



Federal Clean Energy Policy Summaries: Key Updates from the Past Few Weeks

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Energy and Climate Legislation

Senate

9/28/09

Bingaman Hearings May Open Door to Cap-And-Trade Alternatives

Senator Jeff Bingaman (D-NM) held an Energy & Natural Resources Senate Committee hearing on climate legislation on September 15 to examine the impacts of emissions trading on energy markets, focusing on its potential to spur price volatility. The hearing highlighted deep divisions within the Democratic party over the merits of a greenhouse gas cap-and-trade plan, and may open the door to legislative alternatives after several senators at the hearing said they prefer a carbon tax.

Senators Byron Dorgan (D-ND) and Maria Cantwell (D-WA) are concerned about market manipulation in a cap-and-trade scheme, and prefer a carbon tax. Senators Bob Corker (R-TN) and Lisa Murkowski (R-AK) also expressed interest in the merits of a carbon tax over a cap-and-trade program. Sena Mary Landrieu (D-LA), Blanche Lincoln (D-AK) and Evan Bayh (D-IN) are also concerned about cap-and-trade.

Senate Approves Interior-EPA Spending Bill

The Senate approved, 77-21, a \$32.1 billion spending bill to fund environmental agencies for fiscal 2010 after deflecting several controversial amendments that would have limited the Obama Administration's authority to regulate greenhouse gases. H.R. 2996 provides \$10.2 billion for U.S. EPA, \$11.1 billion for the Interior Department and \$5.3 billion for the Forest Service.

The Senate measure is \$225 million below President Obama's request and \$200 million below the House-approved package. The funding levels offer the agencies a significant boost compared with recent years, providing \$4.5 billion above 2009 levels.

Although several Republican senators offered amendments seeking to curb EPA's authority to regulate greenhouse gas emissions, their provisions were blocked from getting votes on the Senate floor under a unanimous consent agreement.

Sen. Tom Carper's (D-DE) amendment requiring EPA to study black carbon emissions was agreed to as part of the manager's amendment. It directs EPA to study the sources and impacts of black carbon and to identify opportunities for research and development and mitigation.

Senators Urge EPA to Stall Endangerment Finding

Sens. James Inhofe (R-OK) and John Barrasso (R-WY.) sent a letter Thursday to EPA Administrator Lisa Jackson urging her to hold off on finalizing the "endangerment finding" establishing carbon dioxide as a pollutant until the agency responds to concerns about a lack of transparency surrounding the proposal.

Solar Manufacturing Jobs Creation Act

Senators Bob Menendez (D-NJ) and Stabenow are preparing to introduce the Solar Manufacturing Jobs Creation Act. The bill would make any equipment used to manufacture solar panels eligible for the existing 30% solar investment tax credit (ITC).

Efficiency Bills Introduced

Last week, Senator Reid (D-NV) introduced a bill to amend IRS Code of 1986 to provide tax incentives for making homes more water-efficient, for building new water-efficient homes, for public water conservation, and for other purposes. He also introduced a bill, along with Senators Boxer and Cardin (D-DE) to promote water efficiency, conservation, and adaptation.

Bipartisan Senate Group Wants Cap-and-Trade to Boost Natural Gas

In a September 23 letter, a bipartisan group of nine senators urges Environment and Public Works Chairwoman Barbara Boxer (D-CA) to include a suite of provisions in her upcoming climate bill that would boost natural gas production and use. Signatories include Sens. Michael Bennett (D-CO), Lisa Murkowski (R-AK), Mark Udall (D-CO.), Arlen Specter (D-PA), Tom Udall (D-NM), Mary Landrieu (D-LA), David Vitter (R-LA), Sam Brownback (R-KS) and Mark Begich (D-AK).

Natural gas provides a fifth of U.S. electric power and also powers some vehicles, such as municipal buses. Its lower carbon emissions—along with new U.S. supplies available through increased shale gas development—are prompting calls to expand the fuel's role in climate policy.

