

Energy Producing States Coalition December Newsletter

Action Items

EPSC supports H.R. 2728

EPSC Executive Committee submitted a [letter to House leadership](#) in support of H.R. 2728, the “Protecting States Rights to Promote American Energy Security Act” this past July. The bill would eliminate the potential for duplicative regulations related to hydraulic fracturing by allowing existing state regulations to have precedence over any potential federal regulation. On July 31, the House Natural Resources Committee [voted 23-15 to approve](#) the legislation, sending it on the full House. On November 20, it passed the House with a 235-187 vote that included 12 Democrats supporting the legislation. A similar bill was introduced in the Senate by Sen. Orrin Hatch (R, UT) with co-sponsors Sen. Mike Enzi (R, WY), Sen. John Barrasso (R, WY) and Sen. James Risch (R, ID).

EPSC signs onto National Ocean Policy Coalition letter: The Executive Committee of EPSC agreed to join other organizations in signing a letter drafted by the [National Ocean Policy Coalition](#) dealing with the potential conference committee being assembled related to the recently passed HR 3080, the Water Resources Reform & Development Act of 2013, and the Senate version, S 601.

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/mcguirefortlgovernor.

Policy Initiatives

White House Releases Fall Regulatory Overview Document: The White House put out its [Fall 2013 Unified Agenda](#), which lists all of the major and minor regulations federal agencies are currently working on (there are 134 at EPA alone). Never fear - EPA's greenhouse gas emissions rules for both [future](#) and [existing power plants](#) are still in the works. The Bureau of Land Management is hoping to [finalize its rules for fracking on federal lands in May 2014](#). BSEE is scheduled to put out its draft [blowout preventer rule in March 2014](#) and finalize it next October. One rule taking a little longer: BSEE and BOEM [regulations for oil and gas activities in the Arctic](#), which they had previously hoped to release this year but are now looking to propose in February.

DOI Collected \$14.2 Billion From Energy Production in FY2013: The Interior Department announced that it collected and disbursed over \$14.2 billion in federal revenue from energy production on federal lands and waters in fiscal year 2013, a \$2 billion increase over the previous year and the second highest year so far. While much of the revenue goes to the federal Treasury, more than \$2 billion last year went to states. The bulk of the money went to five states: Wyoming (\$932 million), New Mexico (\$478 million), Utah (\$138 million), Colorado (\$129 million) and California (\$102 million). Not every state had such a windfall; North Carolina, which has far fewer federal lands than the big western states, got just \$37.49.

States press EPA for Flexibility: State power regulators are urging the Environmental Protection Agency to [give states plenty of leeway to decide how they would meet upcoming carbon emissions standards for existing power plants](#). The National Association of Regulatory Utility Commissioners (NARUC) [adopted a resolution calling on the EPA to recognize the “primacy” of states](#) to “lead the creation of emission performance systems that reflect the policies, energy needs, resource mix, economic conditions of each State and region.” President Obama in June told

the EPA to release draft federal emissions rules for existing power plants in June 2014 and complete them a year later. States would have until mid-2016 to submit plans to the EPA to implement the mandate.

New England governors sign energy agreement: The governors of Connecticut and the other five New England States, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont, [announced a cooperative agreement to expand gas and electric transmission lines](#), without endorsing any specific project. The Governor's write, "Securing the future of the New England economy and environment requires strategic investments in our region's energy resources and infrastructure. These investments will provide affordable, clean, and reliable energy to power our homes and businesses; make our region more competitive by reducing energy costs; attract more investment to the region; and protect our quality of life and environment."

Alaska Releases Oil Tax Regulations: The state has finalized rules to help determine [what oil qualifies for special tax breaks under Alaska's new oil tax law](#). The law championed by Gov. Sean Parnell and passed by the Legislature earlier this year is aimed at spurring more production. Alaska relies heavily on oil revenues to run state government, but oil production has long been on a downward trend. The law, much of which takes effect Jan. 1, sets a base tax rate of 35 percent and provides a capped, per-barrel credit that the Parnell administration expects will apply to the vast majority of the legacy fields. It also provides more generous tax breaks for so-called "new" oil. How best to define new oil was a sticking point during the legislative session. Metering would be used to calculate one of the most contentious types of oil that qualifies for tax breaks: oil coming from acreage that's added to existing producing reservoirs.

ND Launching Website to Notify Public of Spills: The North Dakota Health Department will [launch a website that will enable the public to monitor reported oil spills and other hazardous leaks](#). Dave Glatt, chief of the department's environmental health section, said that website visitors will be able to track recent spills and those that happened as far back as 1975. "All of the historical numbers of the spills we have had will be on there," Glatt said. "And we will be updating it manually about two times a week." A link will be available on the department's website located at www.ndhealth.gov/EHS/Spills/.

