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ML Strategies Energy & Environment Update: Week of 9/22/2014

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ENERGY AND CLIMATE DEBATE

Congress has recessed until after the November elections, and we turn our attention this week to energy and climate issues on the Administration and international fronts.

The House approved the continuing resolution (H.J. Res. 124) last week, keeping the government open through December 11, and the Senate's approval followed shortly thereafter. The House also passed an energy package, the **American Energy Solutions for Lower Costs and More American Jobs Act** (H.R. 2) September 18. The measure, consisting of 13 already-House-approved bills, would approve the Keystone XL pipeline (H.R. 3, H.R. 3301), limit environmental regulations (H.R. 1582, H.R. 3826), and open federal lands to energy extraction (H.R. 4899). The House also approved a tax and deregulatory package, the **Jobs for America Act** (H.R. 4). The White House announced last week that the president would veto both the energy and tax packages if they came to his desk. The Senate will not act on the measures, but they afford a preview of the issues the upper chamber would consider if Republicans assume control of the Senate in 2015.

The Senate Finance Committee held a hearing September 17 to consider ways in which to overhaul the energy tax code. During the hearing, Senator Wyden made the case that short-term tax extensions put renewable technologies at a disadvantage to traditional resources that have permanent incentives. The Joint Committee on Taxation released a report September 16 providing detail and discussion of energy-related tax incentives. Committee Chair Ron Wyden (D-OR) and retiring House Ways and Means Committee Chair Dave Camp (R-MI) confirmed earlier this month that they are considering a possible post-election agreement on a one-year extension of expired tax breaks, in lieu of the stalled $85 billion two-year Senate extension package (S. 2260). The Senate Finance Committee-approved package was designed to allow more time for Congress to negotiate broader tax reform during 2015, but the measure was halted during a procedural fight over floor amendments. A one-year patch would resemble the tax extenders language in the 2012 fiscal cliff agreement. The Joint Committee on Taxation estimated earlier this year that a one-year extension package would cost roughly $47 billion.

United Nations Secretary-General Ban Ki-moon, more than 120 world leaders, as well as leaders in the business and finance sectors, plan to attend the September 23 meeting at the United Nations headquarters in New York City. While not a negotiation session, the meeting is a prelude to talks in Lima this December, and participants are expected to announce actions to address climate change in the hope of building support and momentum for an ambitious 2015 climate agreement in Paris.

President Obama continues to emphasize the actions he has launched under his climate action plan to reduce greenhouse gas emissions from power plants and other sources. The United States sent its **submission** September 17 to the United Nations, in which it contended that the post-2020 global climate agreement should include near-term pledges from both developed and developing nations to reduce GHG emissions by 2025 to encourage countries to be as ambitious as possible. The United States has pledged that it will make public its post-2020 pledge by the end of March 2015 in order to give negotiators sufficient time for debate prior to the Paris talks.

In advance of the summit, Secretary of State John Kerry told the Major Economies Forum on climate change in New York September 21 that world leaders must confront climate change with the same urgency as issues like terrorism or the Ebola outbreak. He spoke today at the opening of Climate Week NYC, and he will speak at the launch of the Global Alliance for Climate-Smart Agriculture on Wednesday and will host an ocean conservation event on Thursday. United Nations Secretary General Ban Ki-moon, Al Gore, and Leonardo DiCaprio, joined nearly 400,000 people for the People's Climate March September 21. Organizers had projected that about 100,000 attendees would process through midtown Manhattan in the largest climate-related protest in history.

The Secretary General is joined by a growing chorus of people who contend that consensus on carbon pricing in both the public and private sectors could be one of the key deliverables from the summit. Individual companies, investors, and national and local governments are expected to voice support for placing a price on carbon emissions through carbon taxes, emission trading systems, or other programs,

as well as call for new measures to drive low carbon investments. CDP, formerly the Carbon Disclosure Project, released a **report** September 15 finding that about 150 of the world's largest companies are outpacing their governments by incorporating a price on carbon in to their business decisions. Nearly 500 companies around the world are already regulated through carbon markets. The World Bank records that about 40 countries and more than 20 cities, states, and provinces have or soon will launch carbon pricing policies. These carbon pricing instruments cover about 12 percent of annual global greenhouse gas emissions. The bank has undertaken a campaign to gather public statements in support of pricing carbon, with more than 230 companies and almost 30 governments already signed onto the statement.

Nearly 350 institutional investors representing more than $24 trillion in assets are issuing their own call for government leaders to provide a carbon price that helps to direct investments away from fossil fuels and toward clean energy and climate solutions. The Rockefeller Brothers Fund, an $860 million philanthropic organization built upon an oil fortune, announced September 21 that it would divest itself from fossil fuels. In recent years, 180 institutions, including philanthropies, religious organizations, pension funds, and local governments, and hundreds of individual investors have pledged to rid their portfolios of assets tied to fossil fuel companies and invest in cleaner alternatives. In all, the groups have pledged to divest assets worth more than $50 billion, while individuals have made more than $1 billion in commitments.

CONGRESS

McConnell to Continue EPA Fight
Senator Mitch McConnell (R-KY) said September 17 that his fight against Environmental Protection Agency regulations on power plants is far from over. Senator McConnell is likely to continue to use the appropriations process to block the Clean Power Plan, and he has vowed to increase his efforts if Republicans take control of the upper chamber in 2015.

EPA GHG Rules Questioned
The House Science, Space, and Technology Committee held a hearing September 17 to consider the Obama Administration's climate plan. Questioning the climate science underpinning Environmental Protection Agency proposals to regulate power plant CO2 emissions, committee Republicans charged that the proposed rules would not significantly slow global climate change, but that they would impose substantial costs on utilities and energy consumers. White House Office of Science and Technology Policy Director John Holdren testified that the climate action plan is based on the best available scientific and technological data.

Legislation Introduced
Senators John Hoeven (R-ND), Lisa Murkowski (R-AK), Joe Donnelly (D-IN), and Joe Manchin (D-WV) introduced the **North American Energy Infrastructure Act** September 16 to expedite international energy projects such as the Keystone XL pipeline. The effort lays the groundwork for next Congress.

ADMINISTRATION

HFC Reduction Commitments
The White House Council on Environmental Quality **announced** September 16 that it had obtained commitments from several industry groups to reduce the use of hydrofluorocarbons and adopt alternatives with lower global warming potentials. The commitments will reduce emissions by 700 MMT CO_2e through 2025. The White House also announced a series of federal agency steps, including federal research and development funding through the Department of Energy, to promote the phase out of HFCs and adoption of alternatives.

Efficiency, Solar Efforts
The White House announced September 18 a **series of actions** to improve energy efficiency and increase residential and commercial solar power. The actions would reduce CO_2 emissions by about 300 MMT by 2030 and save $10 billion in energy costs. Agriculture Secretary Tom Vilsack announced that the agency will provide $68 million for 540 renewable energy and energy efficiency projects in rural areas, 240 of which focus on solar power. The Department of Energy will train technicians to design and install solar power infrastructure, and will open programs at three military bases this fall. The agency will also certify a new set of building codes and propose energy efficiency standards for commercial unit air conditioners. The Department of Housing and Urban Development will clarify that one of its economic development funding programs can be used for clean energy and energy efficiency projects.

The weekly *Energy & Environment Update* from ML Strategies provides an overview of what's happening on and off Capitol Hill and around the world that may impact energy and environmental policies and industry players. **Read the update here**.

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