



K&L GATES



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Defense Energy Policy and Politics

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Energy Security and Innovation

State and Federal Policies Must Work Together

- Recognize importance....
 - Public-Private Partnerships
 - State-level Renewable Energy Portfolio Standards (RPS)
 - Federal Renewable Fuel Standards (RFS)
 - Tax Reform is a market driver
 - Impact of new Energy and Environmental Policy on business
 - Coherent national energy strategy driven by informed policy will ensure National Security and our future prosperity

Government initiatives and policies will drive alternative energy trends, budgets, and subsequent strategies and business development opportunities.

Energy and Environmental Policy

- Administration proposing new limitations on CO₂ emissions from utilities
 - A challenge for coal companies
 - An opportunity for technologies that can reduce CO₂ emissions
 - Sequestration or Beneficial Reuse

Tax Policy

- Congress is seriously considering a complete overhaul of tax code
 - Likely to impact tax credits for wind, solar, and biofuels
 - Congress may consider tax incentives on a tech-neutral basis

Budget Politics

- Debt Ceiling raise in October
- Expect Continuing Resolution until mid-December
- FY14 Sequestration cuts delayed until January

Administration

Climate Action Plan: Double Renewable Energy by 2020

- Accelerate Clean Energy Permitting
 - Permit an additional 10 GW of renewable energy on public lands
 - DoD committed to deploy 3GW of renewable energy on installations
- Expand and Modernize the Grid
 - Streamline siting process for transmission projects
- Boost Resilience of Buildings and Infrastructure
 - DoD assessing Installation Vulnerability
- Increase funding for clean energy across all federal agencies by 30 percent
 - Includes advanced biofuels, emerging nuclear technologies such as small modular reactors, and clean coal
- Innovative and advanced fossil fuel technology projects eligible for up to \$8 billion in loan guarantees include carbon capture and beneficial reuse

Energy Security Trust Fund: in President's 2013 State of the Union Address, proposed establishing an energy security trust fund that would allow greater access for oil and gas which in turn would use royalties be for investment in new fuels, among other technologies.

Federal Agencies

EPA proposed 2013 overall volumes and standards require 16.55 billion gallons of renewable fuels to be blended into the U.S. fuel supply (a 9.74 percent blend). This Renewable Fuels Standard specifically requires:

- Biomass-based diesel (1.28 billion gallons; 1.13 percent)
- Advanced biofuels (2.75 billion gallons; 1.62 percent)
- Cellulosic biofuels (6.00 million gallons; 0.004 percent)

EPA also announced steps to address concerns about the E10 blend wall

EPA seeks to improve its enforcement of the credit trading program, including the use of Renewable Identification Numbers (RINs) for tracking batches of fuel.

DOI Offshore Wind Energy Leases: recently held the nation's first-ever competitive lease sale for renewable energy in federal waters. ..a second auction occurred on September 4th for 112,800 acres offshore Virginia for commercial wind energy leasing.

DOE grant programs: \$45M for 38 fuel/vehicle projects, work with Army TARDEC; \$16M for Marine and Hydrokinetic

USDA Memo of Understanding: with Navy, DPA and other Federal departments to further renewable energy and energy efficiency through targeted projects supporting clean energy.

Legislation

Energy Efficiency: Energy Savings and Industrial Competitiveness Act of 2013, S. 1392: encourages reform in national model building codes for new homes and commercial buildings by requiring the Department of Energy (DOE) to support their development, including the setting of energy savings targets and providing of technical assistance.

Expanded Drilling Legislation: Domestic Energy and Jobs Act, S. 1401: would expand energy production on federal lands, freeze environmental rules affecting gasoline and diesel fuel, expand offshore energy production, promote offshore wind development, and streamline federal permitting for all energy sources.

Energy Independence and Security Act: Defense policy has always been a driver of energy policy, including the development of nuclear fuel capability. This will continue to be the case, as DOD pursues the Great Green Fleet and as section 526 of EISA comes increasingly into play. It is important for industry to focus on clean energy technologies where DoD can act as an early-adopter to improve warfighter capabilities.

Master Limited Partnerships: Master Limited Partnerships Parity Act of 2013, S. 795: Gives investors in renewable energy projects access to a decades-old corporate structure with a tax advantage now available only to investors in fossil fuel.

Master Limited Partnerships



MLPs are comprised of a number of investors ("limited partners") and several managers ("general partners").

The MLP Parity Act expands the eligibility for MLP financing from just fossil-fuel projects to include renewable-energy projects.

