

GRIDWISE ALLIANCE'S ENERGY AND ENVIRONMENTAL POLICY UPDATE**WASHINGTON IN REVIEW – AUGUST 2020****Congressional Developments**

Senate Democrats release comprehensive climate change report. On August 25th, the Senate Democrats' Special Committee on the Climate Crisis unveiled an over 200 page report entitled "The Case for Climate Action: Building a Clean Economy for the American People." The Special Committee, chaired by Senator Brian Schatz (D-HI), underscores the public health, environmental, financial and national security risks related to inaction on addressing climate change. The report calls for legislation to be developed to meet the following overarching goals of the Special Committee: reducing US emissions rapidly to help achieve 100 percent global net-zero emissions no later than 2050; stimulating economic growth by increasing federal spending on climate action to at least 2 percent of GDP annually and ensuring that at least 40 percent of the benefits go to minority, low-income, deindustrialized, and disadvantaged communities; and create at least 10 million new jobs.

While the report acknowledges the progress the electricity industry has made in reducing CO₂ emissions, the report contends that more progress is needed, particularly as the transportation and other sectors rely on electrification for their shift away from fossil fuels. To reduce emissions, the report recommends:

- * Increasing Federal Direct Investments and Financing
- * Establishing a Clean Energy Standard
- * Establishing Carbon Pricing
- * Creating Stable Tax Incentives for Clean Energy

In addition, the report recommends the development of a federal policy to incentivize the development of new transmission lines without compromising environmental reviews. The report also calls for enhanced research, development and demonstration funding for a variety of technologies like energy storage that can support a low-carbon transition.

The report comes as Democrats seek to potentially move climate change legislation if they win the Presidency and capture control of the Senate in the November elections. Some Democrats are urging that the Senate abolish the filibuster rules to pass climate change legislation next year. Senate Minority Leader Chuck Schumer (D-NY), at a press conference on the climate change report, did not rule out that possibility, stating that "we're not taking anything off the table." Senator Sheldon Whitehouse (D-RI) also suggested that Democrats could use the budget reconciliation process to pass climate change legislation next year.

Earlier this summer, the Biden-Sanders Unity Climate Change Task Force released policy recommendations that served as the basis for the Democratic Party's platform that was finalized

at their August convention. The House Select Committee on the Climate Crisis, in June, also rolled out their comprehensive report that included over 100 legislative recommendations.

House poised to consider energy innovation legislation in September. The House Energy and Commerce Committee and the House Science, Space and Technology Committee are putting together a comprehensive energy innovation package that could be on the Chamber floor in September.

The package is likely to include H.R. 5428, the Grid Modernization Research and Development Act, introduced by Representative Connor Lamb (D-PA), that would establish various research, development and demonstration (RD&D) programs. For instance, the legislation would establish a smart grid regional demonstration initiative to support demonstration projects on “cost-effective, advanced technologies” related to grid modernization. The bill would also direct DOE to establish RD&D program on technologies to improve grid resilience and emergency response. DOE, under the bill, would establish a RD&D program to advance the integration of electric vehicles onto the grid. In addition, the bill would direct DOE to establish an advisory committee to counsel the Department on these RD&D programs.

The innovation package may also include individual bills related to advanced nuclear, carbon capture, energy efficiency, and energy storage, among other measures.

Stakeholder support for an energy innovation package is growing. Earlier this month, the US Chamber of Commerce led a coalition of industry associations and non-governmental organizations in sending a letter to House leadership calling for lawmakers to consider energy innovation this fall. One of the bills referenced in the letter was H.R. 5428.

While the House is likely to pass an energy innovation package in the fall, its fate in the Senate is unclear. The Senate, earlier this year, considered comprehensive energy legislation, which includes similar individual bills to what could be in the House package. The Senate energy bill, however, stalled due to an unrelated spat over an hydrofluorocarbon amendment. Senate Energy and Natural Resources Committee Chairman Lisa Murkowski (R-AK) is still advocating for the Senate to consider the energy bill.

Senate Democrats urges the Federal Energy Regulatory Commission (FERC) to consider smart grid technologies. Senator Martin Heinrich (D-NM) and 12 other Senate Democrats sent an August 7th letter to FERC Chairman Neil Chatterjee calling on the Commission to “incorporate performance-based incentives that promote the use of smart grid technologies that improve the capacity and efficiency of the existing transmission grid.” The letter acknowledges that additional transmission lines will be necessary to support the transition to a low-carbon economy, but the Democratic Senators contend that in many cases the “cost-effective technologies ... can be deployed quickly to improve grid operation.” In March, FERC released a Notice of Proposed Rulemaking to amend the existing formula for return on equity for transmission projects to incentivize more investment in new lines.

Senate confirms Mark Menezes as Deputy Energy Secretary. On August 4th, the Senate confirmed Menezes on a 79-16 vote. Menezes, who previously served as Under Secretary of Energy, is now the Deputy Energy Secretary, the number two position at DOE and one previously held by Energy Secretary Dan Brouillette prior to his confirmation.

Executive Developments

President Trump nominates a Republican and a Democrat to fill open slots at FERC. On July 27th, Trump announced his intention to nominate Mark Christie and Allison Clements to fill the open Commission slots at FERC. Days after Trump's announcement, the White House sent formal paperwork for their nominations to the Senate, teeing up potentially quick consideration of Christie and Clements by the Senate Energy and Natural Resources Committee.

Christie, the Republican nominee, currently serves as the Chairman of the Virginia State Corporation Commission, a position he has held since 2004. If confirmed, Christie would replace current Republican Commissioner Bernard McNamee, who reportedly recommended and advocated for Christie's nomination. McNamee's term expired at the end of June but he previously stated that he would remain on the Commission, as permitted under federal law, until the end of the year. Following Christie's nomination, McNamee stated though that he would step down from the Commission on September 4th.

Christie's confirmation would secure a Republican majority at FERC through at least June 2021 even under a potential Biden administration. It is customary for a FERC Chairman to step down when a President from another party takes office. Current Republican Chairman Neil Chatterjee, however, has stated that he intends to serve through the end of his term in June 2021. A Republican majority at FERC could be extended until the end of 2021 if no nominee is confirmed to fill Chatterjee's seat by next June, which would in turn allow the current Chairman to remain on the Commission through the end of next year.

Clements, the Democratic nominee, is currently President of Goodgrid, LLC, an energy consulting firm, and she previously worked at the Natural Resources Defense Council. Senate Minority Leader Chuck Schumer (D-NY) and Senate Energy and Natural Resources Committee Ranking Member Joe Manchin (D-WV) recommended Clements to the White House over a year ago, but Trump had yet to nominate her, leading to speculation that the President would not fill this Democratic opening. The inaction by the White House had triggered Manchin, a moderate who has supported past Republican FERC nominees, to threaten to oppose any future Republican nominees. The pairing now of Christie with Clements should ease their confirmation process through the Committee and the full Chamber.

FERC continues to grapple with challenging issues, ranging from incorporating distributed energy resources into energy markets to how to value resiliency and environmental attributes in competitive markets overseen by the Commission. Notably, FERC is holding a technical conference next month on carbon pricing, which NY-ISO is currently considering adopting in its market. A Democratic-led FERC could take steps to incentivize the broader adoption of carbon pricing by ISOs/RTOs.