Top 5 Issues for 2013: Energy and Environment

By Brydon Ross

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CSG Director of Energy and Environmental Policy Brydon Ross outlines the top five issues for 2013, including the future of coal, Clean Water Act legal actions, energy infrastructure hardening, managing the energy wave, and EPA air regulations.

The Future of Coal
The precipitous decline of coal-fired power in the nation’s electricity generation has been stunning. A combination of historically cheap prices for once expensive natural gas and a series of stringent EPA air regulations will create new challenges to the coal industry and the states that rely on it for power and revenue—especially severance taxes. Although coal is still the largest source of electric power for the country, federal data showed that last year’s warm winter and historically cheap natural gas prices has led to increased fuel-switching by utilities to meet baseload requirements. In addition, tough rules issued by the EPA to improve air quality could accelerate the decline of coal in the nation’s energy mix. Domestic market and regulatory limits have many in the mining industry looking to overseas export markets, and the industry is expected to break export records by the end of 2012.

Clean Water Act Legal Action and States
2013 is shaping up to be a big year for water issues in the states. The U.S. Supreme Court has heard oral arguments on two cases that deal with stormwater runoff. CSG has supported friend of the court briefings in Decker v. Northwestern Environmental Defense Center and L.A. County v. Natural Resources Defense Council. At issue in the Decker case is whether states will be required to obtain a Clean Water Act permit for ditches and channels on the logging road they manage. In L.A. County v. Natural Resources Defense Council, CSG’s brief urges the court to uphold a precedent affirming that transporting water between two sections of the same water body does not constitute a discharge requiring a federal permit. Policymakers also will be following the outcome of ongoing litigation forcing the EPA to set “numeric nutrient” standards to manage runoff linked to hypoxic or dead zones in the Gulf of Mexico, and the current interim guidance used by federal regulators to determine jurisdiction under the Clean Water Act.

Energy Infrastructure Hardening
The Northeast and mid-Atlantic states are still feeling the toll of Hurricane Sandy, with total insured losses exceeding $20 billion. Tens of thousands of people were still without power weeks after the storm, prompting many customers to push for greater resiliency in the electric power systems.
Upgrades like burying power lines, however, are extremely expensive, costing more than $2 million a mile in urban areas, according to industry estimates. Many states are likely to consider new requirements for electric generators at critical infrastructure points—including key gas stations—to prevent future fuel shortages, as well as grapple with the high cost of repairing energy infrastructure.

**Effectively Managing the Energy Wave**
Domestic crude oil production surged to a 15-year high in the fall of 2012. A high-profile report issued by the International Energy Agency estimated the U.S. could become a net exporter of natural gas by 2020, and essentially energy independent by 2035. Expanded horizontal drilling and hydraulic fracturing is occurring in many rural areas unaccustomed to the strain put on local roads, housing, schools and infrastructure. States should be prepared for the cyclical nature of energy price fluctuations and think carefully about the impacts newfound oil and gas revenue will have both in good times and lean budget years.

**More EPA Air Regulations**
State policymakers should be on the lookout for potential final rulemakings from the EPA related to ozone, greenhouse gas emissions from fossil fuel plants and particulate matter emissions. Public health and environmental groups have strenuously pushed for the new rules, which they contend will help prevent thousands of deaths and respiratory illness annually, but industry groups have opposed them due to their potential economic impact.

For more information on these topics and for additional resources on energy and environmental policy, see [www.csg.org/top5in2013](http://www.csg.org/top5in2013).

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