



# Federal Energy Policy: A Report from Washington

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## Overview

- Activity at FERC
- Energy Legislation?
- Climate Legislation?



## At FERC

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- EPCRA/05 implementation rulemakings completed
- Reliability
  - Regulatory activity
  - Creation of a new Office of Electric Reliability
- Enforcement
  - Large civil penalties
- Green Technology
  - Interest in renewables, demand resources
  - Creation of new Energy Innovations office

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## General Legislative Agenda

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- Numerous high-profile and controversial issues on the agenda competing for time and attention, such as:
  - Iraq War
  - Appropriations Bills – need to enact many annual funding bills; “stop gap” funding approved through November 16
  - Credit Crunch / Subprime Mortgages
- Current environment is not conducive to bi-partisan compromise:
  - Presidential campaigns – six Senators and three Representatives running
  - President Bush’s historically low approval ratings
  - Congress’ even lower approval ratings

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# Energy Legislation

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- House and Senate both passed energy bills earlier in the year. Both bills contain many similar provisions which should be relatively easy to reconcile:
  - Efficiency standards for appliances, lighting and buildings
  - “Smart grid” technology development and deployment
  - R&D funding for renewable fuel production and transportation
  - Support for high efficiency vehicles, plug-in hybrids and advanced batteries
  - Carbon capture and storage research, development and demonstration

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# Energy Legislation - Hard Issues

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- However, the bills are vastly different on a few “big ticket” items on which finding “middle ground” will be very difficult:
  - Corporate Average Fuel Economy (CAFE) – Senate bill raises auto fuel efficiency standards to 35 miles per gallon
  - Renewable Fuel Standard (RFS) – Senate bill mandates annual production of 36 billion gallons of renewable transportation fuels by 2022
  - Renewable Energy Standard (RES) – House bill requires utilities to generate 15% of electricity from renewable sources by 2020

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## Energy Tax Bills

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- Energy tax provisions often have greater impact on investment and consumer decisions than policy dictates.
  - Production tax credit for renewable electricity generation
  - Production and investment tax credits for renewable fuels and infrastructure
  - Individual tax credits for purchase of hybrid vehicles
- House passed \$16 billion energy tax bill
- Senate considered but was unable to overcome filibuster to pass \$32 billion bill
  - Funding sources

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## Process on Energy Legislation

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- No formal conference committee planned
- Senate and House staffs are now in “informal” discussions on the “easy” issues
- Democratic leadership expects to develop an approach on the “hard” issues (CAFE, RFS and RES)
- Energy tax issues are not included in these discussions

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## Climate Change Legislation

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- Growing sentiment in the public and within both political parties on need for federal mandatory climate change regulatory scheme
- Democratic Leadership has made climate change legislation a high priority
- Difficulty of enacting climate change legislation will make energy legislation look like a “walk in the park”
- Gross lack of appreciation on the part of most policy makers for the complexity and scope of impact of an economy-wide climate change regime

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## Climate Policy - Details Matter

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- Stringency/Timing
- Point of Regulation
- Allowance Distribution
- Cost Controls
- Competitiveness Issues
- Relationship to State Climate Policies

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## Process on Climate Legislation

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- Bingaman/Specter bill introduced
  - Detailed proposal
- Lieberman/Warner white paper
  - Bill expected to be issued today
  - Hearing as early as next week
  - Subcommittee mark-up in early November
- Dingell and Boucher are developing House bill
  - First white paper issued early October
- Final passage before 2008 elections very unlikely, but legislative approach will start to gel

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## Climate Change Wildcards – Possible Administrative Actions

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- EPA response to Massachusetts v. EPA
  - Plan rulemaking on motor vehicle CO<sub>2</sub> emissions
  - Possible implications for stationary sources
- Proposed listing of the polar bear under the Endangered Species Act

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## Looking Forward to 2008 and Beyond

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- The new paradigm – “it is all about carbon”
  
- Climate change considerations will be a key driver in virtually all energy policy debates:
  - Efficiency
  - Renewable fuels
  - Renewable electricity
  - Utility regulatory policy
  - Generation fuel choices

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## Questions?

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