

# Federal Legislative overview

## Overview of CHP related provisions

November 2<sup>nd</sup>, 2010



# Agenda



- **Current state of Play**
- **Legislation to address regulatory impediments**
- **Legislation to address market incentives for CHP**
- **Energy legislation**
  - Federal RES?
- **Climate legislation**
  - Side by side comparisons of Senate and House climate bill
- **Where do we go from here?**

# Current State of Play

- **Progress continues to be incremental**
  - Market/tax incentives for CHP lacking sufficient political support
  - Extension of 10% Investment tax credit (ITC) for CHP stalled
  - ARRA funding showed where Administration priorities lie
    - Significant focus on Smart Metering. Inadequate funding for CHP projects (\$156 in funding compared to \$2 billion in applications)
- **U.S. lags behind industrialized world in regulations favorable to DG**
  - Denmark leads the world with close to 50% of electricity derived from DG
- **Major impediments to increasing the deployment of DG**
  - Utility lobby continues to be major obstacle
  - As a whole, no unanimity on overall Federal Energy policy
- **No strategic alliances created with “renewables” lobby**
  - Could potentially partner with Wind and Solar lobby on net metering
- **Educating policymakers remains major issue**
  - 2008 DOE report on CHP is significant
  - Federal policymakers generally ambivalent to increasing the deployment of CHP
  - Briefings on Capitol Hill have some impact

# Legislation to tear-down regulatory hurdles to increased CHP

## Virtually no progress on:

- Enacting robust national net metering and interconnect standards
- Net metering provision failed by voice-vote in June 2009 Energy Committee vote
- Rep. Inslee (D-WA) introduced bill to enact 2MW net metering standard
- Mitigate impact of stand-by rates (FERC/state issue)

## ■ **The benefits of a CHP system are two-fold and are not incentivized by tax credits:**

- Being able to access electricity from the grid and to generate heat and electricity from natural gas
- Being able to sell excess electricity back to the grid

## ■ **Inconsistent/unreasonable interconnection requirements coupled with rules that prevent excess power to be sold to utility**

- Selling electricity back to the grid truly allows DG to benefit the system

# Legislation to enact tax incentives for CHP



- **Heat is Power Act by Rep. Paul Tonko (D-NY)-HR 5977**
  - Amends the Internal Revenue Code to allow an energy tax credit for investment in wasted heat to electricity property
- **10% Investment Tax Credit (ITC) for CHP included in tax extenders package**
  - Possible Senate vote on tax extenders package during lame-duck
  - Various bills to expand 10% ITC limitations, expand credit's applicability and/or increase it to 30%. Rep. Inslee (D-WA) and Sens. Bingaman (D-NM) and Snowe (R-ME)
- **Rep. Kind (D-WI)-HR 5581**
  - Amends the Internal Revenue Code to allow an energy tax credit for investment in qualified biogas property; and financing of qualified biogas property with new CREB's
- **Feed-in tariff legislation-No appetite for federal FIT legislation**
- **Industrial and Building Efficiency bill by Sens. Bingaman (D-NM) and Snowe (R-ME)-S-3935**
  - *Bonus Depreciation-incentivizes businesses to invest in highly efficient natural gas or biomass thermal systems by permitting bonus depreciation for qualifying property installed before 2012*
  - \$2.5 billion in additional tax credits for qualified investments in advanced energy projects
  - Advanced Energy Manufacturing Tax Credit-provides up to 30% credit for investments in new, expanded, or re-equipped advanced energy manufacturing projects
- **Thermal Renewable and Energy Efficiency Act by Rep. McCollum (D-MN)-HR 5805**
  - Make (PTC) available for renewable generation of electricity applicable to thermal energy and allow tax-exempt bonds to finance renewable energy, CHP and district energy production facilities

# Federal Renewable Electricity Standard (RES) legislation



- **RES provision was included in June 2009 Energy bill**
  - Energy and Natural Resources Committee passed bill with some GOP support
  
- **Sen. Lindsey Graham (R-SC) released Clean Energy Standard bill in July 2010**
  - Widened eligibility to include nuclear and advanced coal generation
  - Senate Democrats unwilling to support measure
  
- **Sen. Bingaman (D-NM) released S-3813-Renewable Electricity Promotion Act in September**
  - Has bipartisan support with 32 co-sponsors
  - Attempting to advance measure during lame-duck session
  - Allows electricity generated from landfill gas and other sources:
    - Coal-mine methane
    - Biomass
    - “Qualified” waste to energy
    - Another renewable energy source based on innovative technology
    - 15% threshold becomes effective in 2039



