COLORADO ENERGY COALITION

Federal Policy Brief on Energy

Priorities

I. Federal Energy Tax Incentives

Request: The Committee requests that Colorado's congressional delegation maintain existing energy tax treatments. Colorado's energy industry experienced 61 percent employment growth between 2005 and 2016, in fact over that ten year period fossil fuels employment grew 51 percent and cleantech employment grew 81 percent. Maintaining the current suite of federal tax treatments provides significant support to Colorado's diverse energy economy, while also providing businesses the stability to plan investments, allocate capital, and implement effective growth strategies. If Congress considers comprehensive tax reform, we ask that Colorado's delegation initiate a process to comprehensively identify all energy tax treatments, incentives, deductions, and otherwise—through the General Accountability Office (GAO) or other office—to properly inform legislators about the benefits of these incentives.

II. Research and Development

Request: The Committee requests that Colorado's congressional delegation defend and support robust federal research and development (R&D) funding opportunities for domestic energy production and energy efficiency technologies. We further request that the delegation work together to support energy-related R&D at Colorado's federal laboratories and research universities in order to maintain our leadership in developing and commercializing the world's next generation energy technologies.

III. Endangered Species Act

Request: The Committee requests that Colorado's congressional delegation seek opportunities to amend the Endangered Species Act (ESA) to enhance its functionality in two specific ways: (1) expand flexibility and cooperation among federal agencies, states, local governments, and private landowners when listing a species, generating recovery plans, or delisting species; and (2) establish scientific transparency requirements to better inform the public about the science behind agency decisions.

Introduction

The Metro Denver Economic Development Corporation (Metro Denver EDC) is a regional economic development entity committed to supporting and expanding the economy of the nine-county Metro Denver and Northern Colorado region.

Recognizing the robust, vital, and beneficial role of the energy industry in the region and throughout the state of Colorado, the Metro Denver EDC formed the Colorado Energy Coalition (CEC) as a diverse organization representing all sectors of the energy industry, including but not limited to fossil fuels, renewable resources, energy efficiency, construction, and conservation. CEC members represent various aspects of the energy industry, including: utilities, project development, finance, law, government, education, economic development, and the workforce system.

Consistent with its mission to promote Colorado as the "Balanced Energy Capital of the West," the CEC works to support the success of and promote responsible economic development in Colorado's entire energy industry. To that end, the CEC Public Policy Committee has two primary functions:

- ✓ To serve as an industry sounding board for local, state, and federal energy policy issues to inform the decisions of the Metro Denver EDC and the Denver Metro Chamber of Commerce.

- ✓ To produce an annual *Federal Policy Brief on Energy* to inform and assist Colorado's congressional delegation. The *Federal Policy Brief* emphasizes cross-cutting policy priorities that will strengthen Colorado's energy industry. This year marks the fourth edition of the Public Policy Committee's annual brief.

This document is developed by the CEC's Public Policy Committee members in coordination with the Metro Denver EDC staff. Members of the Public Policy Committee are:

- Sam Knaizer – Director Government and Public Affairs – Colorado, BP US Lower 48, BP America Production Company *(Committee Chairperson)*
- Rachel Bannon-Godfrey – Director of Sustainability, RNL Design
- Lisha Burnett – Stakeholder Relations, Suncor Energy USA, Inc.
- Jon Chase – Vice President of Public Affairs Americas, Vestas
- Tom Dougherty – Attorney, Lewis Roca Rothgerber Christie LLP
- Chris Hansen – Principal, Hansen Advisors, LLC
- David Hiller – Executive Director (Retired), Colorado Energy Research Collaboratory
- Glenn Johnston – Vice President Regulatory Affairs, Gevo Inc.
- Jennifer Jones – Public Affairs Director, Denver Metro Chamber of Commerce
- Aimee Leatherman – Market Development Manager, Renewable Energy Systems (RES)

- Amy Robertson – Government Relations Advisor, Tri-State Generation and Transmission Association, Inc.
- Brian Miller – Director of U.S. Onshore Government Relations and Communications, Noble Energy, Inc.
- Heidi Morgan – Manager Colorado Government Affairs, Black Hills Energy
- Scott Prestidge – Energy Industry Director, Metro Denver Economic Development Corporation
- Bruce Ray – Director of Government and Regulatory Affairs, Johns Manville
- Kirk Scheitler – Manager of Policy and Outreach, Xcel Energy
- Jennifer Webster – Director of Government and Public Affairs, Pioneer Natural Resources, Inc.
- Lisa Winn – Regional Public and Government Affairs manager Western Division, ExxonMobile/XTO Energy

In developing the annual Federal Policy Brief, the CEC Public Policy Committee follows four criteria that guide prioritization of current energy policy initiatives:

- ✓ Priority policies should be low-cost, having little to no impact on the federal budget.
- ✓ Priority policies should garner bipartisan support.
- ✓ Priority policies should have specific action items that are either achievable in the short term or advance long-term initiatives.
- ✓ Priority policies should have a clear, articulable Colorado connection.

