

Energy Producing States Coalition

EPSC October Energy News

Action Items

DOI's ONRR Reverses Decision on Federal Mineral Revenues

Following intense lobbying efforts by EPSC, Western Congressional Leaders, Western State Political Leaders and Western Trade Associations, the Department of Interior's Office of Natural Resources Revenue last month [reversed its position related to the sequestration of federal mineral revenues](#). States were [notified that they would be receiving the nearly \\$110 million](#) in withheld funds early in FY 2014. EPSC's Executive Committee released the following [statement](#) related to Interior's decision and responded to Secretary Jewell thanking her for [following existing precedent and encouraging her to ensure that the funds are returned early in Fiscal Year 2014](#).

Draft Rulemaking Likely to Expand Clean Water Act Jurisdiction

On September 17, 2013, the Environmental Protection Agency (EPA) and the U.S. Army Corps of Engineers announced a joint proposed rule that purports to clarify which streams, wetlands and other waters are “waters of the United States” and subject to jurisdiction under the federal Clean Water Act (CWA). The agencies sent the proposed rule to the White House’s Office of Management and Budget (OMB) but have not yet released it to the public. In support of the proposed rule, the agencies have released a draft science report titled, “[Connectivity of Streams](#)



[and Wetlands to Downstream Waters: A](#)

[Review and Synthesis of the Scientific Evidence](#)”. The Draft Study is a compilation of independent peer-reviewed scientific literature that when finalized, is intended to provide the scientific basis for the agencies to clarify CWA jurisdiction through the rulemaking process. This draft science report represents the state-of-the-science on the connectivity and isolation of waters in the United States. It makes three main initial conclusions, summarized below, that are drawn from a broad range of peer reviewed scientific literature.

- Streams, regardless of their size or how frequently they flow, are connected to and have important effects on downstream waters. These streams supply most of the water in rivers, transport sediment and organic matter, provide habitat for many species, and take up or change nutrients that could otherwise impair downstream waters.
- Wetlands and open-waters in floodplains of streams and rivers and in riparian areas (transition areas between terrestrial and aquatic ecosystems) are integrated with streams and rivers. They strongly influence downstream waters by affecting the flow of water, trapping and reducing nonpoint source pollution, and exchanging biological species.

- Finally, there is insufficient information to generalize about wetlands and open-waters located outside of riparian areas and floodplains and their connectivity to downstream waters.”

This report, when finalized, will provide a scientific basis needed to clarify CWA jurisdiction, including a description of the factors that influence connectivity and the mechanisms by which connected waters affect downstream waters. Any final regulatory action related to the jurisdiction of the CWA in a rulemaking will be based on the final version of this scientific assessment, which will reflect EPA's consideration of all comments received from the public and the independent peer review. The agencies could issue a final version of the Draft Study and publish a draft rule in the *Federal Register* in early 2014.

EPSC Member Conference Call

EPSC will be hosting a conference call on Wednesday, October 30, 2013 at 12:00pm EST. The Call will provide an update on the status of key energy issues facing states and how the organization can work together to provide a united front for states to preserve their right to produce all forms of energy. For those members interested in participating, please RSVP to BOllison@ConsumerEnergyAlliance.org.

EPSC Looking for Additional Members of Executive Committee

EPSC is looking to expand the size of its Executive Committee from three members to six members. Legislators from the States of Alaska, Utah and Wyoming currently comprise the Executive Committee. We would like to add legislators from three additional states to reflect more regional diversity in energy production. If you are interested in serving on EPSC's Executive Committee, please contact Bo Ollison at BOllison@consumerenergyalliance.org.

EPSC Key Issues Project

During our [Spring meeting in Point Clear, Alabama](#), we identified key issues on which EPSC should focus in the coming months. Following are the issues suggested and the EPSC member who will take the lead on the issue:

- Endangered Species Act (Giessel, AK)

- Ocean Policy (Millett, AK)
- Access (Handy, UT)
- Land Exchange (Handy, UT)
- Settlement Agreements (Barrus, UT)
- CO2 / Green House Gas Emissions (Greear, WY)
- BLM Permitting
- Hydraulic Fracturing
- Sequestration

We still need volunteers to lead BLM Permitting and Fracking areas. For those who volunteered to lead issues, we need to begin to pull together our research and thoughts. As part of the conference call on Oct. 30, members will be able to use their computers to access some of the information to be discussed in the call. I would like us to be prepared in advance of the meeting to submit just a one page synopsis of the issue you are assigned with a couple of ideas of how EPSC can impact those issues.

