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# Implications of IRA and Manchin's Permitting Bill

## IECA Annual Meeting

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**IRA:** Big money, but no targets, deadlines, mandates or enforcement mechanisms.

**Permitting Reform:** Aspirins, not antibiotics.

## IRA: The Bill That Modeling Brought You



**Modeling** says \$369 billion in total clean energy spending

**Modeling** says GHG reduced by 40% from 2005 baseline

**Modeling** says renewable capacity additions grow by ~2x every year

**Modeling** says 1100 GW added capacity wind & solar (Jenkins)

**Modeling** says 11 tcf power gen demand for nat gas possibly backed out by 2035 when when power is 100% renewable

***Problems in modeling*** are (1) permitting delays; (2) transmission congestion; (3) interconnection queue; (4) supply chain disruptions; (5) inflation; (6) interest rates; (7) local restrictions; (8) global oil and gas market disruptions due to Ukraine War

## Key Features of the IRA (Tax Provisions Only)



Core Clean Electric Generation Tax Credits	130
<i>Core Clean Electric Includes Storage</i>	
Decarbonization via CCS and Hydrogen	3
Clean Hydrogen	13
Nuclear Production Tax Credit:	30
Clean Manufacturing Capacity	37
Electric Vehicles and Charging	14
Advanced Biofuels	37
<b>Total</b>	<b>264</b>

Source: Joint Committee on Taxation, Capital Alpha Estimates

## Surprises in the IRA



“Direct Pay” boosts tax exempt entities

Clean Energy Tax Credits Last More Than 10 years

Large Public Oil and Gas Producers Are Winners

Marginal Oil and Gas Producers Face Increased Costs, Shut-in

Advanced Ethanol Qualifies for Tax Credit Sooner

Restrictions on EV Tax Credit (But Other EV Support Robust)

No Transmission ITC

## Implications for EPA Climate Rules



In general, strong subsidies support strong regulations by EPA

- + Regs are more economically feasible
- + EV subsidies make stronger CAFE standards more defensible

Budget reconciliation addresses taxes and direct spending only

- + Calling carbon dioxide a pollutant in appropriations language does not automatically make carbon dioxide a criteria pollutant for NAAQS purposes under CAA Sec 108 and 109

## The CLEAN Future Act



### Federal net zero mandate

- + State net zero mandate
- + FERC gets carbon pricing authority
- + Paris targets legally binding

### Sector by sector decarbonization, economy-wide

- + Renewable Fuel Standard becomes Low Carbon Fuel Standard
- + Modeled on state net-zero mandates such as California, New York, Illinois, and Massachusetts

Consistent with Clean Electricity Standard (CES), administrative carbon pricing

## Manchin Permitting Bill



Another leadership bill with no text yet

- + No public hearings, no regular order

Plausible chances of passage depend on wording

Are Progressives trying to block, or bargaining?

- + Need at least 11 Republicans
- + Might it slip to lame duck if a glitch?



## Possible Elements of Manchin Bill



Designate at least 25 projects of **“Strategic National Importance”**

Set timelines for permitting reviews, including two-year NEPA max for major projects

One year shot-clock on **CWA Sec 401** review; other Sec 401 reforms

**Litigation reforms:** (1) statute of limitations; (2) 180 day deadline for agency action on remand; (3) random assignment of judges for all federal courts.

Federal eminent domain for **electric transmission?** Or just enhanced siting?

FERC jurisdiction for **hydrogen infrastructure**

Permit the **Mountain Valley Pipeline** by Act of Congress? Amend the Natural Gas Act to move jurisdiction over MVP (and what else?) to DC Circuit

## Will this work?



### Treating Root Causes

- + Scope of NEPA review
- + Endangered Species Act
- + Clean Water Act

### Defining the problem

- + Bureaucratic bungling?
- + Sophisticated litigators and accommodative courts?
- + Who enforces deadlines?

*Can Manchin bill shield against active opposition?*

## Infrastructure Permitting and the Mountain Valley Pipeline



Sen. Joe Manchin's side deal is a bill on permitting reform that would also fully permit the Mountain Valley Pipeline, a 2 bcf/d pipe that will move Marcellus and Utica gas into Southern Virginia and North Carolina via its Southgate expansion.

The permitting bill would be linked to the September 30 continuing resolution and would need ten Republican votes to pass the Senate.

