FEDERAL POLICY WORKING GROUP MEETING
01/11/23

Agenda

1. Administration Activities
2. Legislative Landscape/Updates
3. IRA Guidebook
4. IIJA Guidebook +
5. EESG Takeaways

Notes

1. Administration Activities

On January 10, it is being reported that there is stirring interest in banning indoor gas stoves due to a recent report/study linking indoor gas stoves to increased childhood asthma. The interest appears to largely be sourced from Commissioner of the Consumer Product Safety Commission Richard Trumka Jr who has been raising his concerns since December 2022. It also appears the other four CPSC commissioners do not share this perspective.

On January 9, the DOE and NREL announced a call for applications for the 2nd cohort of the Clean Energy Cybersecurity Accelerator (CECA) program. For its second cohort, CECA seeks applicants with solutions that actively identify all industrial control system assets connected to a utility's infrastructure, both physically and virtually, to understand the totality of assets that need to be monitored and protected within the environment.

On January 3, President Biden named Willie Phillips acting FERC Chairman. Chair Phillips is stepping up as previous Chairman Glick stepped down with the incoming new Congress. Phillips had served as Chairman of the Public Service Commission of the District of Columbia with an extensive background in the areas of public utility regulation, bulk power system reliability, and corporate governance.

On December 28, the DOE proposed new EE standards for three categories of distribution transformers. You can find more information here.

On December 20, the United States Postal Service announced it would invest nearly $10 billion in electrifying its fleet. The USPS plans to purchase at least 66,000 EVs by 2028.

On December 19, the DOE announced $45 million installment in competitive grants to help implement updated building energy codes. This is the first installment of the 5-year,

$225 million Building Codes Implementation for Efficiency and Resilience Program established under the IIJA. Applications are due here.

On December 19, the DOE proposed stronger efficiency standards for light bulbs (general service lamps). The Biden Administration lauded this proposal as the 110th action the Administration has taken to strengthen EE standards in 2022 alone. The standards would raise the minimum lightbulb efficiency level from 45 to 120+ lumens per watt for the most common bulbs. You'll note DOE implemented a near-term phaseout of inefficient incandescent bulbs. There will be a public webinar on February 1. You can find more information, once posted, here.

On December 15, the DOE released a report capturing county-by-county data detailing energy jobs data. The DOE highlighted three key findings:

- Motor vehicles saw the most widespread geographic distribution of energy jobs
- Energy efficiency presents economic potential everywhere
- Solar jobs were the most geographically dispersed for electric generation

On December 15, FERC proposed revised siting regulations for interstate transmission lines which lie in "national interest" corridors. This proposal comes off of expanded FERC authority under the Infrastructure Investment and Jobs Act of 2021. The proposal also implements FERC's authority to intervene when a state has rejected certain potential transmission lines.

On December 15, the EPA proposed a rule to accelerate phasing down hydrofluorocarbons (HFCs) in industrial sectors where substitutes have been and are being introduced. From NewsData: "The rule would bar manufacturing and importation of restricted HFC products by Jan. 1, 2025, and prohibit sale, distribution and exports by Jan. 1, 2026." You can find more information here.

On December 15, FERC ordered NERC to study the effectiveness of its physical-security reliability standard for the bulk power system and make recommendations.

On December 13, the DOE announced it is releasing $3.7 billion in funding to launch four programs to further a commercially viable, just and responsible carbon dioxide removal industry in the US. The four programs are:

- **Direct Air Capture Commercial and Pre-Commercial Prize**: $115 million for diverse approaches to direct air capture. You can find more information here.
- **Regional Direct Air Capture Hubs**: $3.5 billion for four domestic regional direct air capture hubs to demonstrate technology or suite of technologies at commercial scale with potential to capture >/= 1 million tons of CO2 annually and storing that CO2. $1.2 billion has been initially released. More information is here.
- **Carbon Utilization Procurement Grants**: $100 million for grants to states, local governments, and public utilities to support the commercialization of technologies that reduce carbon emissions and procuring products from those emissions. You can find more information here.

- **Bipartisan Infrastructure Law Technology Commercialization Fund**: $15 million for awards to DOE National Labs, etc. to advance key technologies. You can find more information here.

2. Legislative Landscape/Updates

On December 23, Congress passed the nearly $1.7 trillion government funding/spending omnibus bill with a 225-201 margin. The President signed the bill before the end of the year. In the spending bill, Congress specified $46.5 billion for the Department of Energy, roughly $1.7B above what was allocated for FY '22. DOE's Office of Energy Efficiency and Renewable Energy would get $3.5 billion, Office of Electricity to receive $350M, and expanded funding for FERC.

