Energy Producing States Coalition November Newsletter

Action Items

EPSC Comments on DOI's return of Federal Mineral Revenues: DOI notified states that they would be receiving their "sequestered" federal mineral revenues from FY 2013 on October 31, 2013. In addition to receiving the revenue, states were notified that for FY 2014, DOI would withhold 8 percent of federal mineral revenues, a position EPSC believes is unacceptable. EPSC will continue to work with Congressional allies in demanding that full amounts owed to the states are paid promptly to the states.

EPSC Conference Call: EPSC hosted a conference call for its members where policy issues, such as: the Endangered Species Act, Ocean Policy, Access and Land Exchange, and Settlement Agreements were discussed in detail and action items were contemplated. Additional regulatory issues, the frequency of future conference calls and in-person meetings, and expanding the Executive Committee were also discussed. For additional information on the call, please contact Bo Ollison.

EPSC member announces campaign for Governor: Colorado Senator Greg Brophy announced his campaign for Governor. For more information on his campaign, visit his website www.greg-brophy.com and follow his campaign on Twitter @SenatorBrophy.

EPSC member announces campaign for Lieutenant Governor: Alaska Senator Lesil McGuire has also announced her campaign for Lieutenant Governor. For more information on her campaign, visit her website www.lesilmcguire.com and follow her on Facebook at www.facebook.com/mcguireforltgovernor.

Policy Initiatives

Seven States Join California's "Zero Emission Pact": New York, along with six other states, is following California's lead in seeking ways to put 3.3 million "zero-emission" cars on the country's roads by 2025. According to a report by Bloomberg, California, New York, Massachusetts, Oregon, Rhode Island, Vermont, Maryland, and Connecticut, together, account for about 23 percent of American vehicle sales, and together they aim to create enough leverage to encourage nationwide change. While New York and the new states on board did not say how much money they would spend on related initiatives, the New York Times reported that they do plan to implement several measures for efficient cars, including promoting hydrogen fueling stations, instituting reduced tolls for those vehicles, and buying more electric cars for state business. Reuters put the coalition's goals in context by pointing out that, at the moment, there are 165,000 vehicles in the US that meet the agreement's standard, and 50,000 of those are in California.

California becomes the first state to require utilities to invest in energy storage: the California Public Utilities Commission (CPUC) passed an ambitious measure that would require California's investor-owned utility companies to purchase 1,325 megawatts of energy storage (enough to power roughly one million homes) by 2020. Energy storage allows operators to balance the supply and demand of electricity by storing energy during off-peak hours and sending stored power to the grid when demand is high. By March 1, 2014, PG&E, Southern California Edison (SCE), and San Diego Gas & Electric (SDG&E) will have to come up with a plan to comply with this new measure.

New York Announces "Strategic Gasoline Reserve": Gov. Andrew Cuomo has announced a $10 million pilot program that would create a Strategic Gasoline Reserve in the state to avert storm-related outages. During emergencies, "gasoline from the reserve will be released to meet fuel needs while the industry recovers from a disruption in routine operations," according to the governor's office.

New Executive Order to Enhance Climate Resilience: President Obama signed an Executive Order (EO), "Preparing the United States for the Impacts of Climate Change," directing federal agencies to support climate resilience efforts in states and local communities. The EO establishes a State, Local, and Tribal Leaders Task Force on Climate Preparedness and Resilience in order to guide federal response to communities dealing with climate impacts. It also establishes an Interagency Council on Climate Preparedness and Resilience, comprising more than 25 agencies that will consider the Task Force recommendations to achieve goals set by the EO. The Task Force will provide recommendations on eliminating barriers to climate-resilient investments, modernizing grant and loan initiatives, and developing necessary information and tools. Its members include state governors, city mayors, county officials, and tribal leaders.

Seeking New Comments on "Social Cost of Carbon": The White House will seek new public comment on the "social cost of carbon" (SCC), a metric that helps regulators estimate the benefits of rules that cut greenhouse gas emissions. The Office of Management and Budget (OMB) decision arrives amid criticism from industry groups and Republicans who say the Obama administration's May 2013 upward revision of the SCC earlier lacked public input. The "social cost of carbon" has lately been a flashpoint in wider political and lobbying battles over White House's climate change policy, especially planned Environmental Protection Agency carbon standards for power plants. Howard Shelanski, the top White House regulatory official, said in a blog post that the administration was making new changes to the estimate, and would launch a public comment period "in response to public and stakeholder interest. These updated values reflect minor technical corrections to the estimates we released in May of this year. For example, these technical corrections result in a central estimated value of the social cost of carbon in 2015 of $37 per metric ton of carbon dioxide (CO2), instead of the $38 per metric ton estimate released in May," wrote Shelanski. "At the same time, in response to public and stakeholder interest in SCC values, OMB's Office of Information and Regulatory Affairs (OIRA) will provide a new opportunity for public comment on the estimates in addition to the public comment opportunities already available through particular rulemakings," added Shelanski, who heads OIRA.