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Lincoln Does Not Support House Climate Bill

In her first speech in her new post as Senate Agriculture Chairwoman, Senator Blanche Lincoln (D-AR) told the National Cattlemen's Beef Association that she will highlight the impact of climate change legislation on consumer prices. Lincoln said she does not support the House-passed climate-change bill because it picks winners and losers and places a disproportionate share of the burden on her home state of Arkansas in particular and rural and poor America in general. Lincoln said she will not support a climate change bill in the Senate if it is similar to the House-passed bill.

Eight Senators Seek Boost in Incentives for Coal Plant Carbon Capture in Senate Bill

A group of eight senators whose support could be crucial for passage of climate legislation is calling on Senate Democrats to provide more generous incentives than the House has approved for coal-fired power plants that store their carbon dioxide emissions. Signatories include Senators Robert Byrd (D-WV), Bob Casey (D-PA), Joseph Lieberman (I-CT), Mark Warner (D-VA), Tom Carper (D-DE), Max Baucus (D-MT), Arlen Specter (D-PA), and Amy Klobuchar (D-MN).

Bill to Require Ethanol Study

Senators Susan Collins (R-ME) and Benjamin Cardin (D-MD) introduced S. 1666, which would require the EPA's Science Advisory Board (SAB) to study whether ethanol blends above 10 percent would be compatible with existing engines before the agency would be allowed to grant the request from Growth Energy to raise the cap above E10. The bill would modify an earlier Clean Air Act amendment contained in the 2007 energy law that required EPA to accept comments on any fuel waiver request and gave the agency 180 days to respond to such a request. Prior to the energy law's enactment, EPA was not required to notice-and-comment waiver requests and they were automatically granted if EPA failed to act on them.

GOP Senator Considering Amendment to Limit EPA Authority on Greenhouse Gases

Sen. Lisa Murkowski (R-AK) is considering introducing an amendment to the Fiscal Year 2010 Interior and Environment Appropriations bill that would limit the EPA's ability to regulate stationary sources of greenhouse gases. The amendment would provide a one-year moratorium on any funding for EPA to regulate GHG emissions from stationary sources like power plants and industrial facilities. Prompted by the Supreme Court's ruling in *Massachusetts v. EPA*, the EPA currently is finalizing its "endangerment finding" of carbon dioxide under the Clean Air Act, which could trigger broad regulations of greenhouse gas emissions.

Senate Dems ask for White House Assistance on Energy-Intensive Protection

Sens. Evan Bayh (D-IN), Arlen Specter (D-PA), Debbie Stabenow (D-MI), Claire McCaskill (D-MO), and Sherrod Brown (D-OH) asked for White House help as they try to write a piece of the global warming bill that keeps energy-intensive domestic industries from moving to developing countries that do not have their own strict environmental laws. They asked for further analysis of H.R. 2454's section that gives the EPA the authority to determine which trade-exposed industries are eligible for billions of free allowances beginning in 2014.

House

9/28/09

House Passes US \$1B Wind R&D Bill

The House passed the Wind Energy Research and Development Act of 2009, a bill that would improve the efficiency, reliability, and cost effectiveness of domestic wind energy systems. The bill (H.R. 3165) was sponsored by Rep. Paul Tonko (D-NY). The bill requires the Department of Energy to carry out a \$1 billion program of research and development to improve the energy efficiency, reliability, and capacity of wind turbines. In order to accomplish this goal, DOE will work with wind companies to optimize the design and adaptability of their systems, as well as reduce the cost of construction, generation, and maintenance of wind energy systems.

9/21/09

House Passes Bill to Increase Funding For Advanced Technology Vehicle Research

On September 16, the House passed H.R. 3246, the Advanced Technology Vehicle Act, sponsored by Representative Gary Peters's (D-MI), which authorizes expanded funding for federal research on advanced technology vehicles to the tune of \$2.85 billion over five years.

Administration:

9/28/09

Climate Change Takes Center Stage at U.N. Talks

In his address to the UN Conference on Climate Change, President Obama said that failing to address climate change would be catastrophic and sought to reassure the world that the US is committed to combating it. The President also stressed that all nations, not just the developed world, needed to combat climate change.

President Obama pledged that the US would help lead the world in permanently reducing greenhouse gas emissions, and Chinese President Hu Jintao announced that his country would cut carbon intensity by a “notable margin” per unit of economic growth.