Following is a brief funding breakdown as discussed in the Energy & Water Development… explanatory statement starting page 57:

- $185M for Industrial Efficiency & Decarbonization
- $105M for Clean Energy Manufacturing, including efforts to advance domestic storage manufacturing, research, etc. + additional funding beyond CEM
- HVAC, etc.:
    - >/= $60M for for residential and >/= $75M for Equipment and Building Standards
    - >/= 70M for commercial building integration re: more cost-effective tech.
- $30M for building energy codes program
- $30M for transactive energy and control research and development efforts
- $40M for deep-whole house EE retrofits
- $40M for EE workforce efforts.
- $30M for "energy-related (R&D) in buildings…"
- "The Department is directed to prioritize energy efficiency measures that reduce energy consumption, especially among high energy-burden households within communities of color. The Department is directed further to focus on increasing availability of and access to publicly, individually, and community-owned heat pumps."

E&E News has a great story with a bit more of a diversified digest.

Pres. Biden signed the $847.3 billion National Defense Authorization Act for FY '23 into law. Of interest, the Strategic EV Management Act was incorporated by the US Senate as part of the NDAA. The EVMA is "meant to expand the reuse and recycling of end-of-life electric vehicle batteries in federal fleet vehicles…" calling together the General Services Administration and MB to collaborate with the EPA, battery manufacturers and recyclers to create a strategic plan for reusing/recycling EV batteries as well as providing a report on O&M costs for EVs compared to ICE vehicles.

Sen. Manchin's Permitting Reform effort has effectively run its course, at least for now. Following a rejection by the Senate on December 15 (by 47 - 47 vote), the permitting reform measure was unsuccessfully added as an amendment to the defense

bill. With the House having handed over power, the effort is very likely done for now. As a recap from this article from Vox:

> *Manchin's proposal would speed up infrastructure projects by streamlining NEPA by capping the page length of environmental review reports and setting a maximum time of two years for review. If the federal government takes too long to approve a project, project applicants could take the federal government to court to make them hurry up. The bill would expedite approvals for electrical transmission, ensuring that clean energy can get from where it is produced to where it is needed. Controversially, the bill would also approve the near-complete Mountain Valley Pipeline, a natural gas system from his state of West Virginia.*

Sen. Joe Manchin (D-W.Va.) on Dec. 29 released a letter/press release urging the Department of Treasury to " pause the implementation of the 45W commercial vehicle and 30D new consumer vehicle tax credits until they are able to issue guidance in line with the intent of the Inflation Reduction Act (IRA)." This announcement comes after a Dept. of Treasury report outlining implementation plans for the commercial and consumer EV tax credits. Sen. Manchin stated those implementation plans "bends to the desires of the companies looking for loopholes and is clearly inconsistent with the intent of the law. It only serves to weaken our ability to become a more energy secure nation. It is unthinkable that we still depend on China and Russia for the materials and manufacturing necessary to power our nation in the 21st century and I cannot fathom why the Biden Administration would issue guidelines that would ensure we continue on this path."

Rep. Katie Porter (D-Calif (Orange County), has announced her campaign to Sen. Feinstein's seat. Note: Sen. Feinstein hasn't officially announced her (expected) plans to retire. Politico has a good, brief story on this.

On December 19, Sen. Jeanne Shaheen, D-N.H., and Sen. Rob Portman, R-Ohio, penned a letter to the Biden administration, urging them to quickly update energy efficiency standards for new federally-supported homes (potentially impacting 5.8 million new homes by 2050). Those efficiency standards were last updated in 2009.

On December 13, House Democrats named Rep. Frank Pallone (D-NJ) as ranking Democrat on the House Committee on Energy and Commerce. Rep. Pallone has served as CHairman of the Committee since 2019. Rep. McMorris Rodgers (R-Wash.) will serve as Chair when the Republicans take control of the House.

3. IRA Guidebook

https://www.whitehouse.gov/wp-content/uploads/2022/12/Inflation-Reduction-Act-Guidebook.pdf

In late December, the White House released a Guidebook on the Inflation Reduction Act ("IRA"). The IRA contains roughly two dozen tax provisions intended to save Americans money on their energy bills while advancing clean energy, technology, and

manufacturing deployment. The IRA also contains billions of dollars in clean energy grant and loan programs. The Guidebook is intended to provide a program-by-program overview of the IRA, including eligibility requirements. Though it has been nearly seven months since the IRA was signed into law, its implementation is still in its early phases and is still taking shape. The following information capture just the takeaways from one, small section of the Guidebook.

