



## ML Strategies Update

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## Energy & Environment Update

### ENERGY AND CLIMATE DEBATE

The House and Senate return this week for a busy July work period before departing again for the August recess.

Upon their return, the House resumes negotiations on the fiscal year 2016 Interior, Environment, and Related Agencies Appropriations Act, as well as other funding measures. After announcing earlier in the week that the House would postpone votes on final passage until after the Independence Day recess, it concluded its first day of debate June 25 on the fiscal year 2016 Interior-Environmental Protection Agency appropriations bill, adopting 15 amendments by voice vote and reducing the Environmental Protection Agency's funding by another \$100 million from the original measure. The bill already includes several policy riders blocking the Environmental Protection Agency's carbon rules for power plants, ozone, fracking, the Waters of the U.S. Rule, and others. The debate will continue as Congress returns from the Independence Day recess, focusing on the second half of the measure, which includes the White House Council on Environmental Quality, the Environmental Protection Agency's climate rules, the Department of Interior's fracking rule, and social cost of carbon calculations, among other things likely to attract amendments and riders. The Senate will take up No Child Left Behind reform, veteran's legislation, and the Department of Defense Appropriations bill. 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 student performance, the medical device tax, medical research, customs enforcement, cybersecurity, air traffic control, appropriations, and nominations. The two chambers will also conference over the final trade package.

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, before the August recess, and 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 an openness to adding 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 next week and mark it up this month, and House Majority Leader Kevin McCarthy (R-CA) has cleared floor time for the legislation before the August recess. House Republicans released a [draft outline](#) of their four-part package in February.

Energy issues will garner attention at the committee level as well. For example, the House Energy and Commerce Subcommittee on Energy and Power will hold a hearing July 9 to consider legislation (H.R. 702) to prohibit restrictions on the export of crude oil, while the Senate Environment and Public Works Committee will consider the previous day the potential impacts the global climate negotiations in Paris at the end of the year may have on domestic policy.

## CONGRESS

### Biomass Policy Consistencies

46 senators led by Senators Susan Collins (R-ME) and Jeff Merkley (D-OR) sent a [letter](#) to the Environmental Protection Agency and the Departments of Agriculture and Energy June 30 urging the agencies to remove uncertainties and contradictions and clarify that forest bioenergy is part of the country's energy future. They emphasized biomass' carbon neutrality.

### Upcoming Hearings

The Senate Environment and Public Works Committee will hold a hearing July 8 entitled "Road to Paris: Examining the President's International Climate Agenda and Implications for Domestic Environmental Policy."

The House Homeland Security Subcommittee on Oversight and Management Efficiency will hold a hearing July 8 to examine the Department of Homeland Security's focus on climate change.

The House Natural Resources Committee will markup several bills, to be announced, July 8-9.

The House Science, Space, and Technology Committee will hold a hearing July 9 entitled "Examining EPA's Regulatory Overreach." Environmental Protection Agency Administrator Gina McCarthy will testify.

The House Energy and Commerce Subcommittee on Energy and Power will hold a hearing July 9 to consider legislation (H.R. 702) to prohibit restrictions on the export of crude oil.

## ADMINISTRATION

### Faster Climate Action Necessary

President Obama [interviewed](#) British naturalist David Attenborough for a BBC documentary June 28 and said that the world needs to take aggressive, intentional action to address climate change and hasten its pace to prevent the worst climate change related consequences.

### Brazil Meeting

Following a June 30 meeting between President Obama and Brazilian President Dilma Rousseff, the two leaders announced a new [bilateral agreement](#) in which each country pledged to generate 20 percent of its power from renewable sources, not including hydropower, by 2030. The commitment will require the United States and Brazil to triple and more than double their current renewable power generation, respectively. Both nations promised to pursue an ambitious global climate agreement in Paris at the end of the year. Brazil committed also to restoring 12 million hectares of forest by 2030.

## DEPARTMENT OF ENERGY

### HVAC Oversized Motors

The Department of Energy released June 29 a draft guidance document to help industry determine if oversized motors in commercial air conditioners and heat pumps are efficient enough to substitute for standard motors. If they qualify, they would be exempt from agency testing and enforcement. The agency will accept public comment on the draft guidance through July 29.

### PTAC and PTHP Standards

The Department of Energy adopted June 30 a [final rule](#) employing existing industry conservation standards for packaged terminal air conditioners and packaged terminal heat pumps, which are usually used in large commercial facilities such as hotels, hospitals, and apartment buildings. The final rule goes into effect 60 days after publication in the Federal Register.

## ENVIRONMENTAL PROTECTION AGENCY

### TSCA CO2 Regulation Sought

The Center for Biological Diversity filed a petition July 1 under Section 21 of the Toxic Substances Control Act charging that CO2 should be determined to be a chemical posing an unreasonable risk and regulated under authorities gave the Environmental Protection Agency under the act. The environmental group argues that because CO2 contributes to ocean acidification, destroying coral reefs and threatening sea life, it should be regulated under TSCA's Section 21. The agency is required to reply to the petition within 90 days.

### Methane Rule Support

Ceres released an [investor statement](#) July 1 finding that strong federal methane regulations are necessary to ensure business certainty and reduce legal risks for investors, noting that company-by-company measures do not provide the necessary certainty. The White House Office of Management and Budget is currently reviewing the Environmental Protection Agency's proposal to set methane emissions limits for new oil and natural gas wells; the agency plans to release it in August.

