



Obama administration energy policy update

The developing economic policy plans of President Obama and of the Democratic Party leadership in Congress are likely to feature many of the energy proposals that Obama made during the election campaign. These include proposals aimed at greater U.S. energy independence and the advancement of alternative energy technologies.

Throughout the recent U.S. presidential election campaign, President Barack Obama proposed bold changes in national energy policy as part of his larger platform of change and economic renewal. The Obama-Biden transition team brought a number of these proposals together in a “new energy for America” plan. As President Obama has acknowledged, the developing economic crisis and continuing upheaval in global markets will require a careful examination of the scope and timing of many of the proposed energy initiatives. For example, with the decline of oil and natural gas prices, along with the broader commodities markets, the administration has de-prioritized proposals for immediate action to bring down energy and fuel costs.

Nonetheless, in the days immediately before and following the January 20, 2009, inauguration, it has become clear that the new Obama administration and the Democratic Party leadership in Congress have signaled that innovative energy policies will form part of the major economic initiatives that they will push to implement in the coming months. These initiatives include the large economic stimulus package currently under consideration, efforts to lay the groundwork for greater U.S. energy independence and efforts to fulfill the Obama campaign promise to ease the burden of high energy costs on U.S. families.

The new energy for America plan

The website of the Obama-Biden transition team put forward a comprehensive package of energy policies called the new energy for America plan.¹ Most of the major elements of this plan were proposals put forth by President Obama during the campaign. The plan had the following key goals.

- Creating five million new jobs by investing \$150 billion over the next decade in private firms in the clean energy sector.
- Reducing U.S. consumption of petroleum products.
- Building and putting into use in the U.S. one million plug-in hybrid cars (vehicles with hybrid engines and batteries charged from household electric sockets).
- Ensuring that 10 percent of U.S. electricity is produced from renewable sources by 2012 and 25 percent by 2025.
- Instituting an economy-wide cap and trade program to reduce greenhouse gas emissions by 80 percent by 2050.

The website indicated that the proposed \$150 billion federal government investment in clean energy was intended to “advance the next generation of biofuels and fuel infrastructure, accelerate the commercialization of plug-in hybrids, promote development of commercial scale renewable energy, invest in low emissions coal (power) plants, begin transition to a new digital electricity grid” and provide federal workers with “green technologies training, such as advanced manufacturing

¹ See www.change.gov/agenda/energy_and_environment_agenda.

and weatherization training”.² The website also called for an extension of the renewable energy production tax credit, presumably beyond the extension already enacted by Congress in October 2008 (as discussed below).

Steven Chu, President Obama’s new Energy Secretary, indicated during his Senate confirmation hearing on January 13, 2009, that he planned to reshape the federal Department of Energy to take an active role in promoting renewable energy, energy efficiency and an improved national electricity transmission system. Chu, who was confirmed by the Senate on January 20, 2009, indicated that the Department of Energy would support a number of goals, each of which is part of the new energy for America plan, including encouraging wind, solar and geothermal power and the development of plug-in hybrid vehicles, and instituting a carbon cap and trade system.

Other senior Obama appointments have indicated strong support for the Obama transition team energy goals. Former Iowa Governor Tom Vilsack, who was also confirmed by the Senate on January 20, 2009, has in recent months been a strong supporter of a cap and trade system to reduce carbon emissions.

Congressional developments

The developing Obama administration energy initiatives will require action by Congress on a great number of new laws and amendments to existing laws. Potentially helpful to the success of new energy legislation was the surprise election, on November 20, 2008, of Henry Waxman as the chairman for a key Congressional committee.³ Chairman Waxman, who is perceived to be a strong proponent of environmental protection, convened a committee hearing to discuss climate change issues on January 15, 2009.

At this hearing, an industry group called the U.S. Climate Action Partnership (USCAP) announced that it is in favor of significant legislation to seek to reduce U.S. carbon emissions through a so-called cap and trade program. USCAP, which includes many of the largest U.S. energy and manufacturing firms as well as several large environmental groups, supports a gradual phase-in

of carbon emissions limits and the trading of emissions credits, with the goal of an 80 percent reduction of U.S. carbon emissions by 2050.⁴ This reduction matches the goal set by the Obama-Biden transition team, as noted above.

Although there is growing support from the private sector and some members of Congress, an ambitious cap and trade program appears unlikely to be enacted for some time. One reason is the significant costs that such a program will likely impose on energy-consuming industries amid the current economic crisis. The Speaker of the House of Representatives, Nancy Pelosi, indicated in early January 2009 that the Democratic Party leadership was unlikely to push for cap and trade legislation in 2009 and that it would likely take a number of months to develop the best possible approach for such a program.