Group of 20 Summit Agrees To Eliminate Fossil Fuel Subsidies

At their meeting on September 24-25, world leaders attending the Group of 20 summit agreed to eliminate subsidies to fossil fuels over a period of years, following President Obama's call for cuts in subsidies to coal, oil, and natural gas in order to reduce carbon dioxide emissions tied to global warming.

Agencies:

Department of Commerce

9/28/09

Smart Grid Takes Major Step with Draft Report Outlining First Technical Standards

The Commerce Department's National Institute of Standards and Technology released on September 24 a draft of the first set of technical standards that will govern the development of the smart transmission grid. After a 30-day public comment period and further revision, NIST will forward its recommendations to the Federal Energy Regulatory Commission for final regulatory approval. The total investment in smart meters is predicted to be \$40 billion to \$50 billion nationwide, according to industry experts. Some estimates predict there will be 100 million smart meters installed in homes worldwide within five years.

Department of Energy

9/28/09

Energy Surpasses \$1 Billion Milestone in Recovery Act Awards for Clean Energy

Treasury Secretary Tim Geithner and Energy Secretary Steven Chu hosted a group of clean energy developers and manufacturers at the White House to discuss how the American Recovery and Reinvestment Act (Recovery Act) is creating jobs and helping expand the development of clean, renewable domestic energy. At the meeting, Secretaries Geithner and Chu announced \$550 million in new awards through the Recovery Act's Section 1603 program, which provides cash assistance to energy producers in place of tax credits. This brings the total awarded to date to more than \$1 billion.

The Treasury Department announced the second round of awards, all of which will be made in half the statutorily mandated turnaround time of 60 days, on September 23. The first round of awards, totaling \$502 million, was announced on September 1, 2009. The second announcement provides an additional \$550 million. The 1603 program increases the availability and liquidity of project capital in three ways:

- **Recycling grants into new projects.** Project developers are able to begin construction of additional projects thanks to the extra capital from the grants they are receiving.
- **Increasing the flow of capital.** By reversing the drop in availability of equity investments, the 1603 program brings significant private capital off the sidelines to finance more renewables projects.
- **Attracting investment for domestic projects.** Large project developers allocate capital across many countries, and the 1603 program is attracting billions of dollars of additional capital towards projects in the U.S.

DOE Delivers Millions in Grants to States for Energy Efficiency Projects

DOE awarded more than \$36 million in Recovery Act funding on September 17 to support energy efficiency and conservation projects in communities across Pennsylvania. Under DOE's Energy Efficiency and Conservation Block Grant (EECBG) Program, the funds will be channeled to Pennsylvania's State Energy Office, as well as local cities and counties, to help lower energy use, reduce carbon pollution, and create green jobs across the Keystone State. The following week, DOE award \$106 million in funding through the EECBG Program to nine states to support energy efficiency and conservation activities.

DOE Announces \$144 Million in Recovery Act Funding for the Smart Grid

DOE announced more than \$144 million in American Recovery and Reinvestment Act funds on September 28 for the electric power sector, including a \$100 million solicitation for smart grid workforce training programs, plus \$44 million in awards to state public utility commissions. The workforce initiative will expand job creation and career advancement opportunities associated with smart grid and electricity transmission projects, and will help

establish training programs for workers in the utility and electrical manufacturing sectors who will play a key role in modernizing the country's electrical grid.

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DOE To Fund up to \$454 Million for Retrofit Ramp-Ups in Energy Efficiency

Secretary Chu announced a new \$450 million program designed to encourage a nationwide energy upgrade that experts estimate could save \$100 million annually in utility bills for households and businesses. This competitive portion of the Energy Efficiency and Conservation Block Grant (EECBG) Program will target community-scale retrofit projects that make significant, long-term impacts on energy use and can be used as the basis for national grassroots energy efficiency efforts. DOE will award up to \$390 million through the block grant program for applicants that demonstrate a sustainable business model for providing cost-effective energy upgrades for a large percentage of the residential, commercial, and public buildings in a specific community. DOE will award up to \$64 million to cities, counties and state-recognized Indian tribes that were not otherwise eligible to receive grant allocations under the block grant program. DOE intends to use these funds to increase local energy efficiency efforts and reduce energy use in the commercial, residential, transportation, manufacturing, or industrial sectors.