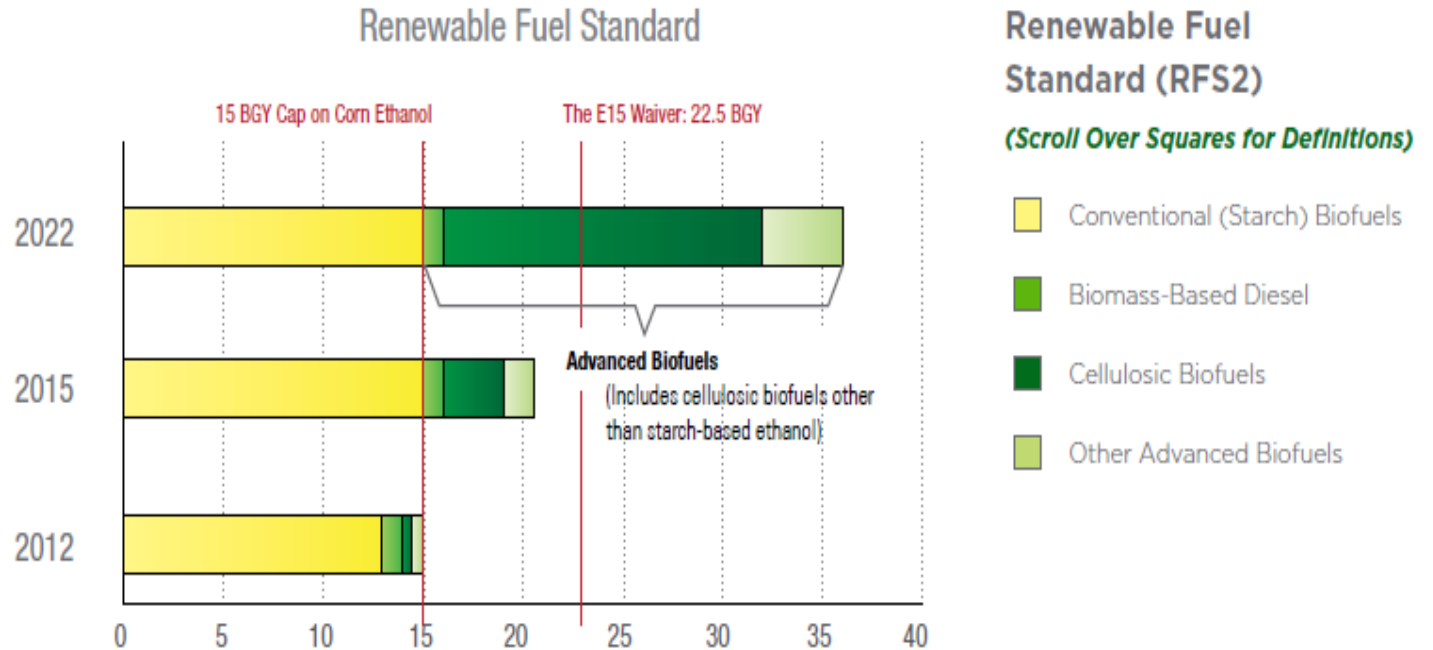
BIOMASS
SOLID WASTE
HYDROPOWER
MARINE AND HYDROKINETIC
FUEL CELLS
ETHANOL
CELLULOSE
BIODIESEL



COMBINED HEAT AND POWER
WASTE-HEAT TO POWER
BIOCHEMICALS
CARBON CAPTURE AND STORAGE
ENERGY-EFFICIENT BUILDINGS

Energy Independence and Security Act (EISA)

EISA 2007 greatly expanded mandated biofuels production targets to 21 billion gallons of advanced biofuels and 36 billion total gallons of renewable fuels by 2022—a multifold increase from what the Energy Policy Act of 2005 originally set.



The Bioenergy Technologies Office focuses on the development of all of the green items outlined in this bar chart.

Biofuels for DoD



DoD Programs

Senior Pentagon Leaders seek to harness near-term technologies for the benefit of ongoing operations while casting a longer-term developmental strategic view firmly grounded in the need to produce, store, maintain and transport energy; the strategy is aimed at lowering long-term energy costs in light of global developments but also identify tactical and operational advantages from energy-efficient technologies.

- **EITF MATOC:** geothermal, solar, and just announced wind, biomass next.
- **Operational Energy Capabilities Improvement Fund (OECIF):** initiated four multi-year programs in FY13 to improve the energy performance of forces in the field.
- **Rapid Innovation Fund:** collaborative vehicle for small businesses to provide innovative technologies that can be rapidly inserted into acquisition programs.
- **Military Service R&D Programs:** declining budgets but still many opportunities
- **SBIR and STTR:** small business innovation grants.
- **ESCTP/SERDP:** environmental technology demonstration and validation programs.
- **Defense Production Act Title III:** biofuels, solar panels, and energy storage.
- **Utilities Privatization:** the OSD preferred method to restore systems to, and maintain them, at Industry Standards for both energy and water.

Regulatory and Government Policy

K&L Gates LLP helps clean tech clients manage the opportunities and challenges associated with doing business, including seeking government concessions in public-private partnerships, securing government funding in the form of loan guarantees, grants and appropriations, engaging in lobbying activity in connection with policy development, and navigating the regulatory maze of government agencies appointed to manage the complexities of bringing renewable energy projects online.

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