These criteria are used to identify and evaluate potential federal energy policy priorities for inclusion in the annual policy brief. In addition to Committee member expertise, input is provided by a variety of energy industry, government agency, and external policy stakeholders as needed.

The *Federal Policy Brief on Energy* lists the priorities for the 2016-2017 timeframe and references a handful of Watch List items at the end of the report that the committee will monitor.

Policy Priorities

I. Federal Energy Tax Incentives

Request: The Committee requests that Colorado's congressional delegation maintain existing energy tax treatments. Colorado's energy industry experienced 61 percent employment growth between 2005 and 2016, in fact over that ten year period fossil fuels employment grew 51 percent and cleantech employment grew 81 percent. Maintaining the current suite of federal tax treatments provides significant support to Colorado's diverse energy economy, while also providing businesses the stability to plan investments, allocate capital, and implement effective growth strategies. If Congress considers comprehensive tax reform, we ask that Colorado's delegation initiate a process to comprehensively identify all energy tax treatments, incentives,

deductions, and otherwise—through the General Accountability Office (GAO) or other office—to properly inform legislators about the benefits of these incentives.

Background: The federal government has a long history of incentivizing the advancement of domestic energy production. From fossil fuels, nuclear energy, and hydropower, to renewable energy and energy efficiency, it is important that the federal government promote the development and utilization of domestic energy sources and technologies. Tax incentives and treatments are a particularly valuable tool for Colorado energy companies and include, but are not limited to:

- Production Tax Credit (PTC)
- Residential Energy Efficiency Credit
- Investment Tax Credit (ITC)
- Alternative Fuel Mixture Credit
- Percentage Depletion Deduction
- Energy-Efficiency New Homes Credit
- Domestic Manufacturing Deduction
- Intangible Drilling Cost (IDC) Deduction
- Research & Development Credit
- Accelerated Depreciation

It is critical to Colorado's diverse energy economy that Congress maintain these tax treatments so that businesses have the stability to plan effective investment and growth strategies. If Congress moves to complete comprehensive tax reform, that stability could be jeopardized, unless the legislative effort includes a full study of existing energy-based tax treatments to better inform the process.

II. Research and Development

Request: The Committee requests that Colorado's congressional delegation defend and support robust federal research and development (R&D) funding opportunities for domestic energy production and energy efficiency technologies. We further request that the delegation work together to support energy-related R&D at Colorado's federal laboratories and research universities in order to maintain our leadership in developing and commercializing the world's next generation energy technologies.

Background: Colorado is home to 30 federal research laboratories, such as the National Renewable Energy Laboratory (NREL), National Oceanic and Atmospheric Administration (NOAA), National Institute of Standards and Technology (NIST), and National Center for Atmospheric Research (NCAR). It is also home to high-quality research universities, such as the University of Colorado, Colorado State University, and Colorado School of Mines. As a result of these assets, Colorado is a hotbed of innovation, and federal support is vital for continued success.

The economic impact of our federal research laboratories begins to reveal their significance to Colorado's economy. There are over 7,500 employees working at Colorado laboratories providing an annual economic benefit of more than $2 billion, but the benefits do not stop there. Colorado's federal laboratories serve as a magnet for innovative companies, drawing highly educated individuals to our workforce, and fueling countless technological advancements.

As national leaders in energy R&D, Colorado's research universities provide an equally important role, pushing the innovation envelope in a number of areas.

The Colorado School of Mines (Mines) manages multiple centers and institutes conducting groundbreaking research, such as the Colorado Fuel Cell Center which is working on fuel-cell development and commercialization. Furthermore, Mines' Colorado Materials Institute is designated as an Energy Innovation Hub for the U.S. Department of Energy. This Hub is working to reduce supply chain risks for materials critical to clean energy technologies, including more-efficient manufacturing, re-use, and recycling. Finally, Mines' Center for Experimental Study of Subsurface Environmental Processes is another important resource, conducting research around carbon capture and sequestration technologies.

Colorado State University's (CSU) Powerhouse Energy Campus is also pushing the envelope in energy R&D. CSU's research includes evaluating technologies to improve the development of algae-derived biofuels, engine emissions and efficiencies, clean energy microgrids, as well as methane measurement research to better inform and improve methane capture processes at natural gas gathering stations and compressor stations.

The University of Colorado (CU) and its Renewable and Sustainable Energy Institute (RASEI) are also conducting significant energy research, focusing on synthetic fuels and materials, energy storage and electric grid utilization, nanotechnology for energy capture and conversion, as well as photochemical production of hydrogen and solar thermal production of hydrogen.

These summaries represent a fraction of the innovative energy research taking place in Colorado. Research that not only advances the boundaries of energy technology, but also attracts additional outside capital from industry, foundations, and other federal research funding that would not otherwise occur. For example, the Colorado Energy Research Collaboratory, a partnership program supported by NREL, Mines, CU, and CSU, leveraged $8 million in funding to attract an additional $97 million between 2008 and 2015. According to recent analysis conducted by the CU Leeds School of Business, those funds subsequently circulated in Colorado's economy and led to a total economic impact of $193 million.