Bill would make Vermont 1st state to drop oil stocks: To Sen. Anthony Pollina (P/D/W, Washington District), it makes sense that if Vermont wants to strike a blow against climate change, it should have its pension funds divest from oil, coal and other fossil fuel companies. Sen. Pollina is one of the sponsors of S 131, "[An Act Relating to Divesting State Retirement Funds from Companies that Extract, Produce, or Refine Fossil Fuels](#)." To state Treasurer Beth Pearce, the best course is for Vermont to stay invested in those companies, to "keep its seat at the table and push for change from within." It's a debate prompted by bills pending in the state House and Senate that would have [Vermont's public employee pension funds — those covering state employees, teachers and municipal employees — sell off their investments in "any company which has as a principal business the extraction, production, or manufacture of fossil fuels."](#) The push for divestiture by institutional investors is being led by an arm of 350.org. The international group was founded by Bill McKibben, a Ripton resident, scholar at Middlebury College and well-known environmental activist and writer. So far, the campaign has succeeded in persuading several colleges, including Green Mountain and Sterling colleges in Vermont, as well as cities and towns from Provincetown, Mass., to San Francisco, to push toward divestment from fossil fuel companies.

Surge in Petroleum Exports Narrows Trade Gap: [Petroleum exports helped lower the U.S. trade deficit in October](#), the Commerce Department reported. The October trade gap fell 5.4 percent to \$40.6 billion from September's \$43 billion, Commerce reported. Record petroleum-product exports of \$12.5 billion helped push the deficit down. It's the latest evidence of a U.S. surge in exports of gasoline and other refined petroleum products. Meanwhile, U.S. crude oil imports rose slightly in October, but overall they've been falling sharply in recent years amid the domestic production boom and the flat demand for gasoline.

States to EPA – Keep Cap-and-Trade Alive: Northeastern states are pressing the Environmental Protection Agency to keep Cap-and-Trade alive. The Regional Greenhouse Gas Initiative—nine states that have a regional power-plant emissions cap—want EPA to let them use the system to meet federal carbon-emissions rules for existing plants. Nine states signed a letter, including: Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island and Vermont, to EPA Administrator Gina McCarthy recommending that EPA, “[use its authority under section 111 of the Clean Air Act to ensure significant overall reductions in carbon emissions.](#)”

Eastern States Press Midwest to Improve Air: The governors of eight Northeastern states plan to [petition the Environmental Protection Agency to force tighter air pollution regulations on nine Rust Belt and Appalachian states](#). The East Coast states, including New York and Connecticut, have for more than 15 years been subject to stricter air pollution requirements than many other parts of the country. Their governors have long criticized the Appalachian and Rust Belt states, including Ohio, Kentucky and Michigan, for their more lenient rules on pollution from coal-fired power plants, factories and tailpipes — allowing those economies to profit from cheap energy while their belched soot and smog are carried on the prevailing winds that blow across the United States. All the governors on the petition are Democrats. Gov. Chris Christie of New Jersey, a Republican and a potential presidential candidate in 2016, has not signed it. The states petitioning EPA: Connecticut, Delaware, Maryland, Massachusetts, New Hampshire, New York, Rhode Island and Vermont. States affected: Illinois, Indiana, Kentucky, Ohio, Michigan, North Carolina, Tennessee, Virginia and West Virginia.

Baucus proposes reducing tax breaks for oil industry: Sen. Max Baucus (D, MT) [proposed reducing tax breaks available to the oil industry](#). Baucus, who leads the Senate Finance Committee, said the proposal is part of a much wider plan to overhaul corporate tax law. The proposal would limit companies’ use of accelerated depreciation to write off capital expenditures immediately — a change that would cut across many industries. But some of the biggest effects would be borne by the oil and gas industry, which would be barred from immediately writing off intangible drilling costs, such as repairs, site preparation and hauling supplies. Baucus’ plan also would bar taxpayers from claiming a percentage depletion for oil and natural gas wells. The industry also would be forced to abandon the “last in first out” accounting technique that allows inventories to be valued at the most recent price paid when calculating net profit and taxable revenue. The draft discussion offers proposals to:

- Replace current rules with a system that better approximates economic depreciation based on estimates from the Congressional Budget Office.
- Reduce the number of major depreciation rates from more than 40 to 5.
- Eliminate the need for businesses to depreciate each of their assets separately.
- Permanently increase Section 179 expensing to \$1 million and expand the definition of qualifying expenses.

