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ENERGY AND ENVIRONMENT UPDATE
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Energy and Climate Debate

With just over a week until the November midterm election, candidates of both parties are focusing almost solely on November 2nd, yet there are a number of important energy and environment issues to keep in mind as the lame duck session nears.

Regardless of election results, Congress is expected to return for a lame duck session November 15th, during which they may move forward with a tax bill, an omnibus appropriations measure, and perhaps Majority Leader Harry Reid's (D-NV) natural gas and electric vehicles legislation. To these vehicles, several pieces of energy legislation may be attached. For example, the tax package may include an expansion and extension of the 48C Advanced Energy Manufacturing Tax Credit and the 1603 Grants in Lieu of Tax Credits programs. A renewable electricity standard, funding for a HomeStar energy efficiency program, and the creation of a green bank similar to the Clean Energy Development Administration are possible additions to Majority Leader Reid's natural gas and electric vehicles bill. These may also go on another piece of legislation that moves forward, be included in the omnibus appropriations legislation (perhaps as a trade-off for a two-year delay to the EPA's regulation of greenhouse gas emissions under the Clean Air Act), or may even pass as stand-alone measures.

It is certain that the elections will impact the energy industry. The Center for American Progress Action Fund released a report, *Renewable Standards Will Create Two Million Jobs, Unless Right-Wing Candidates Kill Them*, October 20th that showed that Republican electoral victories in states that have adopted renewable electricity standards could increase uncertainty among renewable energy investors and put clean energy jobs at risk.

Additionally, committee members are already beginning to jockey for leadership positions. The front-runner for the top Republican spot on the House Energy and Commerce Committee, Fred Upton (R-MI) said last week that should he become Chair, he will launch investigations challenging the EPA's authority over several pollutant regulations next year. Should Republicans take the House, Congressman Dave Camp (R-MI) is likely to assume the Chairmanship of the House Ways and Means Committee, and numerous Republicans are considering doing away with the House Select Committee on Energy Independence and Global Warming because it has no legislative authority. Republicans are less likely to win over control of the Senate, though they are poised to make substantial gains. Even if Democrats retain control of the Senate, Environment and Public Works Committee Chair Barbara Boxer (D-CA) is in a tight race, and should she lose, Senator Tom Carper (D-DE) would become chairman. If Republicans take control of the Senate, Senator James Inhofe (R-OK), who chaired the panel from 2003-2007 and currently serves as Ranking Member, would reassume his chairmanship. And the Senate Energy and Natural Resources Committee faces the departures of at least three Republicans and two Democrats, and two other members are at risk of losing their elections next month.

In an interesting twist, the Natural Resources Defense Council Action Fund released a poll October 18th that showed that House Democrats who voted for the 2009 climate change bill may be among the most

vulnerable in the midterm election, but voters in many of those districts still favor clean energy policies and candidates who vote for them.

It is too early to know what will come of energy policy either during the lame duck or next Congress, but with Election Day just over a week away, key decision points are looming.

Congress

Upcoming Hearings

Congress will be in recess until November 15th.

Administration

Interagency Agreement Establishes Framework

The Departments of Energy, Commerce, and Labor, the Environmental Protection Agency, and the U.S. Small Business Administration signed a memorandum of understanding October 20th in support of the Economy, Energy, and Environment Initiative. The goal of the E3 Initiative is to assist manufacturers in becoming more efficient, competitive, and sustainable through public-private partnerships.

Department of Agriculture

Thousands of Ethanol Pumps Planned

Agriculture Secretary Tom Vilsack announced plans October 21st for federal assistance for the deployment of 10,000 pumps capable of dispensing ethanol blends at the nation's fueling stations. During a speech at the National Press Club, Secretary Vilsack said that the program would encourage the growth of biofuels by making higher blends of ethanol more conveniently located, and that the pumps will help ensure the expansion of the use of E15. He also announced a memorandum of understanding with the Federal Aviation Administration to develop biomass feedstocks that can be processed into jet fuel, and urged Congress to extend biodiesel and ethanol tax credits to spur rural jobs.

Final Rule Published

The Department of Agriculture published a final rule October 22nd establishing the Biomass Crop Assistance Program. The program, established in the 2008 farm bill, will provide up to 75% of the cost of establishing new biomass energy crops, as well as annual rental payments to cover the cost of transition from current cash crops.