Stable, long-term funding for the energy research at Colorado's universities and federal laboratories will allow Colorado to maintain its leadership in developing and commercializing the world's next-generation energy technologies, as well as to continue attracting some of the world's great energy companies to our state.

III. Endangered Species Act

Request: The Committee requests that Colorado's congressional delegation seek opportunities to amend the Endangered Species Act (ESA) to enhance its functionality in two specific ways: (1) expand flexibility and cooperation among federal agencies, states, local governments, and

private landowners when listing a species, generating recovery plans, or delisting species; and (2) establish scientific transparency requirements to better inform the public about the science behind agency decisions.

Background: The Endangered Species Act (ESA), enacted in 1973, is an important tool for preventing the extinction of species. However, with only 1 percent of listed species recovering to the point of being delisted, improvements must be considered.

The federal/state relationship is an area ripe for collaboration. States are accomplished partners in the management of wildlife within their borders, yet their expertise after decades of work is often undervalued.

Section 6(a) of the ESA states, "In carrying out the program authorized by the Act, the Secretary shall cooperate to the maximum extent practicable with the States." An intrinsic relationship between states and federal agencies in management of ESA objectives is critical to recovering endangered species. In order to fulfill this objective, increased federal/state consultation should occur with both new and existing wildlife management practices.

Improved functionality of Section 6 would lead to more efficient wildlife management in the Rocky Mountain West, and in particular Colorado. That improvement should come in at least two specific ways. First, the U.S. Fish and Wildlife Service (USFWS) should enhance flexibility and interagency collaboration among federal agencies, states, local governments, and private landowners, as they all have important roles to play in species recovery. The current lack of interagency collaboration between USFWS and other stakeholders leads to unnecessary delays in species management and recovery and leaves substantive state resources out of the process. Second, scientific transparency is crucial to rebuilding public trust and unifying recovery strategies. USFWS should openly release and discuss the scientific basis as well as the economic impact of proposed listing decisions and recovery plans so states and communities can better prepare for related impacts. The current standard by which this information is acquired is untenable, and frequently involves cumbersome Freedom of Information Act (FOIA) requests.

In Colorado, the impact of ESA policies on our diverse energy economy are common. The Gunnison Sage-Grouse, Preble's Jumping Mouse, and Colorado Hookless Cactus are just three examples where ESA processes not only limit wind, solar, oil, and natural gas development, but also hinder maintenance schedules for existing transmission lines and other utility infrastructure. As a result, it is imperative that Congress enhance interagency collaboration to more effectively balance ESA's conservation goals with domestic energy production and security objectives.

Maintaining ESA's integrity and ensuring that goals of the Act are achieved, namely to protect and recover listed species, is important to our state. However, after decades of administration of the Act, improvements are imperative.

Policy Watch List

The Colorado Energy Coalition's (CEC) Public Policy Committee surveys the broader CEC membership at the beginning of each year to identify common policy concerns. After vetting these common concerns, and after reaching unanimous agreement by committee members, a narrow list of policy priorities is identified. While not included as priorities in the annual brief, there are issues that the Committee assigns to an internal Watch List. These issues are monitored and the Committee will weigh-in as appropriate. Watch List items are below:

- **Energy Policy Modernization Act of 2016** – This is the most significant energy legislation taken up by Congress in a decade. The conference committee failed to finalize a package in the 114th Congress, but it will be a discussion item going forward. The Colorado Energy Coalition Committee will monitor emerging language to determine how it may impact Colorado's energy economy.
- **Equal Access to Justice Act (EAJA)** – Enacted in 1980, EAJA allows those with limited resources who bring successful citizen lawsuits against federal agencies to recover costs incurred. The Committee believes the original intent of the law was critically important. However, changes to reporting rules in the mid-1990s led to abuses in today's application and transparent reporting improvements are urgently needed. The Committee would like to see bipartisan legislation introduced in the 115th Congress to address this issue.
- **Master Limited Partnerships (MLPs)** – Companies may take advantage of this favorable tax treatment for the production, processing, and transportation of oil, natural gas, and coal. Expanding MLP qualifications to include renewable energy projects and transmission infrastructure projects may prove valuable. The Committee would like to see bipartisan legislation introduced in the 115th Congress to address this expansion.
- **Price on Carbon** – Efforts to establish a price on carbon are contentious and could have positive or negative effects on Colorado businesses depending on the framework of such a system. If the 115th Congress begins a conversation about setting a price on carbon, the Committee would like states, utilities, and business included throughout the discussion.
- **Public Utilities Regulatory Policies Act (PURPA)** – Enacted in 1978, PURPA was meant to promote energy conservation and greater use of renewable energy from non-utility power producers. Widespread growth of state renewable energy standards and energy conservation policies may have effectively addressed many of the goals PURPA was enacted to accomplish. The Committee would like the 115th Congress to explore the contemporary relevance and application of PURPA.