New "H-Prize" Offers \$1 Million for Improved Hydrogen Storage

DOE has launched the H-Prize competition, offering a \$1 million award to an individual or team that creates the most advanced materials for hydrogen storage in vehicles. Hydrogen storage is a critical barrier to widespread market penetration of hydrogen-fueled vehicles, including fuel cell vehicles. Authorized under the Energy Independence and Security Act of 2007, the H-Prize is managed by DOE's Hydrogen, Fuel Cells & Infrastructure Technologies Program and administered by the Hydrogen Education Foundation. Future prizes will address other technical barriers to fuel cell vehicles, including hydrogen production and distribution.

DOE Delivers \$354 Million for Energy Efficiency Projects in 22 States

DOE awarded more than \$354 million in funding from the American Recovery and Reinvestment Act on September 14 to 22 states in support of energy efficiency and conservation activities. Under DOE's Energy Efficiency and Conservation Block Grant (EECBG) Program, these states will implement programs that lower energy use, reduce carbon pollution, and create green jobs locally. At least 60% of each state's award will be passed through to local cities and counties not eligible for direct EECBG awards from DOE. The EECBG Program provides formula grants to states, cities, counties, territories, and federally-recognized Indian tribes to implement energy efficiency projects locally.

DOE Awards \$14.6 Million to Develop Water Power Technologies

DOE awarded \$14.6 million on September 15 for 22 advanced water power projects to advance the commercial viability and environmental performance for new marine and hydrokinetic technologies. Some funds will also go to conventional hydropower projects.

The selected projects will advance markets and research to maximize the use of the nation's largest renewable energy source.

DOE Delivers \$60 Million in Recovery Act Funds for Weatherization

DOE delivered more than \$60 million in American Recovery and Reinvestment Act funds on September 14 to American Samoa, the Northern Arapaho Tribe, the Northern Mariana Islands, Puerto Rico, Tennessee, and the U.S. Virgin Islands, allowing them to expand their weatherization assistance programs. The programs improve the energy efficiency of the homes of low-income families, helping the residents lower their energy bills. Officials may spend up to 20% of their funds to hire and train new workers. The new allocations will help them achieve their collective goal of weatherizing 17,000 homes, creating new green jobs while combating greenhouse gas emissions.

DOE Recognizes Midwest Industrial Efficiency Leaders

DOE announced 11 "Save Energy Now" awards on September 10 for Midwestern industry leaders with exemplary energy saving accomplishments. The top winners, recognized for total energy savings ranging from 250,000 MMBtu, or more than 15% of total energy use, included Benlee, Inc. of Romulus, Michigan; the Brose plant in Chicago, Illinois; Flex-N-Gate Corporation's MasterGuard plant in Veedersburg, Indiana; the Minster Machine Company of Minster, Ohio; and the Nease Corporation plant in Harrison, Ohio. Additional awards for saving more than 75,000 MMBtu or more than 7.5% of total energy use went to American Augers of West Salem, Ohio; Barnard Manufacturing of St. Johns, Michigan; Flex-N-Gate Corporation's plant in Royal Oak, Michigan; the Metal Technologies, Inc. plant in Ravenna, Michigan; and Mettler-Toledo International, Inc. of Columbus, Ohio.

DOE, EPA, and CRS Announce Green Power Leadership Awards

DOE, EPA, and the Center for Resource Solutions (CRS) recognized a variety of organizations and one individual on September 14 for their work to advance and develop the voluntary purchase of electricity from renewable energy sources. DOE selected five organizations as Green Power Network Leaders, including 3Degrees, which originates and markets renewable energy certificates from projects around the world; the Bonneville Environmental Foundation (BEF), a non-profit supplier of green power products that reinvests its income into new renewable energy projects; Central Vermont Public Service (CVPS), which runs the CVPS Cow Power program, one of the nation's first farm-to-consumer renewable energy programs that uses methane-based power generation; the Madison Gas and Electric Company, which recently expanded its green power program to add new wind power in Wisconsin while drastically reducing its price premium; and Puget Sound Energy (PSE), which in 2008 sold more than 290 million kilowatt-hours of green power to more than 20,000 participants.

