

Bryan Cave Energy Update

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Congress

Reid Drops Climate and Energy Provisions from Initial Jobs Package

Tax incentives for clean-energy manufacturing and home weatherization will not be included in the initial jobs bill that Senate Democrats plan to vote on by the end of the month. Senate Majority Leader Harry Reid (D-NV) said the Senate will consider four jobs bills but that the climate-change related incentives will not be included in the first one. Reid's statement came after he essentially tabled a jobs package proposed by Sen. Max Baucus (D-MT) and Charles Grassley (R-IA) that would have extended a number of energy tax credits for home efficiency, biodiesel and alternative fuel vehicles. Reid moved to scale back the approach in response to concerns from other senators that the package included too many provisions unrelated to job creation. Reid said he had support of most of the Democratic caucus and that the tax extenders package may be addressed after the Senate returns from recess.

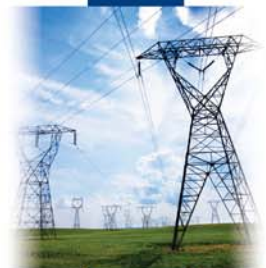
However, several senators are working to include the provisions in one of the job bills or in the larger climate and energy bill the Senate may consider at a later time. Sen. Tom Carper (D-DE) said, "Businesses need certainty. They need predictability, and it would be great if we could address the need for certainty. For example, the R&D tax credit has expired and there are a number of energy tax credits that have expired," said. "If we expect companies to actually invest in R&D, if we expect them to be investing in energy projects to boost our energy

independence, maybe what we should do is renew those expiring tax credits."

The elimination of the tax incentives has disappointed supporters of specific measures. For example, the biodiesel industry has lobbied for the an extension of a \$1-per-gallon tax credit for biodiesel production since it expired at the end of 2009. "The National Biodiesel Board is clearly disappointed if the Senate fails to act on the tax extenders, particularly on biodiesel, because of the urgency to the industry," said Michael Frolich, a spokesman for the trade group. "But we'll continue to try and work to get it put back in place to ensure the stability of the industry."

Murkowski Criticizes Obama's Budget Plan

Sen. Lisa Murkowski (R-AK), ranking member of the Senate Energy and Natural Resources Committee, in a floor speech yesterday said President Obama's pro-energy production rhetoric is not reflected in his FY 2011 budget proposal.



Murkowski said the budget blueprint does not fulfill the promises the president made during the State of the Union address, specifically the construction of new nuclear plants and making “tough decisions” on offshore drilling. Republican senators also are concerned that if they reach agreements with the administration on energy regulation, Democrats will not address production goals. For example, Murkowski said that although the budget triples the amount of loan guarantees for the construction of nuclear power plants, the effort to expand nuclear energy was undercut by his decision to “abandon” the Yucca Mountain nuclear waste repository.

She said the budget’s elimination of 21 tax breaks for the oil and gas industry does not match Obama’s call for making “tough decisions” on offshore drilling. “It looks like our energy producers will be the ones making the ‘tough decisions,’” Murkowski said, “between operating here, shutting down, or heading overseas to produce our energy.” She also criticized the budget’s EPA funding for climate programs. “The truth of the matter is the administration is looking to have it both ways,” Murkowski said. “On one hand, its budget assumes a cap-and-trade bill will pass, and on the other, it’s seeking millions of dollars to impose these back-door climate regulations.”

DC Snowstorm Buries Prospects for Climate Change Legislation

The recent record-breaking snowstorms in the Washington, D.C. area are the latest setback to climate change legislation, according to lawmakers. The storms closed the federal government and Congress for most of the week. Sen. Jeff Bingaman (D-NM), chair of the Energy and Natural Resources Committee said the storms have made it difficult to convince people that global warming is an imminent threat. Additional Senate Democrats have said the recent weather has not influenced the climate change debate but admit that it is unlikely that legislation will be passed this year.

Industry

Caterpillar Joins FutureGen before DOE decision Announcement

Caterpillar Inc. this week announced it would join the FutureGen Alliance, an advanced coal-burning power project with carbon capture and sequestration (CCS) technology. Caterpillar’s announcement comes soon after Exelon Corp. joined the alliance, which is working to build support for the planned \$2.4 billion integrated gasification combined cycle (IGCC) power plant.

The Department of Energy will spend about \$1.1 billion on the project, but has indicated that additional funds are needed. This led to the departure of American Electric Power Co. Inc. and Southern Co. from the alliance. The Energy Department is working on a revised work plan and new cost estimates for the project; and, DOE is expected to announce later this month whether to move forward with permitting and groundbreaking for the project. President Obama has said he supports CCS projects and recently announced the creation of a task force that will report within six months on how to best deploy CCS technology. In addition, President Obama directed \$1 billion in stimulus funding to FutureGen. However, his FY 2011 budget proposal does not include any additional funding.