In fact, we doubt the bill will pass, but we think MVP has a good chance of being finished regardless. Pipeline approvals are an endurance contest: Manchin has made investors more confident the pipe will eventually be completed. EQT is more committed to MVP than Dominion and Duke were to the Atlantic Coast Pipeline. It's a central strategic objective.

What's next? **Look for the revised Biological Opinion from the Interior Department's Fish and Wildlife Services.** This is a critical determination on Endangered Species Act issues. It's already late. We could see it before the Senate vote.



Source: Pexels.com



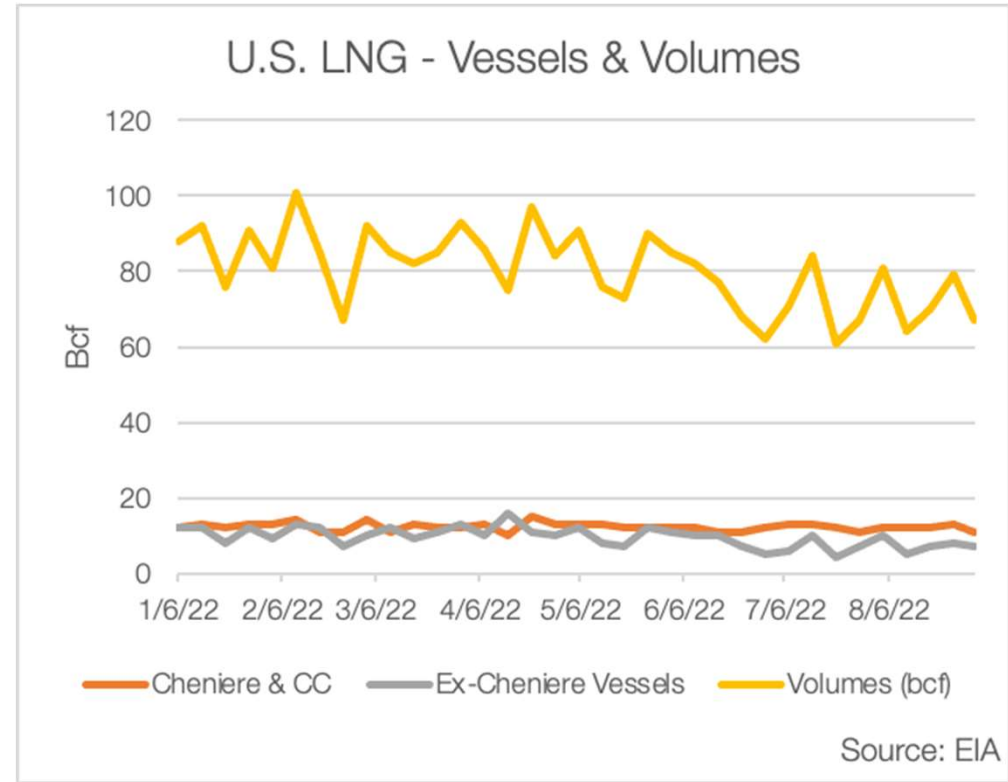
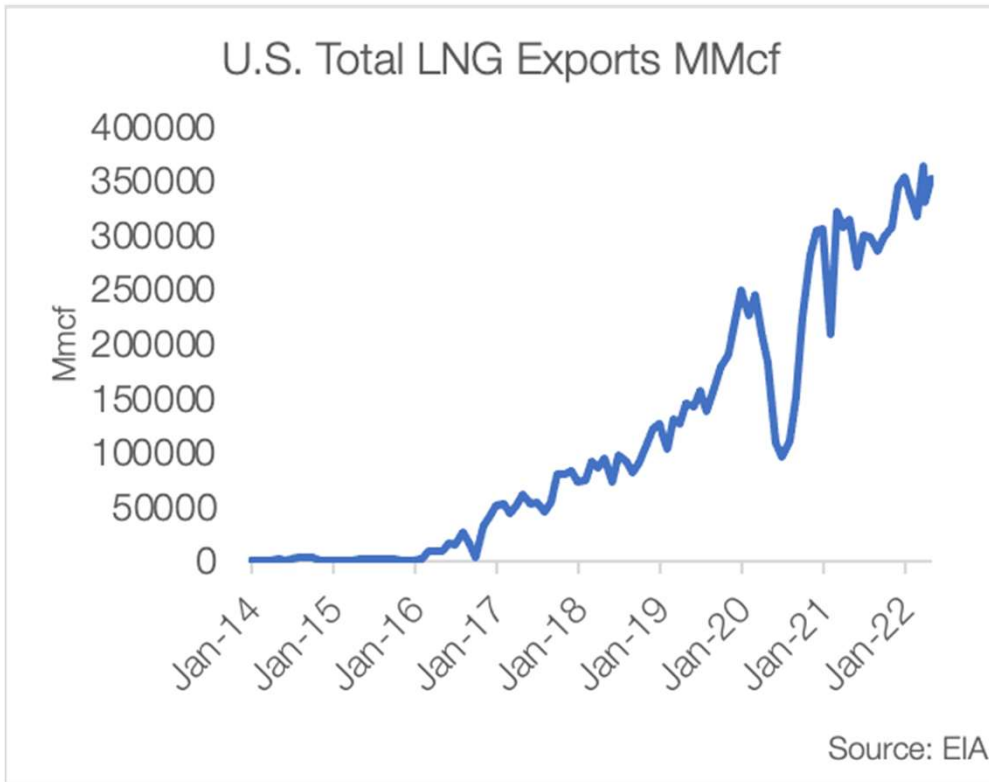
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# Looking Forward: Key Dates

