



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

SEPTEMBER 8, 2015

Energy & Environment Update

ENERGY AND CLIMATE DEBATE

With Labor Day marking the unofficial end of summer, Congress returns from the August recess this week, and while the House dives into several energy related hearings, the Senate will wait a bit to return to similar topics. In the meantime, energy and environment issues continue to play a significant role on the national and international stages through the rest of the year.

Congress returns September 8 to a packed fall schedule that includes appropriations, the highway bill, reauthorization of the Export-Import Bank, the customs bill, the Iran nuclear deal, cybersecurity legislation, TSCA reform, tax extenders, the debt limit, criminal justice reform, energy legislation, a conference agreement on No Child Left Behind reform, trade promotion authority, and other agenda items.

Energy issues most likely to obtain Congressional attention this year include TSCA reform and a tax extenders package, with the production tax credit and a tweak of the investment tax credit receiving top billing in the energy category. It remains to be seen what, if any, larger tax effort can be accomplished, as House Ways and Means Committee Chair Paul Ryan (R-WI) hopes to make some of the tax extenders permanent and let others remain expired indefinitely. Should Congress take that route, Senate Democrats would look for trade offs in the form of making some renewable energy tax credits permanent or at least providing them with long phaseouts. The Senate Finance Committee approved in late July a two-year package (S. 1946) of all the tax provisions, extending one year retroactively as needed.

There may be another possibility for this kind of trade off, should Congress decide to move forward with lifting the crude oil export ban. House Energy and Commerce Committee members are still negotiating what their final broad bipartisan energy bill will look like, but the committee will mark up the measure later this month. It was originally scheduled to come to the House floor this month, but with a busy schedule of government funding and other looming deadlines, it may be pushed to October. The Senate will return to its own broad bipartisan energy legislation in 2016. The Senate Energy and Natural Resources Committee approved the measure this summer, sending the bill to the floor for wider consideration that may include handfuls of amendments.

President Obama kicked off a busy fall climate schedule with the August 3 unveiling of the final [Clean Power Plan](#). For recent Clean Power Plan developments, including the status of litigation, please see the Environmental Protection Agency section below. Since then, the president has traveled to [Las Vegas](#), [New Orleans](#), and Alaska to emphasize different aspects of his climate message, and the Obama Administration will continue in the same vein as the end of the year global climate negotiations in Paris near.

President Obama visited Alaska August 31 to September 2 to witness and call attention to climate change and the "urgent and growing" impacts the state is already facing. During his Arctic tour, the first time a president made an

official visit above the Arctic circle, he called for urgent, global action on climate change and announced several [initiatives](#) – more than \$20 million in new funding through grants and other routes to encourage energy efficiency and climate resiliency efforts, including a \$2 million commitment to help the Denali Commission repair coastal villages or help them relocate; \$4 million to hasten the development of renewable energy in remote communities; a \$4 million energy efficiency competition for remote communities; \$8 million in grants to help power providers reduce household energy costs; and another \$15.5 million in grants from the Denali Commission for bulk fuel facilities, power system upgrades, and power generation projects across rural areas. Additionally, President Obama proposed a significant increase in National Park Service spending to allow parks to be upgraded in the next three years. Alaska's temperatures have risen twice as fast as global averages, and wildfires have consumed more than 5 million acres, about the size of Massachusetts; at the same time, melting Arctic ice is causing rising sea levels, shoreline erosion, flooding, and thinning ice, threatening the state's critical coastal villages and native whaling, fishing, and hunting industries. President Obama's Arctic tour was part of his eleven-day trip across the country focusing on climate issues, from Las Vegas, where he keynoted Senate Minority Leader Harry Reid's (D-NV) eighth annual National Clean Energy Summit, to New Orleans to commemorate the tenth anniversary of Hurricane Katrina, to Alaska. The Obama Administration will continue its climate theme through the end of the year as it prepares for the international climate negotiations in Paris this November and December and seeks a global climate agreement.

While in Alaska, President Obama spoke at the State Department's Conference on Global Leadership in the Arctic: Cooperation, Innovation, Engagement, and Resilience ([GLACIER](#)) about how climate change is impacting the Arctic and the urgent need to act worldwide to address global climate change. During the conference, Secretary of State John Kerry, who assumed recently the two-year chairmanship of the Arctic Council, called for increased haste and urgency in addressing climate change around the globe.

