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November 20, 2014

Events

[Energy for the Power of 32 Counties, 4 States, 1 Energy Future](#)

A diverse coalition of industry, environmental, local government and academic institutions is sponsoring the Energy for the Power of 32 Counties, 4 States, 1 Energy Future interactive discussion in Pittsburgh on December 11 to help forge an energy plan for the future.

News Clips

[Delaware River Basin Commission to review proposed PennEast Pipeline](#)

[Behind the ambitious push for solar energy in Allegheny County](#)

[Ex-Consol manager pleads guilty in gas royalties scheme](#)

[Harvard Students Move Fossil Fuel Stock Fight to Court](#)

[Alpha will cut 412 coal jobs in deal with Rosebud Mining Co.](#)

[Carbon reductions](#)

Unlocking Pennsylvania's Energy Potential under the Next Administration

While education was the main focus of Governor-elect Tom Wolf's campaign platform, with a proposed five percent severance tax on natural gas as the funding mechanism, he and Gov. Tom Corbett vigorously debated whether the natural gas industry could absorb additional fees without cutting back operations in Pennsylvania. The General Assembly passed a series of bills aimed at promoting natural gas conversions and increasing natural gas availability, and state incentive programs for research and alternative fuels were tweaked to include natural gas.

With so much focus on natural gas drilling, one might easily wonder, what about renewable energy? Just six years ago, the General Assembly moved landmark legislation to promote alternative and renewable energy and to set up more than \$650 million in state funds as incentives. Pennsylvania had an expanded focus on renewable energy development and was actively working to meet the state's Alternative Energy Portfolio Standards.

Over the past four years, the state has not simply been about drill and burn. Industry and government have been using these state programs to expand use of alternative and renewable resources for energy production - and Energy Information Administration numbers show much of the increases have come from industries themselves. One question now being asked is, "Is Governor-elect Wolf ready - and more importantly able - to work with the General Assembly to move the state to a sustained 'all of the above' energy portfolio?"

Wolf made a campaign promise to make Pennsylvania a national leader in the development of clean energy sources. And he shocked some supporters on election

[cheaper when states collaborate, analysis shows](#)

[Pennsylvania gets no property tax from expanding pipelines](#)

[Final advocacy push for biodiesel tax incentive in lame duck session](#)

[Shell cracker plant shuffles forward, negotiating a regulatory roadmap](#)

[UN report outlines growing biofuels role in developing economies](#)

[EPA Names 2014 Green Power Leaders, Two from Pennsylvania](#)

[Powelson Sworn in as Second Vice President of NARUC](#)

[PA House Energy Chair calls Marcellus Shale a game changer for the state](#)

[In Pa., more efficient buildings and more renewable energy mean more jobs: Brian Kauffman](#)

[Sen. Whitehouse likes carbon tax odds](#)

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night when he advocated for coal during his acceptance speech. [More...](#)

House, Senate Elect 2015-16 Leadership

The House and Senate met last week to elect caucus leadership for the upcoming 2015-16 legislative Session. Given the fact that the GOP expanded its majorities in both chambers, it was somewhat abnormal that the biggest upsets and changes came from the Republican camps. In the Senate, the only leadership post that did not change control was President Pro Tempore Joe Scarnati, although he still must face full Senate vote when the Senate returns to session.

Majority Leader Dominic Pileggi was defeated by Appropriations Chair Jake Corman after being challenged publicly by several members for catering to the state's unions and refusing to allow votes on several key agenda items. As a result of the leader election, all other GOP leaders either changed positions or were newly elected. Senate Democrats retained Minority Leader Jay Costa, making only a few minor shuffles.

In the House, Mike Turzai had been vying for outgoing Speaker Sam Smith's position and was awarded Speaker Designee, which will also be voted upon by the full House on Jan. 1.

The House Republicans also had big shakeups in leadership with only Appropriations Chair Bill Adolph and Caucus Secretary Sandy Major retaining their posts. The biggest leap forward was Dave Reed who rose from Policy Chairman to Majority Leader. The House Democrats retained Minority Leader Frank Dermody, making only minor changes to other leadership positions.