Department of Commerce

GridWeek Conference Concludes

According to participants in last week's annual smart grid conference, GridWeek, smart grid development is headed toward a system of uniform international standards that will enable major international companies to sell their software and hardware technologies in the growing global market. Commerce Secretary Gary Locke reiterated that the Obama administration is committed to participating actively in the global development of smart grid technologies, including by allocating \$11 billion for smart grid related efforts through the Recovery Act. Additionally, the Department's International Trade Administration is undertaking efforts to coordinate smart grid development with other nations.

National Oceanic and Atmospheric Administration (NOAA) Releases Arctic Report

The National Oceanic and Atmospheric Administration released its annual Arctic Report Card October 21st in which it concluded that high temperatures and high rates of sea ice melt in the Arctic will affect not only the Arctic region, but also lower latitudes.

Department of Defense

Navy to Conduct Algae Experiment

The Navy announced October 22nd that it will conduct a full-power demonstration of a Riverine Command Boat powered by an alternative fuel blend of 50% algae-based and 50% NATO F-76 fuel at Naval Base Norfolk, Virginia.

Department of Energy

Energy Information Administration (EIA) Responds to Ways and Means

The U.S. Energy Information Administration released an analysis October 18th of several provisions in a House Ways and Means Committee energy tax proposal. The report evaluated provisions providing for an extension of the tax credit for manufacturers of energy-efficient appliances, the establishment of Home Energy Conservation Bonds, an extension of the placed-in-service deadline for the 30% investment tax credit for offshore wind and geothermal properties, an extension of the Clean Renewable Energy Bonds program, and an investment tax credit for heavy vehicles using natural gas, hybrid electric, or all-electric drive.

\$350 Million for Transmission Line

The Department of Energy offered a conditional commitment for a \$350 million loan guarantee October 19th for development of an electricity transmission line that will carry power from renewable sources to the Southwest. The 500 KV One Nevada Transmission Line will carry 600 MW of electricity 235 miles from Ely, Nevada to north of Las Vegas. This project will be the first phase of the Southwest Intertie Project, which will eventually transmit 2,000 MW from wind and solar resources in Idaho, Nevada, Wyoming, and California.

Upcoming Commercial Building Webinar

The Department of Energy's Building Technologies Program will offer a Webinar October 28th titled "Strategies to Cut Energy Use by 50% in Commercial Buildings."

Environmental Protection Agency

Lawsuits Challenge Engine Emissions Rule

Manufacturing and industry trade associations filed six lawsuits October 18th and 19th challenging an Environmental Protection Agency rule requiring operators of existing oil and natural gas-fired engines to control emissions of several hazardous air pollutants. The Engine Manufacturers Association, the American Petroleum Institute, the Gas Processors Association, EnerNOC Inc., the Interstate National Gas Association of America, and Exterran Energy Solutions L.P. filed suits in the U.S. Court of Appeals for the District of Columbia Circuit challenging EPA's national emissions standards for hazardous air pollutants for reciprocating internal combustion engines and the rule's monitoring requirements.

States Urge EPA to Reduce Emissions

The National Association of Clean Air Agencies (NACAA) adopted a resolution October 19th asking the EPA to draft and finalize rules for seven source categories that are responsible for the bulk of nitrogen oxides emissions, sulfur dioxide emissions, and mercury emissions. The seven categories are power plants, boilers, cement kilns, cars and trucks, locomotives, large ships, and aircraft. The NACAA urged Congress to reauthorize federal surface transportation law in a way that gives funding priority to projects that do the most to help states meet their pollutant-reduction needs.

Industry Requests National Label

During a second joint hearing of the EPA and the National Highway Traffic Safety Administration October 21st, auto industry representatives urged federal regulators to adopt a fuel economy labeling system for new cars and trucks that would incorporate the environmental performance data that California requires for new vehicles. The hearing was held to gather comments on the agency's September proposal for new 2012 model year vehicle labels that would rate them based on their fuel economy.

EPA Preparing Diesel Guidance

The Environmental Protection Agency confirmed October 19th that it is preparing guidance designed to prevent new heavy-duty diesel trucks from operating if the selective catalytic reduction systems to control N2O emissions are depleted of the chemical catalyst used to limit emissions.