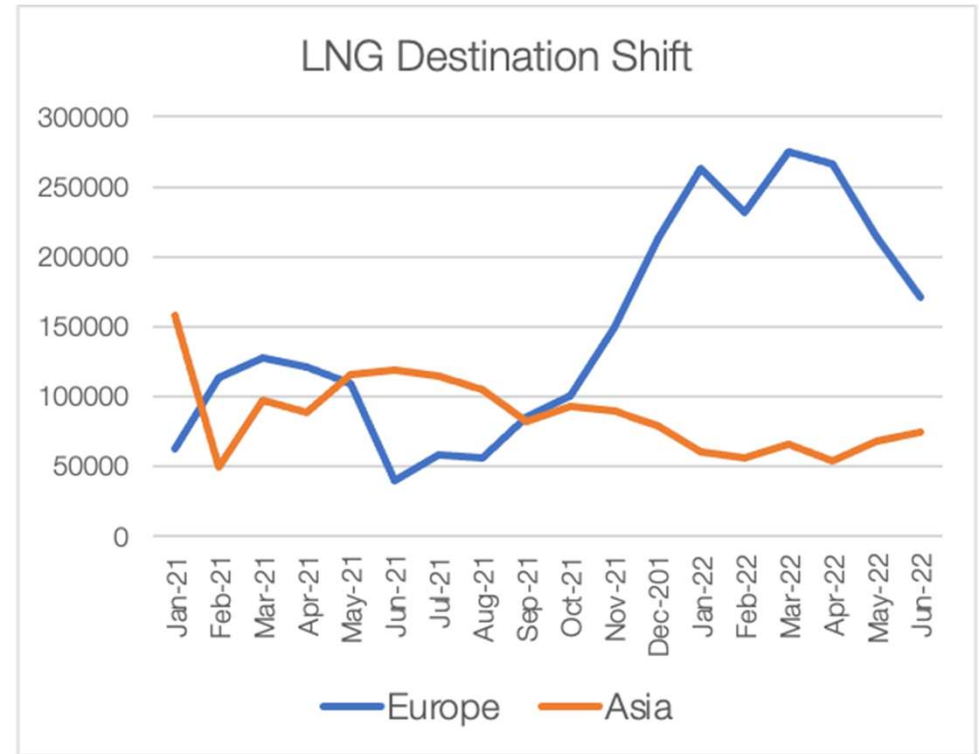
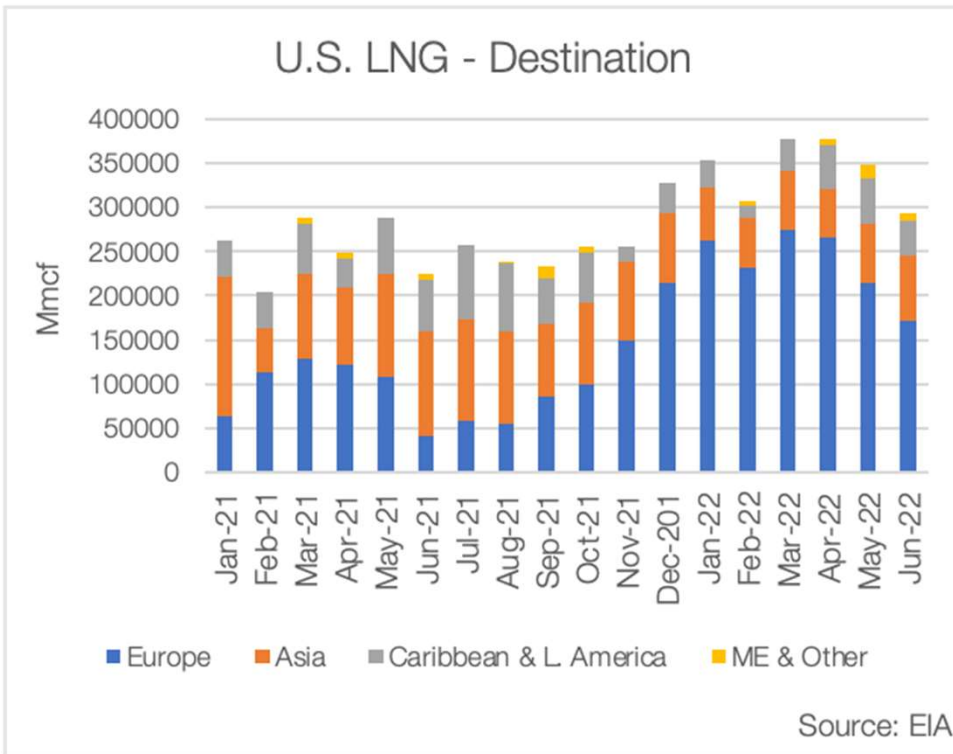