United Nations Secretary General Ban Ki-moon will bring together 40 heads of state September 27 to discuss climate change on the sidelines of the United Nations General Assembly in New York. The meeting offers a rare opportunity for world leaders to get together to take stock of progress and encourage more haste toward a global climate agreement in Paris at the end of the year. Other opportunities include the next Group of 20 leaders' summit in Turkey November 15-16, though the focus there will more likely be on economic and global security issues than on the Paris climate negotiations. International finance ministers will meet October 9-11 in Peru for World Bank and International Monetary Fund meetings, and could discuss climate finance, one of the agreement's biggest sticking points, then. In the meantime, climate negotiators from 195 countries undertook five days of talks in Bonn August 31-September 4, hoping to whittle down the 76 pages of global climate agreement text to a more manageable 20-page draft deal, which leaders are hoping to have complete sometime in October; the talks focused heavily on financing issues. There is also a growing consensus regarding the need for an ambitious long-term goal, which may translate into a 2050 goal, but may also include an end of the century target. Climate negotiators from the 16 top-emitting nations as well as the European Union will also meet September 29-30 in New York for the Major Economies Forum on Energy and Climate. The final Paris preparatory talks run October 19-23 in Bonn.

Congressional Republicans are attempting to put a dent in President Obama's hopes of reaching a global climate agreement in Paris, informing international leaders of their plans to fight the president's climate agenda and emphasizing the possibility that an international agreement might need congressional ratification.

President Obama will meet in September with Pope Francis, in part to discuss climate change and the recent encyclical, *Laudato Si*, during the pontiff's visit to the United States. The pope will address also a joint session of Congress while in Washington September 24. There will also be a series of events held in Washington the rest of the month to call for the United States to demonstrate climate leadership. The Administration will hold several other climate events in the coming months as well, including several White House events this fall and a State Department sustainability event in late October.

CONGRESS

Crude Oil Exports

The House Energy and Power Subcommittee will vote September 10 to lift the 40-year old crude oil export ban, and momentum is building in both the lower and upper chamber for lifting the ban, with some Senate Democrats expressing a willingness to discuss it, particularly given an appealing trade off, including potentially making permanent some tax extenders such as the production tax credit.

Upcoming Hearings

The House Energy and Commerce Subcommittee on Environment and the Economy will hold a business meeting September 9 to consider oversight of the Nuclear Regulatory Commission.

The House Science, Space, and Technology Subcommittee on Oversight will hold a hearing September 10 to

examine vulnerabilities of America's power supply.

The House Science, Space, and Technology Subcommittee on Environment will hold a hearing September 11 to consider state perspectives on how the Environmental Protection Agency's Clean Power Plan may close power plants.

The House Committee on Natural Resources will hold an oversight field hearing in New Orleans September 15 to consider the impacts of federal policies on energy production and economic growth in the Gulf of Mexico.

ADMINISTRATION

Ozone Rule

The Environmental Protection Agency submitted its final Ozone Rule to the White House Office of Management and Budget for interagency review August 28, and will issue the final rule by October 1. The agency has been determining whether to retain the current 75 parts per billion national ambient air quality standards or revise them to 65-70 ppb.

India, China Climate Discussions

White House energy and environment advisor Brian Deese will be in New Delhi and Beijing this week to meet with senior officials including Foreign Secretary Subrahmanyam Jaishankar in India and Executive Vice Premier Zhang Gaoli in China to discuss climate change.

DEPARTMENT OF ENERGY

RE Economic Potential

The National Renewable Energy Laboratory released a [report](#) September 1 finding that renewable energy's economic potential has spread across the country and is growing as costs decline. The report calculated the amount of economically viable renewable generation at about 150,00 sites across the United States.

DEPARTMENT OF INTERIOR

Wind Power's Bat Impact

The American Wind Energy Association [announced](#) September 3 that 17 companies have voluntarily agreed to slow wind turbine speeds during bats' fall migration season, potentially reducing bat deaths by up to 30 percent. The policy is based on more than ten years of research by the Bats and Wind Energy Cooperative and others.

DEPARTMENT OF STATE

Green Climate Fund

Secretary of State John Kerry said over the weekend that industrialized countries will provide the \$100 billion for the global Green Climate Fund, which is intended to help poorer and developing countries decarbonize their power supplies. The group is halfway toward its goal.