Click [here](#) to view a full list of House and Senate leaders for the 2015-16 Session.

House Republicans Discusses Agenda for New Session

Post leadership elections, Speaker-designee Mike Turzai told reporters that his caucus is "excited" to move Pennsylvania forward. Despite a new Democratic governor, Turzai and many of his colleagues feel that they have the numbers to push more conservative agendas.

Turzai would like to see the House Republicans focus on job creation, pension reform, liquor privatization, and producing a balanced budget, but dim fiscal reports (see below) will again force the legislature and governor-elect Tom Wolf to make some very difficult decisions.

"The people of Pennsylvania have spoken and want us to work together, and we will do our best to work together and for the best of Pennsylvania and the tax payers," said Appropriations Chair Bill Adolph.

The legislature won't know Wolf's overall vision until his budget address, which likely will not happen until late February or even early March as he makes his full transition into new role as governor.

With strong majorities in the House and Senate, will Wolf's vision for Pennsylvania be a non-starter? That may depend on the General Assembly's definition of "fiscal stewardship". No one will know if everyone can truly "work together" until the budget staging is set and real negotiations begin.

ERG notes that with past new Governors, the process of establishing any stable relations with the General Assembly often took as much as 18 months, even when House, Senate and Governor were from the same party.

New Budget Season, Even Bigger Hole

According to new numbers released by the Independent Fiscal Office last week, Governor-elect Wolf and the state legislature will have approximately six months to fill a \$1.85 billion budget deficit.

The IFO credits the much of the gap to \$1.5 billion in one-time revenues, non-recurring "savings", and funding shifts used to balance the 2014-15 state budget. Compounding the issue is an annual average expenditure growth rate of 4.1 percent matched with only a 2.7 percent annual average growth rate over the next five years. In addition to the projected budget deficit, cash flow projections indicate the state will be cash flow negative from January through March.

Much of that growth is due to public pension contributions, a longstanding issue that the legislature has not been able to effectively tackle. Even when pensions are taken out of the equation, expenditures are still expected to rise annually by an average rate of 3.3 percent.

Anyone following the major credit rating agencies assessments of Pennsylvania is already aware that the state's bond rating was reduced in part because the budget was built on non-recurring revenues. But, as bad as that seems, Wolf said things may be even worse.

"The depth of the financial hole being left by the Corbett Administration is still not known," Wolf said. "As bad as today's news is, what lies ahead could be worse. It is critical that we understand the full extent of this budget crisis so that we can address our challenges

in a responsible manner."

Wolf's comments drew criticism from the Corbett administration which said that Corbett inherited a \$4 billion structural budget deficit and struggling state economy.

"Lower revenues than anticipated, as well as increased costs due to changes at the federal level, have contributed to the financial picture that we currently face in the 2014-15 fiscal year," said Corbett spokesman Jay Pagni. He also noted that Corbett proposed revenue generating policies that were not adopted by the legislature, such as liquor privatization.

New Governor, Legal Delays Might Imperil Plans to Drill under Public Lands

The election of a new governor combined with delays caused by a legal settlement might imperil plans by Gov. Tom Corbett and the legislature to raise \$95 million by signing new natural gas leases on public lands this fiscal year.

Governor-elect Tom Wolf campaigned on a pledge to reinstate the ban on new oil and gas leases in state parks and forests that was in place from October 2010 through this May. His inauguration is Jan. 20.

That leaves little time for the Department of Conservation and Natural Resources to evaluate proposals by drilling companies, especially since the state agreed not to sign any leases while the Commonwealth Court considers an environmental group's legal challenge to the way the state raises and spends revenue from oil and gas wells on public lands. [More...](#)

Related News: [Fracking Remains Controversial. Advocates Continue Push for Moratorium](#)

Sunoco Logistics Moving Ahead on Natural Gas Liquids Hub Near Philly

Reuters reports Philadelphia-based Sunoco Logistics is moving ahead on plans to build a natural gas liquids processing and export hub on the site of a former oil refinery in southeastern Pennsylvania that would hold more than two million barrels of propane, butane, and ethane.

