

Federal Climate and Energy Activities Weekly Roundup
April 20—April 24

Hearings

The House Energy and Commerce Committee held a series of hearings on the draft of the American Clean Energy and Security Act of 2009 over four days beginning April 21. The bill, sponsored by Committee Chairman Henry Waxman (D-CA) and Energy and Environment Subcommittee Chairman Edward Markey (D-MA), is the primary climate change and energy legislation in the House. As of this writing, the hearings are ongoing. A panel of Administration officials— Energy Secretary Chu, Transportation Secretary LaHood, and EPA Administrator Jackson— kicked off the hearings. While they did not formally endorse the bill, they spoke highly of it and said it would advance the administration's climate change objectives. Other panels included representatives from the U.S. Climate Action Partnership (a coalition of industry and environmental groups supporting legislation to combat climate change), various environmental organizations and other stakeholders. The hearings are set to end April 24 with the testimonies of former Vice President Al Gore, former Senator John Warner, and former House Speaker Newt Gingrich. The most contentious issue in the bill remains the cap-and-trade program and how the country could transition into a carbon restrained environment. Committee Republicans and some Democrats expressed concerns that the bill does not say how emissions credits would be allocated, and that it could have a negative impact on the economy. There also remains disagreement regarding the legislation's intention to set a national Renewable Electricity Standard. Several Southern members brought up the region's relative lack of renewable energy options and concerns about restrictions in the definition of biomass. Markey plans to mark up the bill the week of April 27. However, Republicans have expressed concern about rushing to mark-up when they have not yet seen a final version of the bill that addresses how emissions allocations would be distributed. Without this information, CBO is unable to provide a score for the bill.

On April 21, the Senate Energy and Natural Resources Committee held a hearing to consider whether to include in the 2009 Senate energy bill an energy efficiency requirement intended to reduce customers' power consumption. The Save American Energy Act (S.548), introduced by Senator Charles Schumer (D-NY) in March, would require electricity and natural gas distributors to conserve energy by 15 and 10 percent, respectively, between 2012 and 2020. The Waxman-Markey climate change bill currently being considered by the House Energy and Commerce Committee includes a similar energy efficiency requirement.

Events and News

In response to a request from the House Energy and Commerce Committee Chairman, Henry Waxman (D-CA), the Environmental Protection Agency (EPA) released April 20 a preliminary economic analysis of the cap-and-trade program contained in the American Clean Energy and Security Act of 2009 (Waxman-Markey Draft). Although EPA acknowledges that it has not had the time to conduct sensitivity analyses of key assumptions, it did put forward several key findings:

the draft would drive clean energy transformation through investments in energy efficiency and renewable energy; provide for a role for carbon capture and sequestration as a mitigation strategy; and create jobs in the manufacturing sector spurring economic growth. EPA estimated that the allowance prices of carbon dioxide would be approximately \$13-\$17/ton in 2015 rising to \$17-\$22/ton in 2020, and that the average increase in annual energy costs for households would be between \$98 to \$140. EPA's cost estimates for the Waxman-Markey draft were significantly lower than cost estimates of the Lieberman-Warner climate legislation from the 110th Congress. EPA attributes the lower cost of carbon to its assumption of limited economic growth in the near-term. EPA also assumed that all emissions allowances would be auctioned and that much of the proceeds would be used to fund continuation of the middle class tax cut supported by President Obama. However, the draft bill does not specify how emissions allowances would be allocated or how the proceeds from a potential auction might be distributed. Critics of the analysis maintain that it is impossible to provide cost data without knowing how emissions allowances would be distributed and that any cost estimates should be based on a thorough analysis of all portions of the bill, not just the cap-and-trade title.