DEPARTMENT OF TREASURY

Solar Credit

The Internal Revenue Service issued September 1 a private letter [ruling](#) granting a Section 25D renewable energy tax credit to a Vermont homeowner who bought into a community-shared, offsite solar electricity generation system, the Boardman Hill Solar Farm. The credit affords a 30 percent income tax credit on expenses related to qualifying renewable energy systems installed by a taxpayer on his or her property.

ENVIRONMENTAL PROTECTION AGENCY

CPP Litigation

Michigan Governor Rick Snyder (R) said last week that the state will comply with the Environmental Protection Agency's Clean Power Plan even though state Attorney General Bill Schuette (R) has joined a lawsuit from a 16-state coalition to block the rule. Meanwhile, Colorado Attorney General Cynthia Coffman announced August 29 that the state would join the suit, despite the fact that the governor is working to comply with the rules.

CPP to be Published

The Environmental Protection Agency filed a response August 31 in the U.S. Court of Appeals for the District of Columbia Circuit saying that it expects that the Clean Power Plan will be published in the Federal Register by late October. The agency contends that states seeking to block the rule cannot demonstrate that they will be harmed by

the rule while they wait for the rule to be published, calling the suit premature and unwarranted.

INTERNATIONAL

Electricity Costs

The International Energy Agency released a [report](#) August 31 finding that the cost of producing renewable electricity has dropped significantly over the past five years, becoming increasingly comparable to the price of power from fossil fuels and nuclear energy. Taking into account investments, fuel, maintenance, and installation dismantling across 190 countries, the study found that the median cost of producing baseload power from coal, natural gas, and nuclear plants was about \$100 MWh for 2015, compared with \$200 MWh for solar, which fell from \$500 in 2010. The agency said the following day that wind and solar power will be able to generate electricity near or below the costs of new fossil fuel-fired power plants by 2020.

Insufficient Pledges

The Climate Action Tracker coalition released a [report](#) September 2 finding that climate pledges from China, the European Union, the United States, and other top polluting nations are not sufficient to avoid catastrophic climate change, limiting global warming to the 2 degree Celsius threshold scientists have recommended.

Indonesian Emissions Goal

Indonesia's Environment and Forestry Minister Siti Nurbaya Bakar said September 3 that the government will increase its emissions reduction goal from 26 percent by 2020 to 29 percent by 2030, though a baseline remains undecided. The government will work to develop renewable energy projects, particularly geothermal energy, and avoid developing new infrastructure and coal mines in forests.

STATES

CA Pension Funds

The California Assembly voted, 43-27, September 2 to divest its public pension funds CalPERS and CalSTRS from coal (S.B. 185) within 18 months of becoming law. The two funds manage close to \$500 billion in assets.

Energy Storage Growth

GTM Research and the Energy Storage Association released a [study](#) September 2 finding that the use of energy storage systems is growing rapidly in the United States as power companies demonstrate increased interest in the technology. Companies deployed 40.7 MW storage capacity in the second quarter of this year, a ninefold increase over the same period last year. PJM Interconnection LLC, the country's largest power grid, and California are the top two storage system markets, but Maryland, Oregon, and Washington are encouraging programs that may drive demand.

MISCELLANEOUS

GM Climate Goals

General Mills announced August 31 a goal to reduce its greenhouse gas emissions 28 percent by 2025 across its entire supply chain. The company will invest \$100 million in clean energy and energy efficiency measures, working with suppliers across the chain to incorporate sustainable measures into its products. It will also include an additional 250,000 acres of organic farms in its supply chain and work to ensure that its grain and produce is produced using sustainable agricultural practices.

Future Hurricanes

Nature Climate Change published a [study](#) August 31 finding that the likelihood of extremely devastating hurricane events will increase throughout the twenty-first century because of climate change. Particularly high risk areas include Cairns, Australia, Tampa, Florida, and Dubai, UAE, where super hurricanes could generate storm surges of 20, 19, and 13 feet, respectively.

Heatwaves and Droughts

The *Proceedings of the National Academy of Sciences* published a [study](#) from UC Irvine August 31 finding that individual heatwaves in recent decades have overlapped more frequently with droughts and are more likely to coincide as the severity of heatwaves increase.

View ML Strategies professionals.

Boston · Washington www.mlstrategies.com