Date	Comment
August 31-Mid Sept	California clean energy legislation: Will Gov. Gavin Newsom insist on CCS?
September 2	White House, G-7 countries may release details on global price cap for Russian oil
September 5	Cheniere settlement with EPA over turbine NESHAP due. Expect extension of time to comply, no interruption at Cheniere facilities.
September 30	Congress considers Sen. Joe Manchin permitting bill which would approve Mountain Valley Pipeline. We don't think legislation is necessary to secure completion of the pipeline.
September 30	SPR releases end
October 1	Approximate date for proposed methane "supplemental" rule. The proposed rule is undergoing final review at OMB. The supplement will provide insight into technical details.
November 8	Midterm Elections. The elections will be more competitive than expected, we believe. Democrats have a chance of holding their Senate majority.
November 15	One year anniversary of the Bipartisan Infrastructure Law (Infrastructure Investment and Jobs Act). Look for CCS and Hydrogen announcements.
November 16	Settlement deadline for the Renewable Fuel Standard (RFS) "Set Rule" to cover 2023-2025. The first time EPA sets targets without statutory guideline. Look for slow evolution, first EPA guidance on e-Rins.
November-December	Post-election session of Congress. Some energy issues may be addressed.
November-December	Industry groups may petition Treasury for temporary waiver of EV tax credit sourcing rules.

# U.S. LNG Flows Decreasing with Freeport Offline



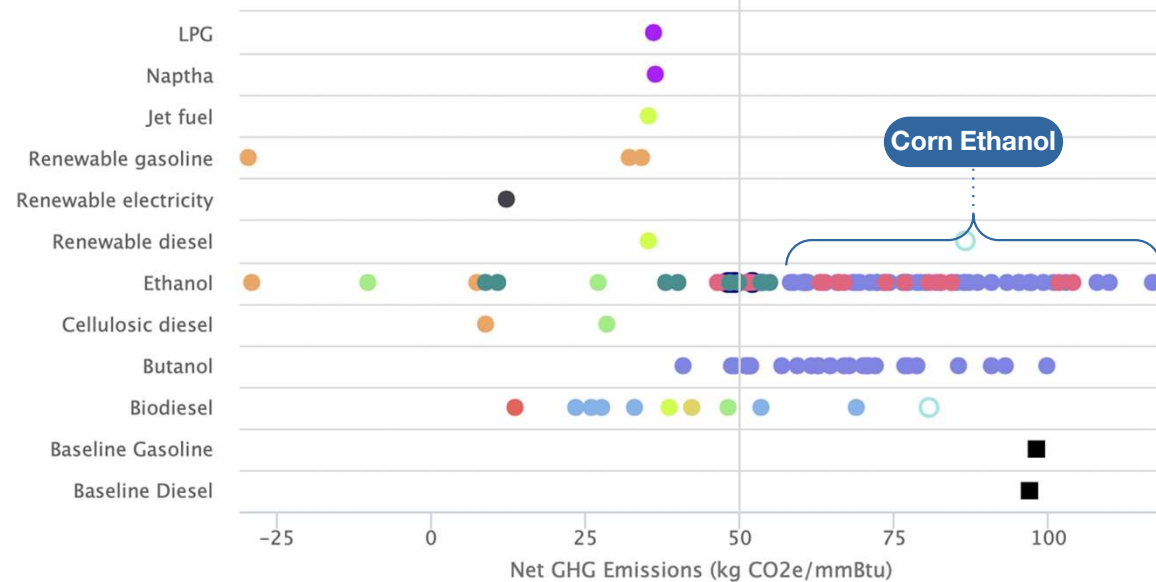
# Europe Remains Primary Focus But Asia Demand Rising