The EPA honored four Green Power Partners of the Year, including Deutsche Bank AG, which made an annual purchase of 160 million kilowatt-hours of wind-derived RECs, totaling 100% of the electricity needs for its U.S. operations; Intel Corporation, which has been the nation's largest voluntary corporate buyer of green power; Kohl's Department Stores, whose

portfolio includes 69 solar power systems; and Mohawk Fine Papers, Inc., which is buying 110 million kilowatt-hours in RECs each year, enough to cover all its operations in New York and Ohio. Also recognized for green power purchasing were Beaulieu Commercial, Bloomberg LP, EarthColor, Inc., Foulger-Pratt Management, Inc., Motorola, Inc., Neenah Paper, Inc., Shaklee Corporation, Steelcase USA, The Joinery, and the Western Pennsylvania Energy Consortium. Accepting awards for on-site generation were Applied Materials, Inc., Butte College, and the California and Texas facilities of Wal-Mart Stores, Inc.

CRS, a national nonprofit, gave its Market Development Awards to Bonneville Environmental Foundation, PepsiCo, and AmerenUE. Its Green Power Pioneer Award honoree was Edward Holt, who has been involved in green power since 1994. The awards were presented in Atlanta, Georgia, in conjunction with the Renewable Energy Markets Conference.

Department of Transportation

9/28/09

DOT, EPA Propose to Improve Fuel Economy and Reduce Greenhouse Gases

The DOT and EPA announced details on September 15 of a proposed joint rule establishing a national program for greatly improved fuel economy and reduced greenhouse gases. Their proposal presents coordinated national fuel efficiency and emissions standards for passenger cars and light trucks, with the goal of saving 1.8 billion barrels of oil and reducing greenhouse gas emissions by nearly 950 million metric tons. For vehicles in model year 2016, the proposed rules would save the average car buyer more than \$3,000 in fuel costs over the life of the vehicle.

The proposal also would mark the first-ever national emissions standards under EPA's greenhouse gas program, with vehicles required to meet an estimated combined average emission level of 250 grams of carbon dioxide per mile. The proposed standards vary with the size of the vehicles to achieve the targeted average values for the U.S. fleet as a whole. The EPA is proposing to provide extra credits for flex-fuel and alternative fuel vehicles, advanced technology vehicles, and vehicles with improved air conditioning systems and other greenhouse gas reduction technologies. The EPA also proposes to place a cap on nitrous oxide and methane emissions from vehicles, to help limit their greenhouse gas emissions.

Transportation Department Supports Clean Energy at 43 Transit Agencies

DOT awarded \$100 million in Recovery Act funds on September 28 to 43 transit agencies that are pursuing cutting-edge environmental technologies. The winning projects in the competitive bidding are designed to help reduce global warming, lessen U.S. dependence on oil, and create green jobs. Most of the projects involve the purchase of hybrid electric buses and upgrading facilities with energy efficiency improvements and solar power systems. Some transit agencies are exploring other renewable and advanced energy technologies, including wind turbines for the transit agencies in Lafayette, Indiana, and Boston, Massachusetts; a solar thermal system for Rock Island, Illinois; a geothermal heat pump system for the

Champaign-Urbana Mass Transit District in Illinois; and stationary fuel cells for the statewide bus system in Connecticut. In addition, transit agencies in Florida and Oregon plan to perform efficiency upgrades on their current buses, replacing some mechanical and hydraulic systems with electrically powered devices.

Environmental Protection Agency

9/28/09

EPA Finalizes Rule Requiring Greenhouse Gas Disclosure.

In a move that lays groundwork for the US to eventually regulate greenhouse gas emissions, the EPA announced that it had finalized rules, to take effect next year, requiring large emitters of greenhouse gases to monitor and report those emissions. The rules will take effect January 1, 2010 and affect roughly 10,000 facilities in the U.S., covering about 85% of the country's emissions. According to the new rule, facilities that emit more than 25,000 metric tons of CO₂ will have to report their emissions to the EPA every year. The EPA's rule does not require that facilities limit their emissions; that issue is before Congress in the debate over whether to adopt a cap-and-trade system. The rule, however, is widely considered a prerequisite for eventual regulation of greenhouse gas emissions, because it will give the EPA a solid baseline from which to regulate emissions in the future.