Please email your synopsis to Bo Ollison by **October 15**.

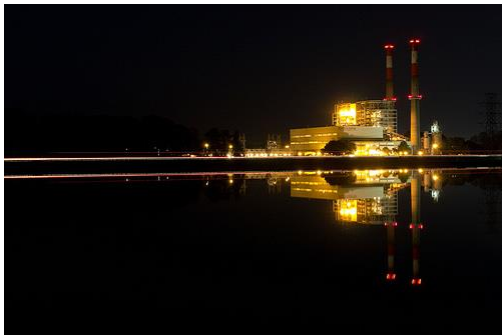
Policy Initiatives

Oil and gas companies working to secure drilling permits on federal lands may have just a few more hours to get the job done. The Bureau of Land Management [will halt permitting oil and gas projects on public lands](#) if lawmakers do not reach a deal to continue funding the federal government by Tuesday. Offshore oil and gas permitting, which is handled by a separate agency, would continue. Under a government shutdown, a number of energy-related programs would indefinitely cease, although some federal workers would stay on the job to continue inspecting oil and gas facilities and other activities deemed absolutely essential. Here are some of the activities that would stop, according to contingency plans outlined by federal departments and agencies:

- Processing applications for exporting liquefied natural gas
- Testing of oil spill response equipment at a government facility in New Jersey

- Processing high bids for offshore oil and gas drilling rights sold during the western Gulf lease sale in August. According to the Bureau of Ocean Energy Management, “this will likely delay both the issuance of leases and the associated payments to the Department of Treasury that occur upon execution of the lease.”
- Evaluation of new oil and gas exploration, production and development plans offshore
- Processing onshore oil and gas lease sales and permits

The Economic Value of Energy Resources on Federal Lands: A report released by the Sutherland Institute Center for Self-Government in the West finds that, based on high-, medium-, and low-usage scenarios, [Utah’s economy could add between about \\$1.2 billion and \\$6.7 billion and 9,400 to 58,000 jobs annually by developing oil, gas and renewable energy on federal lands within the state.](#) Developing these resources could also contribute as much as \$1.2 billion in annual taxes. The report is based on a newly released study by University of Wyoming Professor Timothy Consideine that models the economic values of energy resources on federal lands in seven Western states.



EPA Releases Long-Awaited Carbon Rules for New Power Plants: The EPA [released new rules](#) requiring new power plants to meet stringent standards for carbon dioxide emissions. The rules require new coal-fired power plants to emit no more than an average of 1,100 pounds of carbon dioxide per megawatt hour and new natural gas fired power plants to emit no more than an average of 1,000 pounds of carbon dioxide per megawatt hour. While combined-cycle natural gas powered plants will have little difficulty achieving these levels, coal-fired plants will struggle to achieve these targets and will require the deployment of carbon, capture and sequestration technology that is not currently in commercial scale use. EPA rules addressing existing power plants are planned for release in June of 2014. The proposal has already gathered Congressional opposition. Rep. David McKinley (R, WV 1) introduced [House Joint Resolution 64](#) with 35 co-sponsors, seeking to overturn the regulation with a congressional vote under the Congressional Review Act.

State Department Climate Report To UN Touts U.S. Achievements: The State Department released its [2014 Climate Action Report](#), along with a new biennial report, as part of an agreement with the UN. The report outlines what the U.S. is doing to cut greenhouse gas emissions by 17 percent of 2005 levels by the end of this decade, including the actions ordered by President Barack Obama in June, according to information from a fact sheet. The report will tout Obama's first-term achievements, including new vehicle fuel economy standards and boosts for renewable energy sources, and notes the U.S. will take further action via regulations to cut emissions from the power sector, more support for energy efficiency and clean energy, and a push to reduce methane and HFC emissions. Secretary John Kerry Friday called the latest report on climate change “yet another wakeup call” ... “This isn't a run of the mill report to be dumped in a filing cabinet. This isn't a political document produced by politicians. It's science” ... The Intergovernmental Panel on Climate Change (IPCC) said it was 95 percent convinced humans had caused more than half of the last six decades' worth of warming The Nobel-winning group predicted temperatures would rise from ... 0.5-8.6 degrees Fahrenheit ... this century, and that sea levels would rise between ... 10.4 and 32.8 inches ... by 2100.