# Some Ethanol Could Qualify for Clean Fuel Tax Credit

## Lifecycle GHG Emissions by Feedstock and Fuel Type

(Click in the Legend to View Results by Feedstock)



- Algal oil
- Barley\*
- Biogas from landfills
- Canola oil
- Cellulose from corn stover
- Corn starch
- Distillers corn oil
- Distillers sorghum oil
- Grain sorghum
- Palm oil\*
- Soybean oil
- Sugarcane
- Switchgrass
- Yellow grease
- Petroleum

Source: EPA, <https://www.epa.gov/fuels-registration-reporting-and-compliance-help/lifecycle-greenhouse-gas-results>

The clean fuel tax credit is available in 2025 for transportation fuel with lifecycle emissions less than 50kg CO2e/mmBTU. Currently, only a small amount of “advanced biofuels” qualify. These include sugar ethanol, with lifecycle emissions of 48kg CO2e/mmBtu. Emissions from conventional corn ethanol start at around 60kg CO2e/mmBtu, according to EPA figures. But CCS and changes in GHG accounting methodology could help more corn qualify.



## The RFS “Set” Rule



- + For the first time, EPA will set Renewable Volume Obligations (RVO) without reference to a statutory mandate from Congress.
- + The set rule was due November 1, 2021. The proposed rule is now due November 16 due to a consent decree. The final rule will come in June 2023.
- + The proposed rule will cover 2023, 2024, and 2025. Expect status quo with small changes that point to future directions in policy. EPA may have to adjust levels for 2024 and 2025 later.
- + For the first time, EPA will present a path to e-Rins. But in what bucket?

### RINS

Total renewable volume will be around 20 billion gallons per year. As usual, EPA will probably specify a higher level of conventional ethanol than is physically possible for the market to absorb, relying on biodiesel RINs to make up the difference. This puts pressure on biodiesel feedstocks and soybean prices.

### Grow the RFS

The EPA is under intense political pressure to “grow” renewable fuel volumes by pushing conventional ethanol beyond the 15 bgy level regardless of the blend wall, and despite the shrinking gasoline pool.

### Demand

Gasoline demand is a major variable. If demand remains low, relative to prior projections, the lack of gasoline to absorb the ethanol RVO will raise the price of compliance RINs, raise the price of biodiesel RINS, encourage gasoline exports, and increase the RIN price burden for refiners.

### Future Policy

The ethanol lobby wants the EPA to order a permanent increase in the blend level from E10 to 15, but EPA lacks statutory authority to do this. The EPA also lacks statutory authority to transform the RFS into an LCFS. The proposed rule may provide information on how the EPA plans to calculate lifecycle emissions and drive lifecycle emissions lower.

## Methane Supplemental Expected by October

The “supplemental” will contain the real substance of the rule and a proposed regulatory text. It will reflect comments and new information gathered since the “proposed rule,” which was really more of a request for information or “Notice of Proposed Rulemaking” rather than a formal proposal.

The text of the supplemental has been completed at EPA and is now under final review by the White House. The review is conducted by the Office of Information and Regulatory Affairs (OIRA) in the Office of Management and Budget OMB). The Unified Regulatory Agenda lists a target date of October for the release of the Supplement. The final rule, once comments are completed, would be due by June 2023 but could come later.

The supplemental is expected to include the following elements: 1) how to use alternate technologies to detect and curb emissions, 2) limits on flaring excess gas, 3) emissions from abandoned wells; 4) pipeline emissions control and; 5) boosting community monitoring for large emission events.

