



Executive Director's Report

**NACAA Fall Membership Meeting
September 21, 2009**

Bill Becker

What I Will Cover

- ❑ Climate Legislation
 - ✓ House—Waxman-Markey Bill
 - ✓ Senate—Major Issues to be Addressed
- ❑ International Climate Negotiations
- ❑ EPA GHG Regulatory Actions
- ❑ Energy Legislation—Renewable Electricity Standards
- ❑ Transportation Legislation—T4
- ❑ Appropriations
- ❑ Multi-Pollutant Legislation

Climate Legislation - House

- ❑ House passed H.R. 2454, the American Clean Energy and Security Act of 2009 on June 26, 2009, by a vote of 219-212
- ❑ Bill is commonly referred to as the Waxman/Markey Bill
- ❑ H.R. 2454 contains 5 titles
 - ◆ Clean energy
 - ◆ Energy efficiency
 - ◆ GHG cap-and-trade program
 - ◆ Transition to a clean energy economy
 - ◆ Agricultural and forestry-related offsets program

Climate Legislation: House

- GHG cap-and-trade program
 - ◆ GHG reduction targets of 17% below 2005 levels by 2020 and 83% below 2005 levels by 2050
 - ◆ Capped sectors include industrial, electricity generation, transportation (through fuels), residential and commercial (to the extent they burn oil or natural gas)
 - ✓ Exempt – agricultural & forestry sectors
 - ◆ State and local authorities retained, except cap-and-trade programs are preempted during 2012-2017

Climate Legislation: Senate

- ❑ Senate Environment and Public Works Committee to introduce legislation by late September
- ❑ Markup and hearings to occur by mid-October
- ❑ Other Senate Committees have jurisdiction
 - ◆ Agriculture
 - ◆ Commerce
 - ◆ Energy
 - ◆ Finance
 - ◆ Foreign Relations
- ❑ Majority Leader Reid will reconcile Committee work

Climate Legislation - Senate

- NACAA sent letter to Senate on August 5, 2009, supporting climate legislation and identifying top issues
 - ◆ Retain framework of economy-wide program with strong emission limits and cap-and-trade (e.g., 20% by 2020)
 - ◆ Strengthen offset provisions, including for agriculture and forestry (e.g., reduce the offset pool, give EPA oversight authority)
 - ◆ Preserve state and local authorities
 - ✓ No preemption
 - ◆ Including no preemption of cap-and-trade programs during 2012-2107
 - ✓ Delineate specific implementation roles
 - ✓ Authorize funding (e.g., permit fees, allowance revenue, etc)

Climate Legislation -- Senate

- Issues identified in NACAA letter (continued)
 - ◆ Retain Clean Air Act authorities for sources inside and outside cap (e.g., require NSPS for sources under the cap, subject major GHG sources to NSR, etc.)
 - ◆ Include a Low Carbon Fuel Standard and include lifecycle GHG emissions analysis
 - ◆ Strengthen transportation planning provisions (e.g., key provisions [state/local air agency concurrence] were dropped on the House floor)

Climate Legislation - Senate

- Other key issues
 - ◆ Distribution of allowances
 - ✓ Auction versus allocation
 - ✓ Who receives revenue?
 - ◆ Performance standards for coal-fired EGUs
 - ◆ Inclusion of a nuclear energy title
- Majority Leader Reid announced last week that vote may be delayed until next year
- Failure to vote this year could undermine success in Copenhagen, site of the international global warming negotiations

What Should We Expect in Copenhagen?

- ❑ Meeting is December 7-18, 2009, in Copenhagen, Denmark
- ❑ Goal: negotiate follow-on agreement to Kyoto Protocol, which capped developed countries emissions 2008-2012
 - ◆ While U.S. not a party to Kyoto, many hope U.S. will sign on to follow-on agreement. However, U.S. negotiating position affected by legislative success in Congress
 - ◆ Major issues
 - ✓ Targets and timetables for reductions
 - ◆ What kind of reductions will major developing countries agree to, if any?
 - ✓ Financial assistance from developed countries to developing countries
- ❑ NACAA will be attending 2nd week; plan to hold side event

Status of EPA GHG Regulatory Actions

- EPA Mandatory GHG Emissions Reporting Rule
 - ◆ Final rule package at OMB
 - ◆ Goal: publish rule in *Federal Register* by end of October 2009 so rule can apply to 2010 GHG emissions
- Final EPA GHG Endangerment Finding
 - ◆ Comment period closed in June 2009; thousands of comments received
 - ◆ No schedule for finalization; but need to finalize by March 2010 (see next slide)

Status of EPA GHG Regulatory Actions (continued)

- GHG Emissions Regulations for New Motor Vehicle Engines and Vehicles and CAFE Standards
 - ◆ Proposed rule announced last Tuesday (September 15th)
 - ◆ Need to finalize by March 2010 so it can apply to Model Year 2012 cars (thus need to finalize GHG endangerment finding by March 2010 as well)
- Renewable Fuel Standard
 - ◆ Proposal published May 2009
 - ◆ Extended comment period until September 25, 2009
 - ◆ Final rule expected by December 2009