House Energy and Environment Subcommittee Chairman Markey has said that he is working with moderate democrats on the Committee in the hopes of modifying the draft American Clean Energy and Security Act in order to gain their support. Negotiations will continue into the weekend. Many of the moderate democrats involved are from the South, including Rick Boucher (D-VA), who appears to be acting as a leader of moderate democrats on this issue. One key area under consideration is which industries should be able to receive free emissions allowances. Boucher and other moderates April 23 sent Markey a list of recommendations, but they have not made the specifics public. However, it is likely that the recommendations also address reducing the short-term emissions reduction targets and providing companies more flexibility to meet targets through offsets.

On April 22, Senate Environment and Public Works Chairman Barbara Boxer (D-CA) announced the creation of five working groups that will be tasked with developing the policy details and performing outreach to other Senators for what will become the Senate's vehicle for climate change legislation. The groups will be led by Democratic members of the committee and will focus on the following five key areas: emission targets and timetables, cost containment, regional issues, carbon market oversight, and coal research and technology.

Regulations

As expected, EPA on April 24 published in the Federal Register a proposed finding of endangerment indicating that greenhouse gas emissions—including carbon dioxide—pose a potential threat to public health and welfare. This is the first step towards regulating greenhouse gases under the Clean Air Act. The EPA also proposes a finding that greenhouse gas emissions from motor vehicles contribute to the concentration of greenhouse gases in the atmosphere. There is scheduled a 60-day comment period for these proposed findings. SGA has already been in contact with EPA to set up a SAC briefing on the proposed finding. The briefing is scheduled for May 5. The proposed finding in the Federal Register is attached.

On April 22, the Department of the Interior (DOI) announced new rules finalizing a framework to allow for renewable energy production on the Outer Continental Shelf (OCS). The new rules establish a program to grant leases, easements, and rights-of-way for renewable energy

development, including the siting and building of off-shore wind farms on the OCS. The rules also establish programs for firms to share revenue generated from these renewable energy projects with adjacent coastal States. DOI's Minerals Management Service is responsible for regulating and managing of renewable energy development in OCS.

Budget Process

On April 24, House and Senate budget resolution conferees announced that they had reached a tentative deal on major elements of the congressional budget and would be holding a formal conference committee meeting on April 27. According to press accounts, the deal includes reconciliation instructions for healthcare and education programs, but not for climate change legislation. Both chambers include in their respective resolutions a placeholder for climate change and energy legislation, so long as it is deficit neutral.

New Legislation

- The Open Fuel Standard Act of 2009 (S.835) introduced April 20 by Senator Sam Brownback (R-KS). The bill would require automobile manufacturers to ensure that not less than 80 percent of the automobiles manufactured or sold in the United States will operate on fuel mixtures containing 85 percent ethanol, 85 percent methanol, or biodiesel.

Status: Referred to the Committee on Commerce, Science, and Transportation.

- The Electronic Waste Research and Development Act (H.R.1580) introduced March 18 by Rep. Bart Gordon (D-TN). The bill would authorize the Administrator of the Environmental Protection Agency to award grants for electronic waste reduction research, development, and demonstration projects, and for other purposes.

Status: On motion to suspend the rules and pass the bill, as amended Agreed to by voice vote.

- (S.849), title unavailable at this time, introduced April 22 by Senator Tom Carper (D-DE). The bill would require the Administrator of the Environmental Protection Agency to conduct a study on black carbon emissions.

Status: Referred to the Committee on Environment and Public Works.

- (S.855), title unavailable at this time, introduced April 22 by Senator Susan Collins (R-ME). The bill would establish an Energy Assistance Fund to guarantee low-interest loans for the purchase and installation of qualifying energy efficient property, idling reduction and advanced insulation for heavy trucks, and alternative refueling stations, and for other purposes.

Status: Referred to the Committee on Energy and Natural Resources.

- (S.870), title unavailable at this time, introduced April 22 by Senator Blanche Lincoln (D-AR). The bill would amend the Internal Revenue Code of 1986 to expand the credit for renewable electricity production to include electricity produced from biomass for on-site

use and to modify the credit period for certain facilities producing electricity from open-loop biomass.

Status: Referred to the Committee on Finance.