

INTERIM JOINT COMMITTEE ON NATURAL RESOURCES AND ENERGY

Minutes of the 7th Meeting of the 2018 Interim

December 14, 2018

Call to Order and Roll Call

The 7th meeting of the Interim Joint Committee on Natural Resources and Energy was held on Friday, December 14, 2018, at 11:00 AM, in Room 154 of the Capitol Annex. Representative Jim Gooch Jr., Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Jared Carpenter, Co-Chair; Representative Jim Gooch Jr., Co-Chair; Senators C.B. Embry Jr., Ernie Harris, John Schickel, Brandon Smith, and Johnny Ray Turner; Representatives Larry Brown, McKenzie Cantrell, Tim Couch, Jeffery Donohue, Myron Dossett, Chris Fugate, Angie Hatton, Dennis Keene, Reginald Meeks, Suzanne Miles, Robby Mills, Rick G. Nelson, Jim Stewart III, and Jill York.

Guests: Michael J. Nasi, Partner, Jackson Walker LLP and Daniel J. Elliott, President and Chief Executive Officer, EnerBlu.

LRC Staff: Stefan Kasacavage, Janine Coy-Geeslin, Tanya Monsanto, and Susan Spoonamore.

Regulatory and Market Update

Michael J. Nasi stated President Trump has rolled back several Obama-era regulatory policies. In 2017, President Trump signed the Congressional Review Act, which struck down the Stream Protection Rule, and the Energy Independence Executive Order. In 2018, President Trump signed the Furthering carbon capture, Utilization, Technology, Underground storage, and Reduced Emissions (FUTURE) Act that will expand carbon capture, utilization, and storage credits. Also in 2018, the Environmental Protection Agency (EPA) proposed the Affordable Clean Energy (ACE) Rule which, will replace the Clean Power Plan (CPP).

The EPA projects a rollback of the Effluent Limit Guidelines by 2020, to avoid retirements. The Coal Combustion Residual Rule was struck down in 2018, and a replacement is needed to avoid the ban on the placement of residuals in clay impoundments. The National Ambient Air Quality Standard (NAAQS) for particulate

matter is the most rigid particulate matter standard in the world currently at 12 parts per million, but there are some who want to lower the current standard even more.

Mr. Nasi believes there are several misunderstandings regarding ACE as compared to the CPP. The CPP reduced the carbon dioxide concentration by 0.4 percent, but the rule would have no impact on reversing climate change. By 2025, the total annual reductions in the United States will be offset by only 6 weeks of Chinese emissions. So worldwide, the United States cannot reduce carbon and outpace China. ACE restored cooperative federalism where states will have the primary role of implementing energy policy. The shift from the CPP to ACE will not adversely impact human health, since American air is already safe and in compliance with NAAQS.

The National Energy Technology Laboratory performed a comprehensive study on energy resilience using the bomb cyclone in 2018 as the study focus. Coal made up 73 percent of the total energy needed to keep the electric grid functioning during that weather event. Solar and wind electricity sources, according to the study, cannot be sustained through extreme weather events.

There are subsidies in the electricity markets that are hidden from consumers in their tax bills. The electricity markets should educate consumers of the true costs of the product they are buying. The electricity markets are more distorted by renewable subsidies than fossil fuel subsidies due to the price advantage that is created by renewable subsidies.

In response to a question from Senator Smith, Mr. Nasi stated there are markets available to purchase carbon dioxide. California is converting carbon dioxide to methanol.

Representative Donohue expressed objections to both the premise and conclusions of Mr. Nasi's presentation.

Update on EnerBlu

Daniel J. Elliott stated EnerBlu is committed to creating sustainable energy solutions such as its proprietary eLTO battery technology. The battery is the only wound prismatic power cell in the world. This technology makes the battery long lasting and less expensive. Battery storage will be needed for the electric power grid in the United States, and EnerBlu batteries can last up to 30 years.

The battery uses cobalt and China controls 60 percent of the cobalt resources in the world. Africa controls the second largest supply. As energy sources move towards renewables, it is important to not rely on China for the production of batteries due to volatility in the region.

Two-thirds of the world's population lives where it is hot. India, Africa, and Central America are emerging economies. These countries are not able to build a centralized

electric power grid the way the United States did in the early nineteenth century. EnerBlu optimized its battery storage to work in extremely hot climates. It is less expensive to install wind and solar in emerging economies.

Eastern Kentucky's regional economy has been based on the coal industry for generations. The decline in coal production will create opportunities to train a new workforce and develop a product to meet customer demand.

Documents distributed during the meeting are available in the LRC Library and at www.lrc.ky.gov.

There being no further business, the meeting was adjourned.