Other Congressional committees have held hearings relevant to the energy goals put forward by President Obama and his transition team. On January 7, 2009, the Senate environment and public works committee held a hearing on green technology jobs, including the potential of seeking to create such jobs as part of the proposed economic stimulus package. The House select committee on energy independence and global warming held a hearing on January 15, 2009, on renewable energy and efficiency programs and the role of the proposed economic stimulus package in promoting these programs.

In addition, numerous bills are pending in Congress to promote the development of wind, solar and other renewable energy generation capacity in the U.S., to extend the tax credits available for such generation facilities, to promote energy efficiency or to modernize the U.S. electricity transmission grid.

Proposed economic stimulus package

In late November 2008, the Obama-Biden transition team signaled that it was discussing options for a major new economic stimulus package that would be similar in size or larger than the \$700 billion “troubled asset relief” program enacted in October 2008. During his November 24, 2008, speech announcing top members of

² See www.change.gov/agenda/economy_agenda.

³ Henry Waxman was elected to head the energy and commerce committee in the U.S. House of Representatives, taking the place of long-time chairman John Dingell.

⁴ See the USCAP website at www.us-cap.org/blueprint/overview.asp.

his new economic team, President-elect Obama indicated that his broad economic recovery plan would include extensive investments in transportation and “clean energy” infrastructure.

In a major speech on economic issues on January 17, 2009, shortly before his inauguration, President Obama announced the goal of doubling within three years the total U.S. generating capacity from wind, solar and geothermal power. The Obama administration is working with Congress to ensure that the proposed economic stimulus package includes provisions that could help to move the U.S. towards that goal.

By early February 2009, the outlines of a proposed stimulus package had emerged as a result of negotiations among the new Obama administration, the Democratic Party leadership in Congress and the Republic minority in both the House of Representatives and the Senate. The stimulus package as passed in the House on January 28, 2009, would allocate approximately \$75 billion to energy-related purposes.⁵ Broadly, the major elements of the House package relevant to the Obama administration energy plan were:

- a major extension of production tax credits for renewable energy production (beyond the extensions enacted in October 2008, discussed below) and tax credits for investment in certain renewable energy facilities;
- an extension of tax credits for energy-efficiency improvements to existing homes;
- funding for improved energy efficiency in federal buildings and state and local public buildings, and funding of federal and state energy technology research programs;
- loan guaranties or other support to private entities researching biofuels or carbon sequestration technologies; and
- grants and other support for “smart grid” electric transmission projects and for transmission of electricity produced from renewable sources.

As the House and Senate Conference Committee met in mid-February to reconcile the House and Senate stimulus bills, it was not clear whether the final package

would be in a similar form as in the House or if it would be substantially revised, as the Obama administration seeks to garner at least modest support for the package from the Republican minority in Congress.

Energy Improvement and Extension Act of 2008

The stimulus package and other legislation under consideration in the current Congress will build on provisions contained in the financial industry “bailout” legislation signed by President Bush in early October 2008.⁶ Any energy policy provisions included in the final stimulus package, when it is signed into law, should be considered in combination with the energy provisions of this earlier legislation.

While the October 2008 legislation included the \$700 billion troubled asset relief program, which of course drew the full attention of the media and of the public, it also contained a number of important provisions related to clean energy and energy efficiency. These provisions were enacted in Division B of the bill, titled the Energy Improvement and Extension Act of 2008 (the 2008 Energy Act).

The 2008 Energy Act consisted primarily of a series of tax-based incentives for U.S.-based businesses and consumers to develop or install alternative energy technologies. Among other things, the 2008 Energy Act:

- extended the 30 percent tax credit for investments in solar energy equipment through 2016; a longer extension than those enacted after prior expirations of the credit that is expected to encourage larger and longer-term investment in the solar power sector;
- extended through 2009 the production tax credit for wind power facilities and through 2010 the production tax credit for several other types of renewable power (including certain biomass, geothermal, hydropower and wave power facilities);
- authorized the issuance of several billion dollars in renewable energy and energy conservation bonds (carrying federal income tax credits) to finance qualifying energy projects sponsored by government bodies and certain power providers;

⁵ The bill, HR 1, was approved by the House along party lines, with not a single Republican Representative voting in favor. However, shortly after the bill moved to the Senate, a proposed compromise on several key provisions emerged from discussions among moderate Democratic and Republican Senators.

⁶ Emergency Economic Stabilization Act, Public Law No. 110-343 (signed into law on October 3, 2008).

- created tax deductions and other tax benefits for the construction or retrofitting of buildings with energy-efficient technologies and for the installation by utilities of “smart meters” and “smart grid systems” (to optimize the efficiency of electric power grids);
- expanded existing tax credits for coal gasification technologies and created a new “carbon dioxide sequestration credit”; and
- added or expanded certain tax credits relating to consumer products, including a new credit for certain “plug-in electric drive motor vehicles”.

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