Making Homes and Buildings Cleaner and More Efficient to Save Consumers Money and Cut Pollution (105)

In this section, the Guidebook covers IRA programs to increase energy efficient ("EE") appliance adoption and to modernize/upgrade buildings to be more affordable, resilient, efficient and electrified. The following programs are categorized under the "Lowering Energy Costs for Households" provisions:

- **Energy Efficiency Home Improvement Credit:** Provides a tax credit for EE improvements of residential homes: 30% of cost with limits for each type of improvement and total per year.
    - $1,200/year for qualified EE improvements/year (e.g. windows, doors, insulation, etc.) and $2,200/year limit for heat pumps.
    - FAQ
    - *See Page 107 of the Guidebook for more.*
- **Residential Clean Energy Credit**: Provides a tax credit for the purchase of residential clean energy equipment, including battery storage with capacity of at least 3 kWh.
    - 30% base credit on the cost of equipment, steps down after 2032.
    - FAQ
    - *See Page 108 of the Guidebook for more.*
- **New Energy Efficient Homes Credit**: Provides a tax credit for construction of new energy efficient homes.
    - Base credit: $2,500 for new homes meeting Energy Star standards; $5,000 for certified zero-energy ready homes. For multifamily, base amounts are $500 per unit for Energy Star and $1000 per unit for zero-energy ready.
    - Bonus credit: For multifamily homes, 5 times the base amount if prevailing wage requirements are met.
    - FAQ (prevailing wage)
    - *See Page 109 of the Guidebook for more.*
- **Home Energy Performance-Based, Whole-House Rebates**: $4.3 billion in grants to state energy offices to develop a whole-house energy saving retrofits program that will provide rebates to homeowners and aggregators for whole-house energy saving retrofits through September 30, 2031.
    - 20% of funds for state administrative/technical uses. The remaining 80% must be used towards eligible equipment that significantly reduces energy consumption in a home or multi-family building.
    - Announcement
    - *See Page 110 of the Guidebook for more.*
- **High-Efficiency Electric Home Rebate Program**: $4.5 billion in grants to state energy offices and Tribal entities to develop and implement a high-efficiency electric home rebate program through September 30, 2031.

    - 20% of funds for administrative/technical uses. The remaining 80% must be used towards rebates for the purchase of high-efficiency electric home appliances.
    - DOE anticipates that the funding to states and Tribes will be available by Spring 2023, and the rebates will be available to the public later in the year.
    - Announcement
    - *See Page 111 of the Guidebook for more.*
- **State-Based Home Efficiency Contractor Training Grants**: $200 million for financial assistance to states to develop and implement a program to provide training and education to contractors involved in the installation of home EE and electrification improvements.
    - The dollars are to be distributed among states through grants. States may use the funding to reduce training costs, provide certification and testing under state programs, and partner with nonprofit organizations to develop and implement state programs.
    - *See Page 112 of the Guidebook for more.*

The following programs are categorized under the "Supporting Investment in Energy-Efficient and LowCarbon Buildings" provisions:

- **Energy Efficient Commercial Buildings Deduction**: Provides a tax deduction for EE improvements to commercial buildings, such as improvements to interior lighting; heating, cooling, ventilation, and hot water; and building envelope. Associated rules are permanent.
    - Base credit: $0.50-$1 per square foot with deduction over four year periods, inflation adjusted. Alternatively, taxpayers can deduct adjusted basis in "qualified retrofit plans" that reduce a building's energy use intensity by at least 25%.
    - Bonus credit: 5x base amount if project meets prevailing wage + requirements.
    - Prevailing wage FAQ | Apprenticeship FAQ
    - *See Page 115 of the Guidebook for more.*
- **Green and Resilient Retrofit Program - Grants and Loans**: $837.5 million in grants and loans to HUD-assisted properties to improve energy or water efficiency, etc. IRA provides up to $4 billion in loan authority.
    - *Owner/sponsors of eligible properties are eligible recipients.*
    - *See Page 116 of the Guidebook for more.*
- **Green and Resilient Retrofit Program - Contracts and Cooperative Agreements**: $60 million to cover expenses of contracts or cooperative agreements administered by the Secretary for the purpose of implementing the Green and Resilient Retrofit Program through September 30, 2029.
    - *See Page 117 of the Guidebook for more.*
- **Green and Resilient Retrofit Program – Benchmarking**: $42.5 million to conduct energy and water benchmarking of HUD-assisted properties, etc. through September 30, 2028.
    - Funding to flow through federally-funded third party contract support.
    - *See Page 118 of the Guidebook for more.*

- **Assistance for Latest and Zero Building Energy Code Adoption**: $1 billion for grants to states or units of local government to adopt updated building energy codes, including the zero energy code through September 30, 2029.
    - State and local governments that have the authority to adopt building codes will be eligible to receive funding.
    - *See Page 119 of the Guidebook for more.*

4. IIJA Guidebook

IIJA/BIL: Guidebook (v2), 459 pp., Guidebook Data, and Data Dictionary

5. EESG Update

The EESG has canceled meetings temporarily, but anticipates reconvening in mid-to-late-January.

Next Meeting

Our next Federal Policy WG meeting will be on Wednesday February 8 at **8:15 am**. Call-in coordinates are below.

Zoom link
Call-in: +13126266799,,83592457581#
Passcode: cedmc2022