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ENERGY AND ENVIRONMENT UPDATE
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Copenhagen: A Progress Report

The second, and final, week of the United Nations Framework Convention on Climate Change ended last week with a nearly all night battle to "take note," rather than formally adopt, of a new accord made by over twenty five of the world's largest greenhouse gas emitters to cut emissions and help poor countries mitigate and adapt to climate change.

Led by President Obama, the Copenhagen Accord is the result of negotiations among the biggest emitters, and includes short-term financing commitments of about $23 billion over three years, which is close to a $30 billion goal expected later in the year. The agreement includes an appendix that compiles the emission reduction pledges of 26 countries and the European Union, but does not include specific reduction targets. Large developing nations will register their emissions and verify their greenhouse gas reduction efforts. The Accord also does not include an agreement to limit the increase in global temperatures to 2 degrees Celsius but does note that the parties should enhance cooperative action to achieve this goal. On December 17, Secretary of State Hillary Clinton announced that the US would rally support for a long term global adaptation fund beginning in 2020 in which industrialized nations would provide poorer countries $100 billion per year to promote forests and help them address the impacts of climate change if an agreement was met. The House bill passed in June as well as the Kerry-Boxer bill in the Senate include provisions dedicating tens of billions of dollars in annual funding for international adaptation, forest preservation, and clean energy technology transfer via emissions allowances revenue.

After two weeks of turbulent negotiations that were plagued by deadlock, boycotts, and numerous threats of complete collapse, heads of state for the almost 200 nations in attendance signed the note, agreeing to begin efforts to turn it into a legally binding treaty in 2010.

All but one Senator expected to attend the Conference remained in DC due to the Senate's healthcare schedule, but many sent aids in their place, and the House sent a 20 member delegation led by Speaker Nancy Pelosi (D-CA). Senator John Kerry (D-MA) addressed the Conference December 16 and said that success in negotiations would prompt Congress to act successfully on climate change legislation. Some in Congress are concerned that without binding commitments from China and other large developing nations, the US will face unfair competition, especially in manufacturing and other energy-intensive industries.

The next set of negotiations will take place May 31-June 11 in Bonn, Germany, though an intermediate meeting may also take place in Germany before then. The next Conference of Parties meeting will be held mid November in Mexico.

Jobs, Jobs, Jobs

House Democratic leaders filed December 15 a roughly $174 billion jobs bill (H.R. 2847) that they then voted on and passed (217-212) December 16. The bill includes billions of dollars for infrastructure projects, jobs preservation, and unemployment benefits and other emergency safety net programs. The Senate is planning to take up similar legislation after the first of the year, though their version is likely to both refine on the House-passed version and expand certain areas, such as adding additional funding to the 48C program and including other clean energy provisions. The Jobs for Main Street Act adds $2 billion to the innovative technologies loan guarantee program (Section 1705) out of the Department of Energy; it also expands the program to include loan guarantees for energy efficiency projects.

Energy and Climate Legislation

Addressing the Conference on December 15, Former Vice President Al Gore called on the White House and Senate leaders to set an Earth Day deadline, April 22, for completing final action on climate legislation. Senate Majority Leader Harry Reid (D-NV) is expected to bring up a climate and energy bill in the spring after the Senate finishes health care, a jobs bill and, most likely, financial regulatory reform. Aids for Senator Reid also said that the Senate has until June to complete a climate bill before its chances of becoming law next year almost disappear, as the election will make a tough vote difficult. House Majority Leader Steny Hoyer (D-MD) said last week that the President ought not set a deadline for the Senate to pass climate legislation, but that they should move as quickly as possible to pass good legislation in 2010.

The Congressional Budget Office found that the Kerry Bill (S. 1733) would lead to a net increase in federal revenues of approximately $21 billion over the next decade. According to a December 16 report, the bill would generate $854 billion in federal revenue and would require about $833 billion in direct federal spending. Allocations of free allowances are expected to generate $235 billion and auctioned allowances would generate $625 billion from 2010 through 2019.

Senator Lisa Murkowski (R-AK) announced December 14 her intention to introduce a resolution in January to reverse the EPA's finding that greenhouse gas emissions endanger public health and welfare. Under the Congressional Review Act, if the resolution is passed by both the House and Senate and signed by the President, it would nullify the EPA's finding. If 30 Senators sign a petition in support of floor action, the full Senate must vote on the resolution. Instead, she is calling on Congress to pass legislation to address climate change. Congressman Joe Barton (R-TX) is expected to file a similar resolution soon thereafter.

Senate

Delay on Tax Extenders Threatens Renewable Energy Industries

With the Senate focused on health care and appropriations bills, they may delay action on a number of tax credits that expire at the end of the year. $31 billion in tax credits for biofuels, research and development and heavy-duty hybrid trucks may expire December 31, thus creating investment uncertainty and possible job loss in these sectors. Senate Majority Leader Harry Reid plans to consider a tax extenders package in mid January, and similar time constraints in previous years have caused extenders bills passed in January to cover credit lapses retroactively.