Senate Passes Hydrocarbons Agreement Legislation: Despite the continued stalemate over government funding and the debt limit, some small bills are making progress. The Senate passed S. 812, legislation that would permit the Interior Department to take actions to implement an agreement between the U.S. and Mexico concerning hydrocarbon reservoirs in the Gulf of Mexico that cross the international maritime boundary. The agreement would allow deepwater oil and gas exploration to proceed in parts of the western Gulf of Mexico. The bill will now have to be conferenced with a House passed measure, H.R. 1613.

Reducing Impact of Sequestration: Sens. David Vitter (R, LA) and Michael Bennet (D, CO) have introduced a bill exempting some programs, including the RESTORE Act, from the effects of sequestration because those funds don't reduce the deficit. The Return Our State Shares (ROSS) Act, which has bipartisan support, exempts accounts like the Gulf Coast Restoration Trust Fund, the Wildlife and Sport Fish Restoration Program and payments made under the Gulf of Mexico Energy Security Act and the Mineral Leasing Act - meaning payouts will no longer be delayed.

Ethanol Runs Out of Gas: By pulling back on an effort to guarantee ethanol an ever-growing share of the nation's gasoline supply, the Obama administration could be putting a burgeoning industry into the deep freeze, just six years after biofuels drew strong support from both parties in Congress. That chill will certainly affect the industry's powerhouse, corn ethanol. But the risk is far greater for smaller sectors of the industry still struggling to get out of the gate - those aimed at producing next-generation biofuels like "cellulosic" ethanol, made from ingredients like switchgrass and corn stalks. The administration has been promoting ethanol on multiple fronts, including requiring refiners to blend increasing amounts of ethanol into gasoline and pushing to allow higher-percentage ethanol blends to be sold at gas pumps. But EPA sent a very different signal when it trimmed the blending mandate, the first year-to-year decline since Congress expanded the ethanol requirement in 2007. Under the proposed changes, refiners would only be required to blend 15 billion to 15.52 billion gallons of ethanol and biodiesel, down from the current mandate of 18.15 billion gallons.

Lower Ethanol Blend Requirements, AAA Tells EPA: EPA needs to lower the 2014 requirements for how much ethanol must be blended into gasoline, according to AAA. Building off a leaked draft earlier this month that indicated EPA would set the overall biofuel mandate at 15.21 billion gallons, AAA says the amount of ethanol is too high for expected gasoline sales. "It is just not possible to blend the amount of ethanol required by current law given recent declines in fuel consumption, and it is time for public policy to acknowledge this reality," says AAA President and CEO Bob Darbelnet. "The EPA should lower ethanol targets immediately as part of the proposed 2014 RFS rule to support consumers and promote alternative fuels."

Supreme Court to Examine EPA Authority to Regulate GHGs: The Supreme Court agreed to consider six separate petitions seeking to roll back EPA's regulation of carbon dioxide emissions from power plants, refineries and factories. The decision was applauded by opponents of the Administration's efforts to impose new climate change regulations on utilities, manufacturers, and refineries. The outcome of these cases could have significant impacts on producers and consumers throughout the US.

EPA Holding 11 Listening Sessions on the President's Climate Change Plan: The U.S. EPA will hold 11 public listening sessions across the country to solicit ideas and input from the public and stakeholders about the best Clean Air Act approaches to reducing carbon pollution from existing power plants. Power plants are the nation's largest stationary source of carbon pollution, responsible for about one third of all greenhouse gas pollution in the United States.