Status of EPA GHG Regulatory Actions (continued)

- Permitting “Tailoring” Rule
 - ◆ Rule indicating how EPA and state and local air agencies will apply NSR and permitting to GHG emissions
 - ◆ It is widely expected that EPA will phase in regulation so that these first apply only to large sources – those emitting 25,000 tons of carbon dioxide equivalent per year or more
 - ◆ Need to finalize by March 2010 so that it will be in effect when GHG motor vehicle engine emission rule is finalized
 - ✓ Once GHGs are a “regulated pollutant” under the CAA, NSR/PSD permitting provisions of the Act are triggered
 - ◆ Proposal is reportedly at OMB

Energy Legislation: Senate

The American Clean Energy Leadership Act of 2009

- ❑ S. 1462 voted out of Energy and Natural Resources Committee 6/17/09
- ❑ Key provisions:
 - ◆ Requires electric utilities, by 2021, to meet 15% of electricity sales with renewable energy sources or energy efficiency
 - ◆ Improves EE of buildings, homes, equipment, appliances & fed gov't
 - ◆ Establishes “interstate highway system” for electricity with “bottom-up” planning process for national transmission grid
 - ◆ Creates national indemnity program for up to 10 commercial-scale CCS projects
 - ◆ Promotes deployment of advanced vehicle technologies
 - ◆ Doubles (to \$6.56 B) authorization level of DOE’s energy R&D program
 - ◆ Opens eastern Gulf of Mexico to leasing for oil and natural gas development

Reauthorization of Transportation Legislation

- ❑ SAFETEA-LU expires 9/30/09
- ❑ House Action:
 - ◆ Transportation and Infrastructure Subcommittee approved Surface Transportation Authorization Act 6/25/09 (six-year, \$500-billion bill)
 - ✓ Removes diesel retrofits from list of CMAQ-eligible projects
 - ✓ Mirrors weak ACES transportation planning provisions
 - ✓ T&I Committee Chair Oberstar (WI) has expressed support for short-term (3-month) extension of SAFETEA-LU
- ❑ Senate Action:
 - ◆ Environment and Public Works Committee approved 18-month extension of SAFETEA-LU 7/22/09 (S. 1498)
 - ◆ Extension bill expected to go to Senate floor soon
- ❑ Administration: Supports 18-month extension

FY 2010 Appropriations – Status

	FY 09 Final	FY 10 Pres Request	FY 10 NACAA Request	House (voted 6/26/09)	Senate (Committee voted 6/25/09)
§103/105	\$224.1M	\$226.6M	\$270M	\$226.6M	\$226.6M
DERA	\$60M	\$60M		\$60M	\$60M
Targeted funds (for CA)	\$15M				\$20
Local/tribe GHG grants	\$10M			\$10M	
Monitoring grants	§103	§105	§103	§103	§103

FY 2010 Appropriations – status (continued)

- ❑ Senate expected to vote any day
- ❑ Conference committee must then decide on differing provisions
- ❑ Continuing Resolution that will keep government operating is expected by September 30, 2009 for departments and agencies without final appropriations legislation

FY 2011 Funding – NACAA Recommendations

- ❑ NACAA study concludes that an increase of over \$500 million in federal grants to state and local air agencies is needed
- ❑ Recognizing the realities of the current economy, for FY 2011, NACAA recommends an increase of \$100 million above FY 2010 (for a total of \$326 million)
- ❑ ECOS recommends the same amount
- ❑ EPA is in process of developing FY 2011 budget proposal

Multi-Pollutant Legislation

- ❑ Senators Carper and Alexander are drafting a 3-P bill
- ❑ The bill will:
 - ◆ Codify CAIR through 2011
 - ◆ Limit SO₂ nationwide
 - ✓ 2012-2014—limits allowances to 3.5 million tons per year
 - ✓ 2015-2019—limits allowances to 1.5 million tons per year
 - ✓ 2020 and after—1.5 million tons or less, if the Administrator decides
 - ◆ Limit NO_x nationwide
 - ✓ Establishes 2 NO_x trading zones, east and west
 - ✓ East—2012-2014—1.39 mt; 2015-2019—1.3 mt; 2020 and after—1.3 mt or less
 - ✓ West—2012-2014—400,000 tons; 2015-2019—320,000 tons; 2020 and after—320,000 or less

Multi-Pollutant Legislation (continued)

- ❑ The bill will also limit mercury
 - ✓ Requires EGUs to achieve at least a 90% reduction
 - ✓ Compliance begins no later than 1/1/2015
 - ✓ EPA must publish monitoring regulations requiring CEMs
 - ✓ Quarterly reporting required by owners

Questions/Follow-Up

- For further information:
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