9/21/09

New Interagency Program to Address Climate Change and Energy Security

Department of Transportation Secretary Ray LaHood and EPA Administrator Lisa P. Jackson proposed a rule establishing a national program that would improve vehicle fuel economy and reduce greenhouse gases. Under the proposed program, which covers model years 2012 through 2016, automobile manufacturers would be able to build a single, light-duty national fleet that satisfies all federal requirements as well as the standards of California and other states. The proposed program includes miles-per-gallon requirements under NHTSA's Corporate Average Fuel Economy Standards (CAFE) program and the first-ever national emissions standards under EPA's greenhouse gas program. The collaboration of federal agencies for this proposal also allows for clearer rules for all automakers, instead of three separate rules.

The program will increase fuel economy by approximately 5% every year, reduce greenhouse gas emissions by nearly 950 million metric tons, save the average car buyer more than \$3,000 in fuel costs, and conserve 1.8 billion barrels of oil. NHTSA and EPA are providing a 60-day comment period that begins with publication of the proposal in the Federal Register.

Department of Interior

9/21/09

Interior to Eliminate Royalty-in-Kind Program

Interior Secretary Ken Salazar has announced that the scandal-ridden RIK program that allows industry to provide oil and natural gas directly to the Interior Department in lieu of cash royalty payments will be cancelled.

Personnel:

9/28/09

White House Announces ARPA-E Director

The White House has announced its intention to nominate Lawrence Berkeley National Laboratory and University of California, Berkeley engineer and scientist Arun Majumdar to become the first director of the U.S. Department of Energy's Advanced Research Projects Agency-Energy (ARPA-E). A mechanical engineer and materials scientist, Majumdar's wide-ranging expertise spans energy efficiency technology research and implementation in the U.S. and abroad, as well as materials science innovations, such as using nanotechnology to harness the energy lost as heat during the production of electricity. Previously, Majumdar was in the Berkeley Lab's Environmental Energy Technologies Division.

Senate Confirms Hormats for Energy Post

The Senate confirmed Robert Hormats to be the State Department's Undersecretary for Economic, Energy, and Agriculture Affairs on September 23. Previously, Hormats was a vice chairman of Goldman Sachs (International), and had roles in Republican and Democratic Administrations.

Additional Commentary:

9/28/09

Chinese Government Backs a Private Emissions-Trading Experiment

On September 24, at the New York Stock Exchange, officials unveiled their plans for the "Panda Standard," a voluntary offset project design and verification scheme that would generate a greenhouse gas emissions abatement credit that climate-conscious companies or consumers could use to offset their own emissions. While it is a private initiative, it enjoys the backing of a powerful Chinese government agency, suggesting central authorities may be prepared to use their strong clout to ensure that the new voluntary offset standard proves a success.

9/21/09

Familiar Issues Vex Climate Pact

Delegates from the world's economic powers convened in Washington for a new round of climate discussions, searching for a way to improve the chances of securing a new global warming pact in a time of intense economic and political uncertainty. The meeting of the Major Economies Forum on Energy and Climate—which includes the world's 17 biggest emitters of greenhouse gases—marked the start of three weeks of negotiations that could help determine whether the international community can reach a meaningful agreement by the end of the year to curb climate change. There are some signs that negotiators are making incremental progress. Over the past two days, delegates spoke in detail about how they might be able to incorporate domestic actions by nations—especially major emerging economies such as China and India—into part of an international agreement, and how to verify countries' carbon cuts. It remained unclear whether the Obama administration would use next week's G-20 summit in Pittsburgh to press for significant international financing for clean-energy technology, which major developing countries see as critical to any broader climate deal.

Two Federal Reports Examine Economic Cost of Climate Legislation

The Congressional Budget Office reported that a mandatory cap on greenhouse gas emissions passed by the House in June would reduce gross domestic product by roughly one-fourth of a percent to three-fourths of a percent by 2020 and by 1 to 3% by 2050. On the other hand, the Congressional Research Service, an arm of the Library of Congress, concluded that projecting the price tag of Waxman-Markey is problematic because of uncertainty about things such as the success of future carbon-friendly technology.