Legislation Extends Grants-in-lieu-of-tax-credits

Senators Dianne Feinstein (D-CA) and Jeff Merkley (D-OR) introduced legislation December 18 that would extend a Treasury grant program that allows qualified renewable energy projects to exchange tax credits for Treasury Department Grants. The Senators have proposed extending the grants of up to 30% of project costs for wind, solar, biomass, and other renewable energy projects until 2012 and expanding the program to include public electric utilities. The Department of Treasury has estimated that it will provide about $3 billion in grants to support $10-14 billion worth of projects under the program, which is slated to end in 2010. The bill also expands the solar investment tax credit for manufacturing equipment and solar water heaters for commercial and community pools and encourages the use of private land for solar development through a 30% investment tax credit for the purchase and consolidation of small tracts of land.

<u>Legislation Improves Natural Gas Turbine Efficiency</u>

Senator Kirsten Gillibrand (D-NY) introduced the Gas Turbine Efficiency Act December 17. The legislation would improve the efficiency of natural gas turbines used in electric power generation systems by creating a four year research, development, and demonstration grant program through the department of Energy to help companies study ways to implement better energy efficiency technologies. The bill is similar to legislation introduced by Congressman Paul Tonko (D-NY) earlier this year.

<u>Committee Actions</u>

On December 15, the Senate Energy and Natural Resources Committee held a hearing on several nuclear energy bills.

House

After clearing the jobs bill on Wednesday, the House adjourned for the year. Barring any unexpected action from the Senate, the House will be in recess until January 12.

<u>Administration</u>

<u>The Vice President and Renewable Energy Manufacturing</u>

According to a memo from Vice President Joe Biden, released by the White House on Monday, December 14, the Obama Administration is on track to meet its goal of doubling domestic renewable energy generation by 2012 (from 27.8 GW to 55.6 GW).The memo is a progress report on $23 billion in stimulus funds for renewable energy and its manufacturing that are expected to create 253,000 jobs and leverage over $43 billion in additional private investment that could support almost twice that many more jobs.

The memo was released prior to a meeting of the White House Middle Class Task Force, at which Vice President Biden proposed that Congress add $5 billion to the widely oversubscribed Advanced Energy Manufacturing Tax Credit (48C) that was funded for $2.3 billion in the stimulus act. The program provides up to a 30 percent tax credit for domestic manufacturing of solar panels, wind turbines, and other renewable energy technology and is largely credited with projected renewable energy generation increase. The program is expected to create 17,000 jobs, 200 manufacturing projects, and be matched by $5.4 billion and an additional 41,000 jobs from the private sector. The Department of Energy received more than 1,000 applications, 600 of which they deemed acceptable, and a smaller number of which were approved because of the cap on the amount of money available. The Department of Treasury will make formal announcements in mid January. On Thursday, Senator Jeff Bingaman (D-NM), who recently introduced legislation to add another $2.5 billion to the program, applauded the Administration's announcement and pledged to work with Congress to add additional funding to early 2010 legislation. Some argue that other offices, even those not usually in favor of such provisions, will try to make permanent the 48C program and extend refundability programs such as grants-in-lieu-of-tax-credits because the programs have thus far been widely successful and are viewed as having high jobs potential.

The Task Force released December 16 a document called "A Framework for Revitalizing American Manufacturing" which discusses the importance of American manufacturing on our economy and how the government can support domestic manufacturing, and outlines the President's Manufacturing Initiatives.

Green Initiatives Create Jobs
On December 14, President Obama contended that green spending can create sustainable economic growth and jobs. He also encouraged Americans to make their homes more energy efficient and discussed possible steps the Government will take to provide material incentives to do so. The next day, the President called on Congress to pass legislation that would provide incentives for homeowners to add insulation, upgrade inefficient appliances, and make other home retrofits that would save energy and create jobs. Both houses are currently working on this "Cash for Caulkers" legislation, and it may be included in a jobs bill in January.

Department of Energy

Domestic Energy-Related GHGs to Increase
According to a preview of the Energy Information Administration's Annual Energy Outlook 2010, in the absence of new climate and energy policies, U.S. emissions of carbon dioxide from energy use will increase 8.7% by 2030. The full report will be available in March, but this reference case projects a lower increase per year of 0.3% than the 0.7% usually discussed.

Miscellaneous

Solar Could Meet 15% of Energy Demand
The European Photovoltaic industry Association and the Solar Energy Industries Association issued a report December 14 that determines that solar energy could meet up to 15% of global energy needs. Solar photovoltaics could provide up to 12% of the European Union's electricity demand by 2020 and concentrated solar power could deliver 15% of the US's demand by the same year.

Carbon Capture and Sequestration Market Growing
Global cleantech analysts for Pike Research announced December 16 that the market for carbon capture and sequestration could reach $128 billion by 2030. No commercial-scale integrated power plant with CCS yet exists, and adding CCS systems to power plants is likely to increase electricity production costs by 50-70%.