# Action on climate legislation is highly unlikely

	House Energy and Climate Bill "Waxman-Markey" Bill (HR 2454) American Clean Energy and Security Act	Senate Energy Bill (S-1462) American Clean Energy Leadership Act	Senate Climate Bill "Boxer-Kerry Bill" (S-1733) Clean Energy Jobs and American Power Act	Sens. Kerry-Graham-Lieberman coalition
<b>Sponsor(s)</b>	<ul style="list-style-type: none"> <li>Waxman (D-CA) and Markey (D-MA)</li> <li>Waxman chairs House Energy and Commerce Committee</li> <li>Markey chairs the Energy and Environment Subcommittee</li> </ul>	<ul style="list-style-type: none"> <li>Bingaman (D-NM)</li> <li>Sen. Bingaman (D-NM) chairs the Senate Energy and Natural Resources Committee</li> </ul>	<ul style="list-style-type: none"> <li>Sen. Boxer chairs the Senate Environment and Public Works Committee</li> <li>Sen. Kerry chairs Senate Foreign Relations Committee</li> </ul>	<ul style="list-style-type: none"> <li>Sens. Kerry (D-MA), Graham (R-SC), and Lieberman (I-CT)</li> </ul>
<b>Focus/Committee</b>	<ul style="list-style-type: none"> <li>Comprehensive focus on energy AND climate change issues</li> <li>House Energy and Commerce Committee</li> </ul>	<ul style="list-style-type: none"> <li>Focuses on energy issues</li> <li>Senate Energy and Natural Resources Committee</li> </ul>	<ul style="list-style-type: none"> <li>Focuses on climate change issues</li> <li>Senate Environment and Public Works Committee</li> </ul>	<ul style="list-style-type: none"> <li>Moderate coalition</li> <li>Working to craft climate bill that will secure 60 votes</li> </ul>
<b>Status</b>	<ul style="list-style-type: none"> <li>Introduced in May</li> <li>Passed committee 33-25 in May</li> <li>Passed House 219-212 in June</li> <li>House is waiting for Senate action</li> </ul>	<ul style="list-style-type: none"> <li>Introduced in April</li> <li>Passed committee 15-8 in June</li> </ul>	<ul style="list-style-type: none"> <li>Introduced in September 2009</li> <li>*Partisan vote, all by Democrats cleared bill out of Committee</li> </ul>	<ul style="list-style-type: none"> <li>Begun in early November 2009</li> <li>Possible action during lame-duck</li> </ul>
		<ul style="list-style-type: none"> <li>The Senate Energy and Climate bill(s) were supposed to be merged</li> </ul>	<ul style="list-style-type: none"> <li>Replaced other Senate energy/climate bills</li> </ul>	

# CHP provisions in climate bills (1 of 2)

	House Energy and Climate Bill <i>Waxman-Markey</i> (HR 2454)	Senate Energy Bill <i>Bingaman bill</i> (S-1462)	Kerry-Lieberman climate legislation	Senate Climate Bill <i>Boxer-Kerry Bill</i> (S-1733)
Interconnect standard	<b>Yes. Low standard of 100 kw but only for federal facilities</b>	<b>Yes.</b> The provision provides low 100 kw national standards for distributed generation technologies, i.e. CHP, photovoltaics, wind)	<b>N/A</b>	<b>No Committee jurisdiction</b>
Net Metering	<b>No</b>	<b>No.</b> A net metering amendment was offered but failed by voice vote	<b>N/A</b>	<b>No Committee jurisdiction</b>
Stand-by Rate	<b>No</b>	<b>No</b>	<b>N/A</b>	<b>No Committee jurisdiction</b>



# CHP provisions in climate bills (2 of 2)

	House Energy and Climate Bill <i>Waxman-Markey Bill (HR 2454)</i>	Senate Energy Bill <i>Bingaman bill (S-1462)</i>	Kerry-Lieberman climate legislation	Senate Climate Bill <i>Boxer-Kerry Bill (S-1733)</i>
<b>Federal Funding for CHP</b>	Yes. Includes provision to provide various grants, including for building retrofits	Yes	<b>Yes.</b> Provision for Retrofit Energy Performance Program provides allowances to states to conduct cost-effective	<b>Yes.</b> Provision for Retrofit Energy Performance Program provides allowances to states to conduct cost-effective building retrofits.
<b>CHP in Renewable Energy Standard</b>	Includes 20% Renewable Electricity Standard (RES), with 25% of total RES reserved for an Energy Efficiency Resource Standard (EERS). In EERS, CHP will receive a credit for every Kwh of electricity produced.	Includes a 15% Renewable Electricity Standard (RES), with a 25% of total RES reserved for an EERS. In EERS, CHP will receive a credit for every Kwh of electricity produced.	N/A	<b>No Committee jurisdiction</b>
<b>Feed-in Tariff</b>	No	No	N/A	<b>No Committee jurisdiction</b>

# Where do we go from here?

- **Predictions for Mid-term elections show significant GOP gains in the House and Senate**
- **Tax extenders package needs to be passed**
  - Extension of 10% ITC for CHP
- **If GOP takes over, comprehensive climate legislation is dead**
  - Still must address issue of EPA's ability to regulate GHG's
  - Sen. Rockefeller (D-WV) and Reps. Pomeroy (D-ND-at large) and Boucher (D-VA) have bills that would delay regulation for two years
- **RES legislation still possible with GOP gains**
  - Bill similar to Clean Energy Standard with expanded inclusion of clean technologies