

# Bryan Cave Energy Update

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## ***Climate Change***

### **EU Climate Chief Doubts Possibility of Treaty**

EU commissioner for climate change Connie Hedegaard, the Danish minister who spearheaded the recent UN climate change summit in Copenhagen, recently said that negotiations were not progressing quickly enough for a treaty to be signed soon. “To get every detail set in the next nine months looks very difficult,” she said. “Europe would love that to happen, and I would love that to happen ... but my feeling is that it is going to be very difficult to get a treaty.” While it was hoped that a treaty would be signed at a global conference this December in Mexico, Hedegaard said a treaty was more likely to be finalized next year during a meeting in South Africa. Reaching an agreement during the South African conference would allow governments to meet their self-imposed deadline of signing a treaty before the end of 2012.

### **NASA Scientist Criticizes Australian Coal Use**

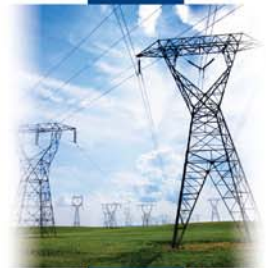
During a lecture series on nuclear energy in Australia, climate scientist James Hansen, the director of NASA’s Goddard Institute for Space Studies, said that Australia should commit to 100 percent renewable

energy and that the country’s massive coal exports should be phased out. Australian coal account for 25 percent of the world’s coal exports. Hansen also criticized the major Australian political parties for not addressing the problem and added that the government’s emissions trading system is a “non-solution.” He said, “I don’t intend to be telling Australia what they should do for their energy source except that they can’t continue to burn coal without screwing everybody – including my grandchildren.”

## ***White House***

### **No Cap-and-Trade Plans for EPA**

The Obama Administration does not have plans to create a greenhouse gas cap-and-trade program in the event that Congress does not pass such legislation. While the EPA’s budget request includes \$7.5 million for the examination of greenhouse gas regulations, including “market-oriented mechanisms,” EPA Administrator Lisa Jackson said that there are no plans to establish a cap-and-trade program in the absence of legislation. “I don’t think you should read into that that we have some plan that folks don’t know about to enforce a cap-and-trade regime,” she said. Jackson also said that she thinks Congress will pass cap-and-trade legislation, adding “hopefully sooner rather than later.”



## **White House Clears Three Greenhouse Gas Reporting Rules**

The White House Office of Management and Budget this week approved three draft rules that will expand a mandatory EPA greenhouse gas reporting requirement. EPA rules currently require about 10,000 facilities to collect and report emissions data. The new rules would apply the reporting requirements to carbon capture and injection sites, some oil and gas operations and facilities that emit fluorinated greenhouse gases, such as electronics manufacturers. One of the rules would allow the EPA to collect data on the effectiveness of sequestering carbon dioxide. The second rule, which addresses the oil and gas industry, including natural gas transmission compression and distribution facilities, would require the reporting of greenhouse gas emissions.

### *Governors Urge Congress to Halt Rules*

Eighteen governors have sent a letter to Congress asking lawmakers to block the EPA from implementing its proposed greenhouse gas regulations. The letter indicated the governors are “gravely concerned” about the EPA’s regulations and that Congress should utilize the Congressional Review Act to block, and not simply delay, implementation of the regulations. The letter states: “We feel compelled to guard against a regulatory approach that would increase the cost of electricity and gasoline, manufactured products, and ultimately harm the competitiveness of the U.S. economy.” The EPA rejected the notion that regulation of greenhouse gases will harm the economy. EPA spokesman Brendan Gilfillan said that “history has shown time and again that EPA’s actions have led to innovations and the creation of new markets that can spur economic growth.”

## *Natural Gas Suppliers Announce Opposition*

The Natural Gas Supply Association announced its opposition to the EPA's pending regulations and indicated it supports Sen. Lisa Murkowski’s (R-AK) resolution of disapproval. While natural gas suppliers could benefit from the greenhouse gas rules because the fuel emits less carbon dioxide than coal, the industry has “significant practical concerns.” In a statement, the association said that the rule “would burden many natural gas projects with a time-consuming permitting process that would interfere with bringing more natural gas to market, despite its proven ability to serve as an environmental solution.” Murkowski’s resolution is not expected to come up for a vote until after the Easter congressional recess.