Points of controversy include: 1) compliance deadlines; 2) mandatory use of wide area optical imaging to monitor emissions; 3) community or third-party monitoring; 4) the likely high cost of compliance for abandoned, low-producing or marginal wells; 5) the disproportionate impact on smaller businesses. The rule will likely be litigated on many substantive legal and procedural points.

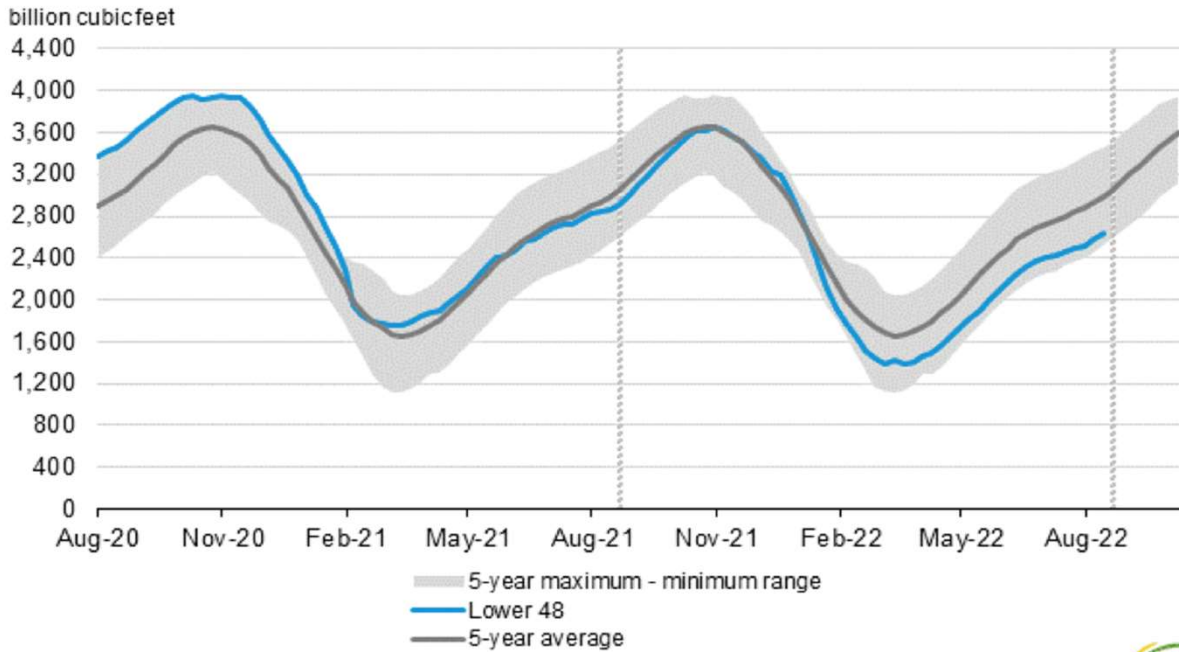
The final methane rule will cover all sources, but the federal rules apply directly only to “New Sources.” The states develop their own rules for “Existing Sources,” though these rules must follow federal guidelines. It could be several years before state rules for existing sources go into effect – which is why the IRA applies a methane fee to existing sources.