DOE Announces \$9 Million In Funding For Grid Reliability Detection: The Department of Energy [announced](#) up to \$9 million in funding to facilitate rapid response to abnormal grid conditions. The funding will help utilities better detect and head off potential blackouts, while improving day-to-day grid reliability and helping with the integration of clean renewable sources of energy onto the grid. The “Pre-Commercial Synchrophasor Research and Demonstration” Funding Opportunity Announcement (FOA) targets teams comprised of utilities and software developers to develop and implement advanced software which would improve the operational reliability of the grid.



DOE Announces \$66 Million in Funding for Energy R&D and \$30 Million for Cyber

Security: The Department of Energy [announced](#) that 33 breakthrough energy projects will receive approximately \$66 million from the Advanced Research Projects Agency-Energy (ARPA-E) under two new programs that provide options for a more sustainable and secure American future. A full list of the projects can be reviewed [here](#). The DOE also announced awards totaling approximately [\\$30 million for the development of new tools and technologies](#) to strengthen protection of the nation's electric grid and oil and gas infrastructure from cyber-attack.



DOE Announces Approval of New LNG

Export Facility: The Department of Energy announced that it has [conditionally authorized Dominion's Cove Point Terminal to export liquefied natural gas](#) (LNG) to countries that do not have a Free Trade Agreement. Dominion Cove Point previously received approval to export LNG from this facility to FTA countries

on October 7, 2011. Subject to environmental review and final regulatory approval, the facility is conditionally authorized to export at a rate of up to 0.77 billion cubic feet of natural gas a day (Bcf/d) for a period of 20 years.

DOE Announces \$45 Million in Funding for Advanced Transportation: The Department of Energy announced more than [\\$45 million in funding](#) for [thirty-eight new projects](#) that accelerate the research and development of vehicle technologies to improve fuel efficiency, lower transportation costs and protect the environment in communities nationwide.

EPA Announced Settlements with Shell Over Arctic Emissions: U.S. Environmental Protection Agency announced settlements with Shell Gulf of Mexico, Inc. and Shell Offshore, Inc. for violations of their Clean Air Act permits for arctic oil and gas exploration drilling in the Chukchi and Beaufort Seas, off the North Slope of Alaska. Based on EPA's inspections and Shell's excess emission reports, EPA documented numerous air permit violations for Shell's Discoverer and Kulluk drill ship fleets, during the approximately two months the vessels operated during the 2012 drilling season. In the settlements, Shell

agreed to pay a \$710,000 penalty for violations of the Discoverer air permit and a \$390,000 penalty for violations of the Kulluk air permit.

Appeals Court Upholds California LCFS: A divided three-judge panel of the 9th U.S. Circuit Court of Appeals on Wednesday rejected arguments from fuel makers that California's "Low Carbon Fuel Standard" discriminated against out-of-state producers and upheld the state's "[low carbon fuel standard](#)." The court's decision reverses a lower court's decision in December 2011 that the regulation violated the dormant commerce clause. The California Air Resources Board had been able to move forward with implementing the LCFS during the appeals process.

Gas Prices Set Record: 1,000 Days Above \$3 A Gallon: USA Today wrote about AAA's report that [average gasoline prices exceeded \\$3](#) for a record-setting 1,000th consecutive day last week. USA Today reported that "[u]nless there's another recession, AAA forecasts that a price floor of \$3 a gallon is basically here to stay." According to AAA CEO Bob Darbelnet, "[p]aying less than \$3.00 per gallon for gasoline may be automotive history for most Americans, like using 8-track tapes or going to a drive-in movie...The reality is that expensive gas is here to stay."

Gas Boom Will Boost Economy, Even As Prices Rebound, IHS Says: The Houston Chronicle's Fuel Fix reported on comments made by IHS research firm experts at an energy conference in Houston [that increased demand for natural gas-fired electricity and expanded exports are poised to send natural gas prices higher](#). At the same time, they noted that the U.S. natural gas renaissance has led to a boom in petrochemical manufacturing, adding that increased unconventional oil and gas production will generate 1.7 million U.S. jobs and that the shale revolution will contribute ~3% to U.S. GDP.

USDA Announces Funding Support for Producers of Advanced Biofuels:

The USDA announced that it is making [nearly \\$15.5 million in payments to 188 producers through the Advanced Biofuel Payment Program](#). USDA Rural Development Acting Under Secretary Doug O'Brien made the announcement on the USDA's behalf in Omaha, NE, at the National Advanced Biofuels Conference. The funding is being provided through USDA's Advanced Biofuel Payment



Program, which was established in the 2008 Farm Bill. Under this program, payments are made to eligible producers based on the amount of advanced biofuels produced from renewable biomass, other than corn kernel starch. Examples of eligible feedstocks include but are not limited to: crop residue; animal, food and yard waste; vegetable oil; and animal fat. The USDA also announced a series of partnerships involving over [\\$2.9 million for wood to energy projects](#).

