 2014.

### **NYC RE RFI**

New York City Mayor Bill de Blasio released a [request](#) for information July 10 seeking proposals to power 100 percent of the city's operations with renewable energy. The city currently spends \$600-\$650 million a year on electricity and could catalyze the development of new renewable energy sources, furthering its commitment to reduce GHG emissions 80 percent by 2050. Responses are due September 10.

### **CO RPS Upheld**

The U.S. Court of Appeals for the Tenth Circuit upheld a lower court ruling July 13 against the Energy and Environment Legal Institute, which contended that Colorado's renewable portfolio standard means that some out of state coal producers will lose business to out of state utilities that provide power to an interconnected grid covering eleven western states, Canada, and Mexico. The court upheld the state's 20 percent RPS.

## **MISCELLANEOUS**

### **Facebook RE**

Facebook Inc. announced July 7 that it would run half of its operations with clean energy by the end of 2018, eventually reaching 100 percent. The company is also planning to build a data center in Fort Worth, Texas, that will run entirely on renewable energy.

### **Nuclear Industry**

Nuclear Matters released a Brattle Group [report](#) July 7 finding that the nuclear energy industry supports almost a half million jobs and that retail electricity rates would be six percent higher without it.

### **Solar Bubble**

The Taxpayers Protection Alliance released a [study](#) July 10 charging that heavy solar power subsidies, including from the 2009 Stimulus Package, have distorted the market and artificially increased solar energy demand across the country, creating a solar bubble that will burst when federal and state financial support ends. Several renewable energy associations have already denied the report's claims.

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