BLM'S First Solar Auction Gets Cloudy Reception: The Bureau of Land Management's (BLM) first-ever competitive lease auction for parcels in two Colorado Solar Energy Zones yesterday drew no bids, even though five developers expressed interest in the land. 'We are going to have to regroup and figure out what didn't work,' Maryanne Kurtinaitis, the renewable energy program manager in the BLM's Colorado office, told the Denver Post. 'It is always tough to be the first out of the chute. This is a learning experience.' "The tepid response likely had to do with market uncertainties, said Ken Borngrebe, environmental permitting manager for First Solar. ... The question for any developer looking at a site hinges on access to transmission, the cost of land and the market price for the solar. The San Luis Valley sites did have access to transmission, and the minimum bid prices for the parcels ranged from about $3,350 an acre to $4,280 an acre - low prices, Borngrebe said."

BLM Nets $2.8 Million in Oil and Gas Lease Sale: The Bureau of Land Management got more than $2.8 million in an oil and gas lease sale held in Cheyenne, WY. The high bid was $305 per acre, while the average for acres sold was $64.93. Almost all of the more than 42,500 acres offered sold. The next BLM sale in Wyoming is set for February.

NPR-A Lease Sale Nets $2.9 Million: The Bureau of Land Management pulled in almost $2.9 million during a 4.5 million acre lease sale in the National Petroleum Reserve-Alaska. The bids focused on 22 tracts totaling a little over 245,000 acres. ConocoPhillips offered the highest bid of the auction, totaling $200,103 for a tract, or $52.11 per acre. Half of the receipts go to the state of Alaska.

EIA to Track Well Data: EIA began tracking well production data across the U.S. in a new monthly, Drilling Productivity Report. The report intended to be more informative than traditional indicators such as simple counts of oil-directed and gas-directed drilling rigs in use," the EIA said. Already the data is showing marked increases in production due to efficiency and productivity rather than an overall increase in rig count.

EIA Expectations and Production Announcements: The U.S. Energy Information Administration raised its estimate for domestic natural gas production in 2014, expecting output next year to be up more than 1 percent from 2013's estimated record-high levels. In its November Short-Term Energy Outlook, the EIA said it expected marketed natural gas production in 2014 to rise by 0.74 billion cubic feet per day from 2013 to 71.03 bcf per day. That would be up 0.6 bcfd, or 0.9 percent, from its October outlook of 70.43 bcf daily. If the forecast is realized, it would be the fourth straight year of record production. The agency noted that output over the last few months has hit record high levels even as prices declined. Growth has mostly been driven by rising production from the Marcellus shale play in Appalachia, which has more than outpaced declines in offshore Gulf of Mexico and Haynesville shale output. EIA also announced that U.S. domestic crude oil production exceeded oil imports for the first time since 1995. The EIA said petroleum imports were at their lowest since 1991, partially due to surging domestic oil production from hydraulic fracturing, or fracking. In October, US crude oil output averaged at 7.7 million barrels per day (bpd). The EIA says it expects output to exceed 8.8 million bpd by 2014. The domestic oil boom has been due mostly to fracking, a new technique used to get oil from shale deposits in locations like North Dakota and Texas.

U.S. Moves to Reduce Mercury Emissions: The State Department yesterday officially signed on to the Minamata Convention on Mercury, an international treaty aimed at cutting mercury emissions. Coal-fired power plants (along with gold mining operations) are some of the biggest emitters of mercury, a neurotoxin that has been linked to developmental problems in fetuses and children and a variety of health issues in adults. EPA introduced a rule to cut down on power plant emissions of mercury and other substances in late 2011. Assistant Secretary of State for Oceans and International Environmental and Scientific Affairs Kerri-Ann Jones was supposed to sign the convention during an Oct. 10 conference in Japan (when it was signed by more than 90 other countries), but the signing was delayed due to the government shutdown.

Warsaw Climate Talks Begin: The next big two-week meeting of United Nations climate negotiators kicks off in Warsaw. The best-case scenario is major agreements on the size, scope and details of a new plan, which nations are aiming to sign in 2015, to reduce global greenhouse gas emissions and pay for adaptation measures. But as any international climate observer will warn you, don't expect the best case scenario. One item sure to get a lot of discussion: The Intergovernmental Panel on Climate Change's recently released report on climate change science that upped the ante on human activity as the proximate cause of climate change. Negotiators will likely also gossip about a recently leaked draft for another upcoming IPCC report that detailed the effects of climate change - including strains on food production, extreme weather and threats to sources of drinking water.

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.

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

EPSC’s website is up and running. If you have suggestions for issues, content or event updates, please let Bo Ollison know at BOllison@consumerenergyalliance.org.