USDA Announces Additional Financial Support for Rural Electric

Cooperatives: USDA announced funding for projects in seven states to [improve electric service for about 7,000 rural customers](#). Rural Utilities Service Administrator John Padalino made the announcement on the Secretary's behalf during a regional meeting of the National Rural Electric Cooperative Association. The loan guarantees are made available through the Rural Utilities Service of U.S. Department of Agriculture (USDA) Rural Development. They include more than \$5 million for smart grid projects and nearly \$3 million to improve electric service for Native Americans.

DOI Completes Renewable Energy Lease Sale Offshore Virginia: The Interior Department completed the nation's [second competitive lease sale for renewable energy in federal waters](#), garnering \$1,600,000 in high bids for 112,799 acres on the Outer Continental Shelf offshore Virginia. Virginia Electric and Power Company is the provisional winner of the sale, which auctioned a Wind Energy Area approximately 23.5 nautical miles off Virginia Beach that has the potential to support 2,000 megawatts of wind generation – enough energy to power more than 700,000 homes. The sale follows a July 31 auction of 164,750 acres offshore Rhode Island and Massachusetts for wind energy development

that was provisionally won by Deepwater Wind New England, LLC, generating \$3.8 million in high bids.



First Steps For Chukchi Sea Lease Sale: The Bureau of Ocean Energy Management is putting out a ['Call for Information and Nominations,'](#) a first step in a long lease planning process that could lead to a lease sale in the Arctic as soon as 2016. BOEM is asking interested parties to provide more information on potential oil and gas activities and environmental concerns in sections of the Chukchi Sea totaling over 55 million acres.

Feds to release new rules for offshore emergency equipment this year: The nation's top offshore drilling regulator said he hopes to unveil [new requirements for blowout preventers by Dec. 31](#), nearly four years after the Deepwater Horizon disaster revealed vulnerabilities in the emergency devices. The nation's three main blowout preventer manufacturers are developing and selling newly robust shearing rams and other designs to slash through thick pipe connections and debris. But a new federal rule would give those voluntary changes the force of law. The Bureau of Safety and Environmental Enforcement aims to issue those proposed requirements by the end of 2013, said agency director Brian Salerno. Regulators at the safety bureau are likely to lay out specific performance standards for the devices, such as a mandate that they be capable of cutting through casing and drill pipe and effectively sealing a well. Officials could insist that companies use a second set of shearing rams, potentially boosting the odds of successfully cutting drill pipe — a method already being used by some operators in the Gulf of Mexico.

Chairman Fred Upton and Rep. Gene Green Introduce Bill To Expedite Permitting: According to the House Energy & Commerce Committee, "[The North American Energy Infrastructure Act](#) would consolidate and modernize the cross-boundary permitting process for oil pipelines, natural gas pipelines, and electric transmission lines, replacing and superseding the current processes that have been created in an ad hoc fashion by multiple Executive Orders.

Senator Debbie Stabenow Calls For CFTC Review of RINs

Manipulation: Chairwoman of the Senate Committee on Agriculture, Nutrition and Forestry, called on the Commodity Futures Trading Commission to review recent allegations about possible manipulation of the markets for Renewable Identification Numbers (RINs) – the tracking mechanism to ensure petroleum blenders and refiners meet their requirements under the Renewable Fuels Standard. Stabenow called on the CFTC, which is tasked with overseeing markets for commodity futures, options and swaps, to use its expertise and authority to help preserve the integrity of the RINs market. A copy of the letter can be viewed [here](#).

Recruiting

EPSC has been adding new states and members to the coalition. There are currently members representing fifteen states. Those states are: Alaska, Arizona, Colorado, Florida, Idaho, Indiana, Mississippi, Nevada, North Dakota, Ohio, Oklahoma, Texas, Utah, Wisconsin and Wyoming. The newest member is: [Rep. Jose Felix Diaz](#).

As a reminder, EPSC membership is open to any state legislator or legislature that is serious about energy production and that supports the [Mission Statement](#) of the EPSC. Currently, membership is neither time consuming nor expensive. Members do not pay dues to EPSC. If you know of colleagues that might be interested in joining, all that is needed is to fill out this [form](#).

Website

If you have suggestions for the [EPSC website](#), including issues, content or event updates, please let Bo Ollison know at BOllison@consumerenergyalliance.org.