Sen. Baucus has requested that the Congressional Budget Office provide an analysis of economic depreciation rates of tangible assets. He has also **requested feedback from stakeholders by January 17, 2014**. Comments can be sent to Tax_Reform@Finance.Senate.Gov.

Senate Bill Aims to Remove Tax Incentives for Fossil Fuels: Sen. Bernie Sanders (I, VT) introduced a [bill that would eliminate tax subsidies for the oil, gas and coal industries](#). The End Polluter Welfare Act, S. 1762, would end \$100 billion worth of tax breaks for the industries over 10 years. Sanders said he introduced the bill because budget conference negotiators are trying to iron out differences between House and Senate proposals — they’re expected to produce a report by Dec. 13. Senate Democrats have called for tax increases on corporations and the wealthy in order to replace sequestration cuts, but Republicans have said they won’t accept any tax increases. Rep. Keith Ellison (D, MN 5) has introduced a companion measure in the House.

“Energy Star” Program Lacks Transparency: A bipartisan group of lawmakers is raising concerns that the Environmental Protection Agency has [not been transparent in drafting energy-efficiency standards under the Energy Star program](#). In a letter sent to EPA Administrator Gina McCarthy, a group of eight senators, including Senate Energy and Natural Resources Committee Chairman Ron Wyden (D, OR), and ranking member Lisa

Murkowski (R, AK) called on the agency to make the information used to draft specifications under the program publicly available. The senators also suggested that the agency has not always been willing to consider the viewpoints of individuals and organizations that stand to be impacted by the creation or revision of Energy Star standards. Recently, a bipartisan coalition of lawmakers, including Reps. Peter Welch, D-Vt., and Cory Gardner, R-Colo., sent a similar letter to McCarthy, this one questioning the Energy Star program's recent draft specifications for windows, doors, and skylights. EPA's final draft version of the proposal may increase the costs to consumers for home-improvement materials certified by Energy Star, the letter argued.

Dems to EPA: Act now on Potent Greenhouse Gas: A group of House and Senate Democrats is pressing EPA for quick action to curb use of potent greenhouse gases used in air conditioners, refrigerators, and other equipment. Sen. Thomas Carper (D, DE), Rep. Scott Peters (D, CA 52) and 14 colleagues, including: Sen. Dianne Feinstein (D, CA), Sen. Christopher Coons (D, DE), Sen. Sheldon Whitehouse (D, RI), Sen. Chris Murphy (D, CT), Sen. Robert Menendez (D, NJ), Sen. Barbara Boxer (D, CA), Sen. Edward Markey (D, MA), Sen. Kirsten Gillibrand (D, NY), Rep. Anna Eshoo (D, CA 18), Rep. Susan Davis (D, CA 53), Rep. Matt Cartwright (D, PA 17), Rep. Paul Tonko (D, NY20), Rep. Alan Lowenthal (D, CA 47) and Rep. Suzanne Bonamici (D, OR 1) [wrote to EPA Administrator Gina McCarthy urging her not to wait for completion of new international plans to address hydrofluorocarbons](#). In September, the U.S., China, and other G-20 members vowed to work under the Montreal Protocol—a 1980s treaty initially struck to protect the ozone layer—to phase down production and use of HFCs. But the Democrats say EPA can take action while that's all being worked out.

EPA Science Board Questions Power Plant Rules: EPA's proposed greenhouse gas regulations for new power plants are facing a new obstacle: the agency's own science advisers. The Science Advisory Board - a group of academic and industry scientists who review the agency's decisions - is raising serious concerns about whether EPA appropriately reviewed the issue before deciding that carbon capture and sequestration is commercially available for new coal-fired power plants. Many opponents of EPA's climate rule certainly don't think so.

Interior to Hold First East Gulf of Mexico Lease Sale Since 2008: The Interior Department will hold a lease sale in the eastern Gulf of Mexico in New Orleans on March 19, 2014 - its first lease sale in that region since March 2008. Interior will offer up 456,200 acres, all of which are at least 125 miles offshore and have depths ranging from 2,657 feet to 10,213 feet. Some of the blocks available are subject to revenue sharing with Gulf Coast states under the 2006 Gulf of Mexico Energy Security Act. The area up for grabs could produce up to 710 million barrels of oil and 162 billion cubic feet of natural gas, according to the Bureau of Ocean Energy Management.

Coal Leads Nation's Growing Energy Use: The United States' energy use is rebounding after a 2012 dip, with [coal consumption leading the way](#), according to federal data released. The nation used 52.8 quadrillion British thermal units of energy during the first eight months of the year, up 1.2 percent from the same period in 2012, according to data from the U.S. Energy Information Administration. Of all energy sources, coal consumption grew the most, jumping 5.4 percent to 12.1 quadrillion Btu.