From Reuters:

"Sunoco is basically trying to capture the international market, particularly in northeast and northwest Europe," said Vivek Mathur, a senior analyst at ESAI Energy. "If you're a Marcellus producer and you have an option to move product to the Gulf Coast or through the Mariner East, it makes economic sense to

choose Mariner East."

Mathur said the facility will chill, store and process enough of the NGLs to meet regional demand and to capture an export market that the Energy Information Administration expects to grow dramatically over the next two decades.

Construction of the storage tanks is expected to start after permitting is complete.

Earlier this month Sunoco Logistics announced plans to build a pipeline capable of carrying a daily capacity of 275,000 barrels of natural gas liquids from Ohio, West Virginia, and western Pennsylvania to its complex in Marcus Hook.

New Stanton Turnpike Plaza First to Offer Compressed Natural Gas

Pennsylvania Turnpike commission officials kicked off the opening of three compressed natural gas (CNG) fueling dispenser station plazas this week. The New Stanton plaza is the first of the commission's 17 plazas to offer the fuel and was chosen as the pilot location because one-third of vehicle using the toll corridor are commercial.

The station offers three dispensers - one for passenger vehicles, one for commercial vehicles, and one located outside the plaza gate for use by off-turnpike vehicles. The cost is currently \$1.99 per gallon of CNG, comparable to a gasoline equivalent.

Federal News

Change in Policies Expected with GOP Senate

After voters gave Republicans a majority in both the US House of Representatives and the Senate on November 4, much of the energy discussion in Washington has focused on what changes might be expected in Congressional attention and direction.

Looking ahead, ERG notes the following areas may become flash points for public debate on energy and environmental policies in the next two years:

Keystone XL Pipeline

The Keystone pipeline jumped to the front of the lame-duck-legislation line with an effort to approve the project falling one vote short of the 60 votes needed for consideration. Senators Mary Landrieu (D-LA) and John Hoeven (R-ND), along with 54 others (including 11 Democrats), had reintroduced a bill to authorize building the Keystone pipeline-but Senate Majority

Leader Harry Reid (D-NV) has blocked the popular bill by repeatedly denying requests to take it up. The House has already approved eight previous Keystone bills and quickly passed an identical bill sponsored by Landrieu's election opponent, Rep. Bill Cassidy (R-LA) last week. Both Pennsylvania Senators Toomey and Casey voted to support construction of the pipeline.

With many Democrats already on board and a push for more support from union leadership, the new Congress may be able to pass it again in early 2015-this time with a veto-proof majority. The Obama Administration continues to say that it is letting the approval process play out.

Climate Change

The Senate Environment and Public Works Committee (EPW) Chairmanship will change Senator Barbara Boxer of California, to one of the most strident opponents of the president and climate change in Senator Jim Inhofe of Oklahoma. He has noted with some frequency that he is looking forward to taking back control of the committee. It is unlikely that we will see much compromise between the Obama Administration and Chairman Imhofe.

Federal Lands and Energy

President Obama bragged in his post-election news conference that "Our dependence on foreign oil is down," but it would take a stretch to suggest the Administration was a prime mover behind that record. While a Congressional Research Service report makes clear, while oil production has increased 61 percent on state and private lands, it has decreased six percent on federal lands. And applications to drill on federal lands take nearly twice as long to process under the Obama administration than they did previously.

With Alaska Senator Lisa Murkowski becoming the Chair of the Senate Committee on Energy and Natural Resources, we can expect moves to expand drilling in Alaska, including the possible opening of the Arctic National Wildlife Refuge, something Murkowski has long supported.

Oil exports

Murkowski has also pushed for hearings to pressure the Obama administration to lift the export ban on oil exports that has been in place since the 1970's Arab oil embargo.