## **White House Anxious, But Officially Silent on Fracturing Technique**

The Obama Administration does not have an official policy on the effects of fracturing, a natural gas production technique, but is concerned about the potential impact of chemicals and other fluids on aquifers. Speaking during an energy conference, Joseph Aldy, a special assistant to the president for energy and environment, said the administration does not have an official position on how to best regulate the fracturing technique, which involves blasting sand, water and chemicals at high pressure down a wellbore to release hydrocarbons inside rocks. “The question is what’s the right kind of policy approach to deal with this, and there’s a variety of ways, some that may be voluntary and some that may be regulatory,” Aldy said. “I sort of have concerns ... that continuing to try to ignore the problem does not actually create the kind of certainty that’s necessary for ramping up the feasible envisions of shale gas.” Environmentalists

have said that the technique may harm water supplies; and, legislation is pending in Congress that would regulate the technique under the Safe Drinking Water Act by requiring companies to disclose the chemicals that are used in fracturing fluids. In addition, EPA Administrator Lisa Jackson said a study on the safety of fracturing is needed.

The industry has reluctantly expressed a willingness to disclose the chemicals used in the fracturing fluids, but it is opposed to federal regulation. Paul Hagemeyer, vice president of regulatory compliance at Chesapeake Energy Corp., said, "Every well we put in place goes under review by at least two [state] agencies. But on a federal project, it's a plethora of agencies."

## **Congress**

### **Bingaman Focus on Energy Efficiency Programs, Seeks to Add Standards to Climate Bill**

Sen. Jeff Bingaman (D-NM), chair of the Senate Energy and Natural Resources Committee, is pushing to include energy efficiency tax incentives for home and commercial building in the Democrats jobs legislation. While the Senate has included a one-year credit extension of \$1000 to \$2000 for new energy efficient homes in the tax extenders legislation, Bingaman would like to include the "Home Star" program, also known as "Cash for Caulkers," and the "Building Star" program that is designed to provide rebates for upgrades to commercial properties. Bingaman's plans has the support of President Obama, who has proposed the rebate program. The program would provide a rebate of 50 percent of a project or up to \$1,500 per retrofit for a total benefit not to exceed \$3000. If an entire home is upgraded the homeowner could qualify for a 20 percent savings up to

\$3000. The House also is considering energy efficiency legislation. Rep. Ed Markey (D-MA) particularly is interested in "smart grid" technology to provide energy efficiency to homes and the electricity grid. Such technology would allow an appliance to communicate with a "smart meter" to make sure the appliance runs during low electricity demand periods or even briefly has the power cut during high demand times.

Bingaman also is advocating for the inclusion of new energy efficiency standards in the comprehensive climate and energy bill. The legislation (S. 3059) establishes energy efficiency standards for air conditioners, heat pumps, outdoor lights and furnaces. "Realistically I think our best chance of getting it enacted would be as part of a larger energy package," Bingaman said. The standard in the legislation would more than double the efficiency savings in legislation that the Energy and Natural Resources Committee passed last summer.

## **States**

### **Virginia Authorizes Offshore Oil and Gas Drilling**

Virginia Gov. Bob McDonnell (R) this week signed legislation designed to make the state the "Energy Capital of the East Coast." The legislation, which would direct 70 percent of the royalties from drilling back to a state transportation fund, is contingent on a decision from the Interior Department on whether the federal government will move forward with the sale of oil and gas leases off Virginia's coast. McDonnell said the legislation was intended to signal the state's willing to endorse oil and gas exploration. "We're sending an important message that Virginia is ready to go – and there should be no reason for Washington to delay approval of the offshore lease sale and eventually

exploration and drilling,” McDonnell said. Environmentalists, who have supported McDonnell’s promoting of wind power, criticized the legislation and said the

offshore drilling and the associated refinery infrastructure would create a pollution risk.

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## More Information

If you have any questions regarding any of these issues, please contact:

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