Warsaw Climate Talks End on Blurry Note: After tense 11th-hour negotiations, delegates at international climate talks in Warsaw, Poland, [could agree only to a broad set of terms aimed at setting world nations on a path toward a 2015 global warming accord](#), while avoiding the troublesome specifics for now. The U.S. and other countries agreed Saturday that by early 2015 they will put forward their individual plans for lowering emissions, a move that gives nations less than a year to review the plans before key December 2015 talks in Paris. But negotiators in Warsaw failed to agree on key details such as what the plans should include and how they should be evaluated.

U.S. Government Doubles Down on Renewable Energy: President Obama signed a Memorandum directing the Federal Government to [consume 20 percent of its electricity from renewable sources by 2020](#) – more than double the current level. This comes as the latest move in the president's Climate Action Plan announced in June 2013. "As part of the President's commitment to expanding renewable energy production in the U.S., the Department of

Defense last year committed to deploying three gigawatts of renewable energy on Army, Navy, and Air Force installations by 2025 – enough to power 750,000 homes, and since 2009, the Department of the Interior has approved dozens of wind, solar and geothermal utility-scale projects on public lands – enough energy to power more than 4.6 million homes and support more than 19,000 construction and operations jobs.”

Public Lands, the Other Carbon Capture & Sequestration: [Increasing production of fossil fuels from public lands has outpaced those same lands' ability to absorb carbon via natural processes](#), the Center for American Progress says in a new paper. "Because of the steady and rapid expansion of fossil-fuel production on public lands over many decades, far more carbon is coming out of the ground than our forests and public lands are able to absorb," Jessica Goad and Matt Lee-Ashley write. They estimate that about 4.5 times more carbon is emitted from fuels extracted from public lands than can be absorbed by those same lands naturally, and make recommendations for the administration to work on cutting relevant carbon emissions while boosting the lands' ability to absorb carbon.

Social Cost of Carbon: A technical support document detailing the changes the Obama administration made to the models for its controversial "social cost of carbon" estimate, used to estimate the economic impacts of climate change on society, are now open for public comment. The administration has previously put the changes out for public rulemaking as part of other rulemakings. But in the Federal Register, [the technical corrections are being published on their own, with 60 days for public comment](#).

Airline joins battle over biofuels: Delta Air Lines, which paid \$150 million for a Philadelphia refinery last year in hopes of controlling fuel costs, is hitting turbulence in the form of U.S. biofuel mandates. Through its year-old refinery unit, Monroe Energy, Delta is [mounting its own legal and lobbying challenge to the 8-year-old renewable fuel standard](#), joining a battle led for years by the oil industry's top trade groups. Monroe has filed a lawsuit in the U.S. Court of Appeals for the District of Columbia Circuit broadly challenging the renewable fuel requirements the Environmental Protection Agency established for 2013. Refiners have until June 30 to prove they have complied with this year's biofuel quotas. The EPA sets the annual targets under the renewable fuel standard, which requires refiners to mix steadily increasing amounts of ethanol and other alternatives into the nation's gasoline and diesel supplies — up to 36 billion gallons in 2022. Monroe's legal challenge, if successful, potentially could force the EPA — or provoke Congress — to shift the onus for renewable fuel compliance from refiners to blenders that can generate compliance credits.

2014 U.S. & Global Energy Trends and Prospects: Members of Akin Gump's global energy and transactions group provided a briefing that included a [look forward to U.S. and global trends in energy production in 2014](#). The panel comprised energy regulation, markets and enforcement practice co-head Suedeem Kelly, energy partner Stephen Davis, London partner and Moscow partner in charge Sebastian Rice, global project finance practice co-head Adam Umanoff and financial restructuring partner Ira Dizengoff. The briefing was moderated by Rick Burdick, chair of the firm's global energy and transactions group.

U.S. Solar Projected to Beat Germany, Enter Top 3 for 2013: The U.S. is expected to surpass Germany in new solar installations this year as it breaks into the top three countries for the first time in recent years, according to an industry report. The news that the U.S. is projected to beat Germany - which has some of most lucrative solar subsidies in the world despite its lack of steady sunshine - underscores what a banner year the U.S. solar industry is having.

Recruiting

EPSC has been adding new states and members to the coalition. There are currently members representing fourteen states. Those states are: Alaska, Arizona, Colorado, Florida, Idaho, Indiana, Mississippi, Nevada, North Dakota, Ohio, Oklahoma, Texas, Utah, Wisconsin and Wyoming.

ENERGY PRODUCING STATES COALITION

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

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.