Environmental Protection Agency

The proposed Clean Power Plan (CPP) has considerable Congressional opposition, both among Republicans and many coal state Democrats. Many other proposed regulations have Congress concerned about both

process and results (see story on Secret Science legislation below.) While it's highly unlikely that much legislation can be passed without facing a presidential veto, the majority Republicans can and well may make changes to EPA funding allocations.

The Endangered Species Act (ESA)

The ESA has a bull's-eye on it for many Congressmen who see it as a tool used by environmental groups and NIMBY organizations to block expansion of industries from agriculture to mining to oil and gas drilling. ERG expects to see legislation to repeal the act, and more likely some action on legislation that would reform parts of the act making it more difficult to file lawsuits, or giving more authority over decision making back to the states.

On many of these issues, the key numbers in the House and Senate will more likely be 290 and 67, the numbers necessary to override presidential vetoes.

House Passes EPA Science Reform Measure Despite Veto Threat

The US House yesterday approved H.R. 4012, the Secret Science Reform Act, sponsored by Rep. David Schweikert (R-Ariz) by a vote of 237-190. The bill would prevent EPA from proposing or finalizing any regulation unless the underlying scientific and technical information on which the regulation is based has been made public and open to public comment. Democrats sought an amendment allowing EPA to utilize peer-reviewed scientific papers even if based on data barred from public disclosure, but the amendment was defeated.

Supporters of the science bill say that the EPA conducts the research for its regulations in a secretive fashion that doesn't allow public participation. Republicans have charged the EPA with relying on "secret science" for its rules.

The Obama Administration threatened to veto the legislation, saying that the "secret science" bill "could be used to prevent EPA from finalizing regulations until legal challenges about the legitimate withholding of certain scientific and technical information are resolved. The bill also could prevent EPA from making crucial decisions, including those concerning the cleanup of contaminated sites, if the data supporting those decisions cannot, for legitimate reasons, be made publicly available," according to a statement from the White House.

Senate GOP Vows Quick Keystone Action in 2015

Senate Republican leaders said Tuesday they were disappointed that the Keystone XL bill failed, but they

are confident they will pass it after the GOP takes control in January. Keystone supporters will exceed the 60-vote filibuster-proof majority in the new Congress, and may even reach 67 to override a veto from President Obama, Republicans said.

Senate Majority Leader Mitch McConnell of Kentucky said, "I'm very confident that Sen. [John] Hoeven's bill will succeed, and we'll be able to get it down to the president." Hoeven said that if Obama wants to veto the legislation in the next Senate, Republicans could either attach it to "must-pass" legislation like a funding bill or try to override his veto, which would take 67 votes and a two-thirds majority of the House. The House passed its matching legislation Friday with 252 votes, 38 short of the 290 needed for a veto override.

Energy Efficiency Bill Tacked On?

Sen. Rob Portman (R-Ohio) said on Wednesday that there is good chance that the GOP Senate will consider his energy efficiency bill as early as January. The bill (S. 761), co-sponsored by Portman and Sen. Jeanne Shaheen (D-N.H.), came to the floor twice in the past year but failed both times due to stalemates between the two parties.

The second time the bill reached the floor, talks to attach a binding vote on the Keystone XL oil pipeline crumbled, but Portman thinks that could change with the GOP majority in charge next year.

The legislation is aimed at making residential, commercial and industrial buildings more efficient, and boost energy-saving practices at federal agencies, among other provisions.

Tax Extender Legislation - Which Way Will Wind Blow on PTC?

ERG has learned that the wind production tax credit is still a sticking point in discussions between House and Senate over resolving the many expired and expiring tax breaks known as tax extenders.

Many Republicans have been trying to kill the credit for years and some see the lame duck as the perfect opportunity to let it finally fade away. While several of the proposals being shared by Congressional staff include a one year retroactive extension of the wind credit through 2014, an extension through 2015 is still being discussed.

Democrats have pushed to include the PTC in any longer package.

U.S. and China Reach Climate "Accord" After Months of Talks

China and the United States made common cause [last

week] against the threat of climate change, staking out an ambitious joint plan to curb carbon emissions as a way to spur nations around the world to make their own cuts in greenhouse gases.