Communities to Receive Sustainable Growth Aid

The EPA announced October 19th that eight communities across the nation will receive technical assistance from the agency as part of the Interagency Partnerships for Sustainable Communities. The eight communities will receive \$65,000 technical assistance grants under the Smart Growth Assistance Program.

Green Power Market Partners Honored

The EPA presented the 10th annual Green Power Leadership Awards October 20th by honoring 18 Green Power Partners for their achievements in using green power, helping to grow the country's voluntary green power market, and reducing emissions.

\$2.4 Million to Improve Indoor Air Quality

The EPA awarded 17 cooperative agreements to nonprofit organizations and a university, totaling about \$2.4 million to improve indoor air quality nationwide. Americans spend about 90% of their time indoors where levels of air pollution may be two to five times higher than outdoor levels.

Federal Energy Regulatory Commission

FTC Responds to Demand Response Proposal

Responding to the Federal Energy Regulatory Commission's (FERC) Supplemental Notice of Proposed Rulemaking regarding demand response compensation in organized wholesale energy markets, the Federal Trade Commission said October 19th that FERC would not need to devise a test to determine the net benefits of paying demand response providers the prevailing wholesale prices of electricity if FERC uses efficient prices to determine demand response compensation first.

Miscellaneous

Corporations Preview Vehicle Plans

The Department of Energy, Ford, and Microsoft hosted an event last week to preview efforts to build the electric grid needed to fuel planned electric vehicles. The three discussed critical infrastructure issues and then test drove Ford's newest plug-in vehicles.

EU Could Accept Second Commitment Period

The European Union's environment ministers said October 14th that they could accept a second commitment period under the Kyoto Protocol as part of efforts to finalize an international agreement to address climate change after 2012. A possible second commitment period is controversial because the Protocol emphasizes emissions reductions in industrialized countries only.

Group Urges Mass Transit Funding Increase

In its *Make it in America: the Apollo Clean Transportation Manufacturing Action Plan*, the Apollo Alliance, a coalition of labor, environmental, and business groups, proposed October 20th tripling the country's annual spending on mass transit and intercity rail for the next six years and strengthening Buy American standards for related equipment, track, and other materials. The plan would create 3.7 million new jobs.

North American Electric Reliability Corporation (NERC) Recues Power Demand Forecast

The North American Electric Reliability Corporation significantly reduced its long-term forecast for electricity demand in the U.S. and Canada for the second year in a row October 20th as a result of the economic recession.

Canada Changes Building Codes

Canadian Manitoba's Labor Minister said October 15th that amendments to residential building and plumbing codes in the province will improve energy and water efficiency and help the province meet its climate change goals.

Canada Tightens Mobile Emissions Rules

Environment Canada published a formal notice of intent October 16th to develop more stringent GHG standards for new passenger automobiles and light trucks for the 2017 and later model years. The regulations will be developed in collaboration with the U.S. and are intended to be harmonized with California's standards for model years 2017-2025.

Support for Prop. 23 Waning

Recent surveys of California voters show reducing support for Proposition 23, the November 2nd ballot measure aimed at suspending implementation of the state's landmark GHG emissions reduction law (A.B. 32) until the state's unemployment rate drops to 5.5% for a year.

Rhode Island Issues Offshore Development Management Plan

Rhode Island unveiled an ocean management plan October 21st that will guide the Coastal Resources Management Council in overseeing development in coastal waters, including the placement of the state's offshore wind projects. The plan is the first of its kind in the country.

Health Impacts of Wind Farms Considered

The Oregon Office of Environmental Public Health will hold three listening sessions November 3rd and 4th to learn about health concerns related to expanding wind farms.

Mediterranean Climate Change Initiative (MCCI) Launched

Leaders of 16 European, Middle Eastern, and African countries on or near the Mediterranean Sea launched the Mediterranean Climate Change Initiative October 22nd. The initiative aims to create a unified regional stance on climate issues, to help fight climate change on a global level, and to ensure that adaptation and low-carbon development opportunities for the region are explored at the international level.

Asian Megacities Flood Prone

According to a report, *Climate Risks and Adaptation in Asian Coastal Megacities*, released October 22nd by the Asian Development Bank, Asian coastal megacities will be vulnerable to more frequent floods on a larger scale if current climate change trends continue. Thirteen of the world's 20 largest cities are located on a coast, and more than one-third of the world's population lives within 100 miles of a shoreline.