### Stationary Engine Rule

The U.S. Court of Appeals for the District of Columbia Circuit suspended July 1 a lawsuit challenging an Environmental Protection Agency rule exempting stationary engines from some emissions controls after the agency sought a voluntary remand of the rule June 30. The remand allows the agency to reconsider aspects of the rule in light of a District of Columbia Circuit Court decision striking a similar exemption.

### CPP Model Rule to OMB

The Environmental Protection Agency sent July 2 its proposed Clean Power Plan federal implementation plan, a model rule, to the White House Office of Management and Budget for review. The federal implementation plan will serve as a model for states to consider when building their own state plans, and it offers states that refuse to take state action insight into what the Environmental Protection Agency may impose, even though tailored to a specific state, if they do not comply with the rule. The administration projects that it will release the proposed rule next month around the same time it releases final CO2 standards for new, modified, and existing power plants, though new source performance standards for new plants may be released sooner than that.

### Effluent Limitations Guidelines to OMB

The Environmental Protection Agency sent July 2 its final effluent limitations guidelines to the White House Office of Management and Budget for review ahead of the September 30 consent-decree deadline to roll out of the regulation. The rule addresses water discharges from fossil fuel and nuclear power plants to target pollutants including mercury, arsenic, and selenium.

### HFC Phaseout

The Environmental Protection Agency finalized July 2 a [rule](#) to phase out the use of hydrofluorocarbons, some of which have a global warming potential 12,000 times greater than CO2. The [standards](#), which are part of the agency's Significant New Alternatives Policy program, will go into effect from January 2016 to 2021, depending on individual products. The standards, guided by President Obama's Climate Action Plan, will apply to products including retail refrigerators, vending machines, aerosol propellants, and vehicle air conditioners, avoiding 54-64 MMT CO2e emissions by 2025. HFC emissions in the United States were projected to double by 2020 and triple by 2030 without action to curb their use.

## Coal Ash Regulation Effective October 19

The Environmental Protection Agency published a [notice](#) July 2 clarifying that the final rule regulating coal ash as a nonhazardous waste will become effective October 19. The agency said that the technical amendment is necessary because the final rule contains typographical errors that caused confusion.

## INTERNATIONAL

### Paris Preparations

United Nations Framework on Climate Change Executive Secretary Christiana Figueres said June 29 that countries have made too little progress on the global climate negotiations, particularly regarding the Green Climate Fund, because of a lack of clarity and trust between richer and poorer countries.

### South Korean INDC

Along with submitting its [Intended Nationally Determined Contribution](#) to the United Nations June 30, South Korea announced its plans to reduce greenhouse gas emissions 37 percent from business as usual levels by 2030, which would otherwise rise to 850.6 MMT CO<sub>2</sub> by 2030 without the reductions. Domestic action will account for 25.7 percent of the reduction, while the remaining 11.3 percent will come from purchasing international carbon credits. The country initiated the world's second largest carbon emissions market in January.

### Chinese INDC

China submitted July 1 its [Intended Nationally Determined Contribution](#) to the [United Nations](#) ahead of the global climate negotiations in Paris at the end of the year. National policies, which will be added to national planning, regulation, and law as China rolls out its next five-year plan (the 13<sup>th</sup>, which runs 2016-2020), include peaking its carbon emissions no later than 2030 via increased renewable energy use, energy efficiency and emissions reduction investments, capping coal consumption, and introducing an active carbon emissions trading system in the near future. China set a goal of reducing its carbon emissions per unit of economic output, or carbon intensity, 60-65 percent by 2030 from 2005 levels. The current national policy is for 40-45 percent carbon intensity reduction by the end of 2020.

## STATES

### IA Solar Credit

Iowa Governor Terry Branstad (R) signed legislation ([H.F. 645](#)) June 26 that will expand the state's solar energy tax credit this year and next. The bill, which took effect upon the governor's signing, continues to base the state credit on the federal tax credit, and will reduce the state credit to 50 percent of the federal credit, but will expand the cap to \$5 million a year.

### NY Fracking

Under the State Environmental Quality Review Act, New York's Department of Environmental Conservation released June 29 a [findings statement](#) officially banning fracking after years of litigation, regulation, study, and over 260,000 public comments.

### NY Demonstration

Con Edison presented July 1 three demonstration projects to New York, offering an indication of the areas in which the utility plans to focus under the state's Reforming Energy Vision. Demonstration projects are required of utilities as the R.E.V. attempts to significantly alter how energy is generated and consumed in the state. Additionally, GE will provide Con Edison with an 8 MWh battery energy storage system that will reside in California's Central Valley.

### Denver Solar

Denver signed an agreement with SunShare LLC, last week to supply 400 KW of solar power to 16 city facilities from the company's arrays. The solar power will cover about two percent of the city and county government's energy needs, and will save it about \$6 million in electricity bills over a 20-year agreement.

## **NY Transmission**

New York Independent System Operator President Stephen Whitley wrote to the state Public Service Commission last week saying that if New York does not build more transmission lines, it will not be able to increase its reliance on renewable energy sources. The state will need about 15,000 MW of renewable energy sources to comply with the upcoming Clean Power Plan, and current state infrastructure does not have the capacity to transmit the power produced upstate to high demand downstate.

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