The landmark agreement, jointly announced here by President Obama and President Xi Jinping, includes new targets for carbon emissions reductions by the United States and a first-ever commitment by China to stop its emissions from growing by 2030.

Republicans were quick to note that through the "accord," President Obama has again given up control and committed to making changes that adversely impact the American economy, while allowing China to continue to grow its economy and emissions for another 16 years. [More...](#)

IEA: Fossil Fuel Subsidies Reach \$550 Billion in 2013, Discouraging Investment in Energy Efficiencies and Renewables

The International Energy Agency (IEA) released their annual World Energy Outlook revealing that fossil fuel consumption subsidies reached \$550 billion in 2013. According to the IEA these subsidies are failing to help those around the world who lack access to energy and are discouraging investment in energy efficiencies and renewables. [More...](#)

New EPA Biomass Emissions Rules Praised

Four years after EPA the "Tailoring Rule" was released, and after a three year study and a science advisory board review, the EPA yesterday announced new methodology to measure biogenic emissions, and agreed with industry requests that all biomass is not carbon neutral. The biomass power industry has argued that one size fits all regulations do not properly reflect biomass processes, and that specific feedstocks must be considered.

Biomass Power Association President Bob Cleaves said BPA is encouraged by what it is seeing. "Essentially, what EPA is doing is putting forth methodology on how to measure biogenic emissions, and importantly it says that all biomass is not carbon neutral. Under the new methodology, waste-derived materials and forest-derived materials are considered to have "minimal or having no net atmospheric contribution of biogenic CO2 emissions."

It appears that EPA is planning provisions to the PSD rules to exempt biomass from Best Achievable Control Technology requirements for greenhouse gas emissions from waste-derived and non-waste biogenic feedstocks derived from sustainable forest and ag practices. EPA is deferring to states to determine sustainability definitions.

Cleaves said that in releasing the new methodology, "EPA is making a clear statement that biomass can play a key role in implementing President Obama's Clean Power Plan."

DOE Clean Tech Loan Program Weathers the Political Storm, for Now

Last week the Department of Energy (DOE) announced that its controversial clean energy loan program has turned a profit. DOE has received \$810 million in interest payments since the program's inception in 2005, offsetting program losses by \$30 million. Overall, the DOE expects to collect \$5 to \$6 billion in interest from the \$34 billion loan program. The Obama administration drew fierce criticism for a few high profile bankruptcies, such as the 2012 failure of solar panel company Solyndra. In biomass and biofuels, the program has issued two loan guarantees to date, to Abengoa Bioenergy and to POET, LLC.

EPA Finalizes Methane Emissions Control Rule, Proposes Another

The US Environmental Protection Agency issued a final regulation aimed at improving the clarity and consistency of oil and gas data submitted to its greenhouse-gas reporting program (GHGRP). It also proposed a rule that would add emissions reporting for sources that the program does not cover currently to its Subpart W.

The final rule, which EPA proposed on Mar. 10, was designed to make corrections to and clarify existing regulatory requirements, the agency said Nov. 13. It will become effective on Jan. 1, 2015.

An EPA spokeswoman said the proposed rule reflects the oil and gas industry's rapid growth and changes. It would require new data to be reported for onshore gathering and boosting activities, onshore gas transmission pipelines, and completions and workovers of oil wells which are hydraulically fractured, she said on Nov. 16 in response to an OGJ inquiry.

"By increasing access to GHGRP's oil and gas systems data, we can increase the understanding of sources in the industry for which the public previously had little information," the spokeswoman said. "These revisions will further enhance the quality of the data and allow the GHGRP to continue to serve as an important tool for the agency and the public to understand emissions from this sector."

Comments will be accepted for 60 days following the proposal's publication in the Federal Register. EPA anticipates that a final version would take effect on Jan. 1, 2016. [More...](#)

Related News: [Greens say EPA can cut methane emissions in half](#)

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