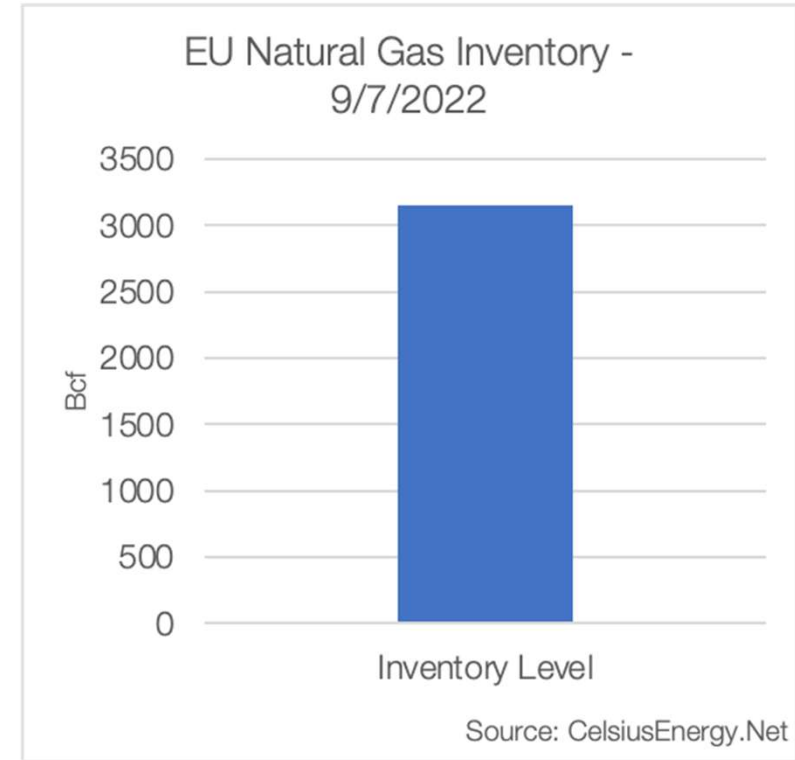
Source: Pexels.com

# Natural Gas Inventories Looking Better for Winter

Working gas in underground storage compared with the 5-year maximum and minimum



Source: U.S. Energy Information Administration

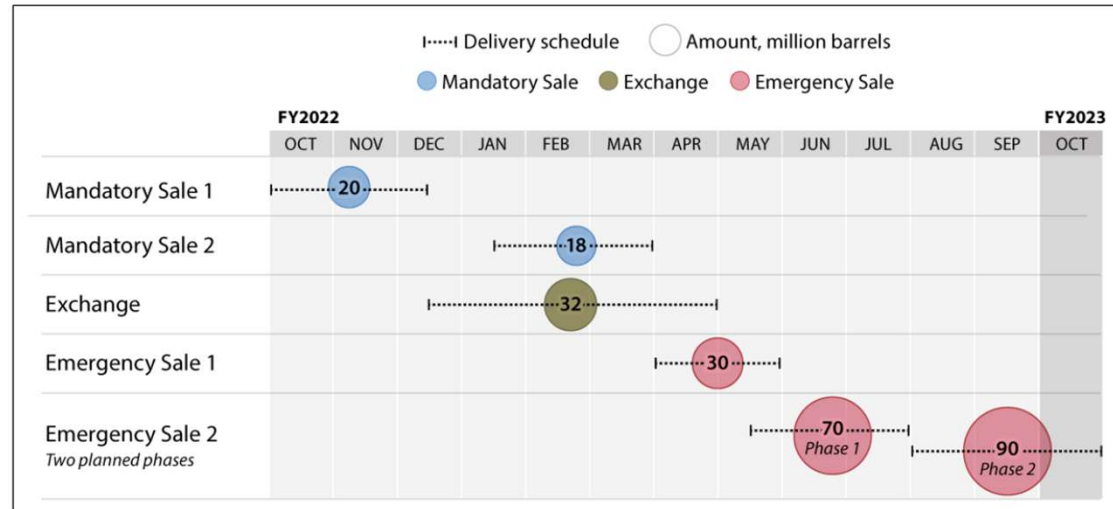


Source: CelsiusEnergy.Net

# SPR Releases Ending Soon



**Figure I. SPR Oil Releases**  
October 2021–October 2022

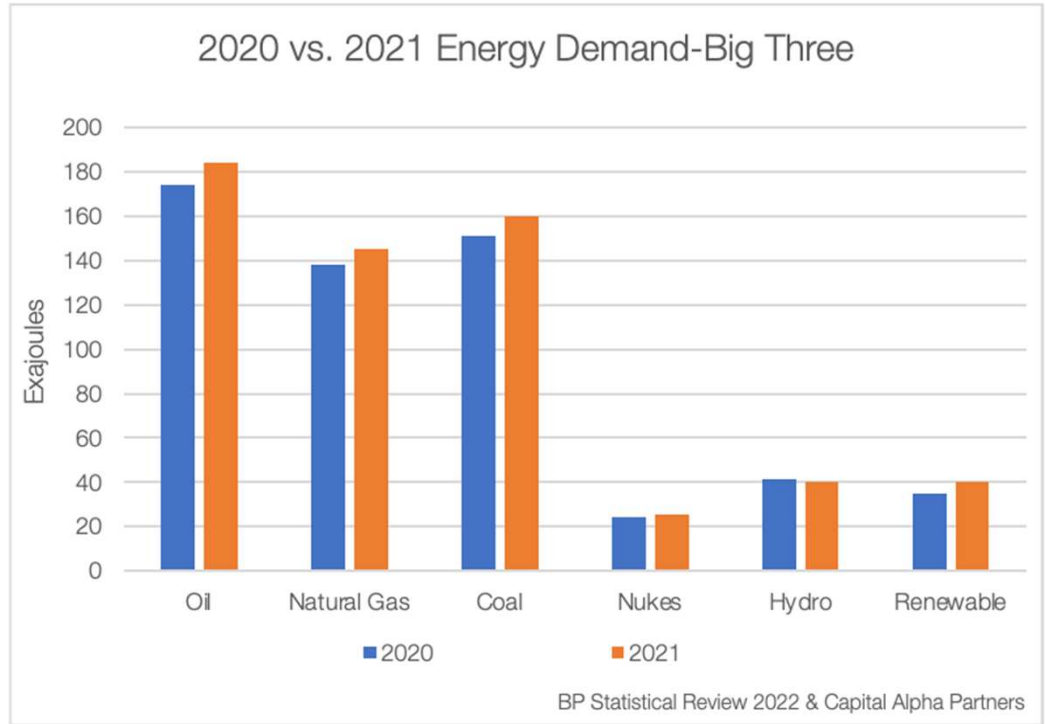
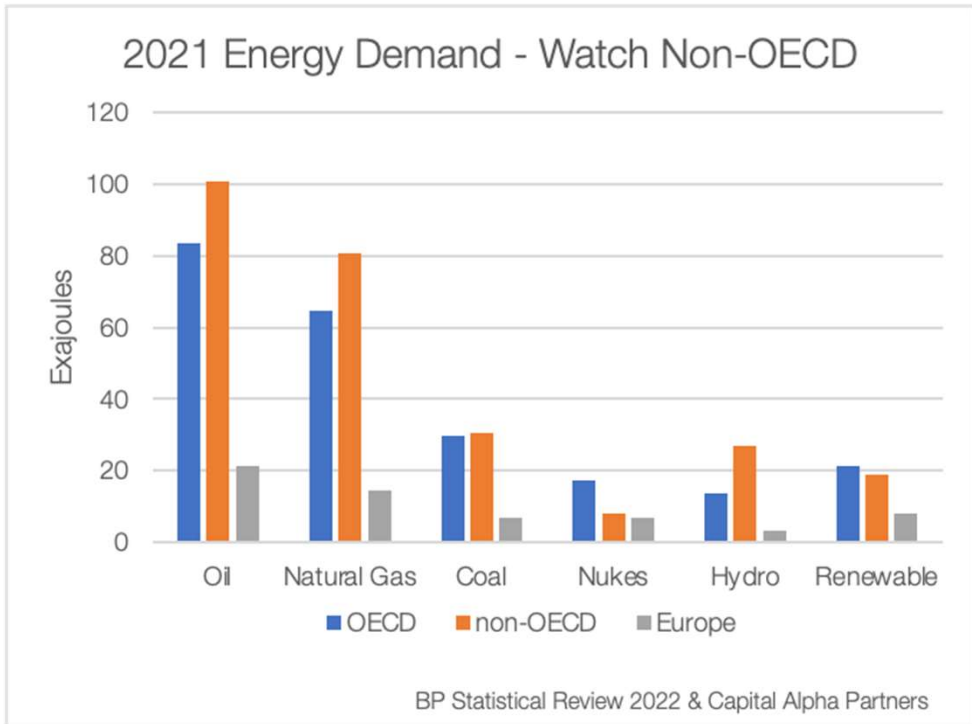


**Source:** CRS, information from Department of Energy announcements.

**Notes:** Schedules include early delivery options.

- + The massive U.S. SPR releases are coming to an end this fall based on the 180 mn bbl release announced in April and 30 mn bbl announcement in March. Current SPR level is down to 453.1 mmb vs. 621.3 mmb a year ago.
- + Resumption of exports from Libya and any deal with Iran could pick up the slack, we believe.
- + Russian supply and exports remain resilient but markets will remain disrupted.
- + The U.S. grows its net exporter role for both crude and petroleum products despite pressure to ban exports.

# Global Energy Trends - Watch Non-OECD & Big Three Market Share



# U.S. Growing its Share in Global Gas Market

