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Energy and Climate Report

Afternoon Briefing - Your Preview of Today's News

The following news provides a snapshot of what Bloomberg BNA is working on today. Read the full version of all the stories in the final issue, published each night.

Clean Power Plan's Legal Fight Continues Amid Repeal Efforts

Posted October 11, 2017, 12:13 P.M. ET

By Abby Smith

The EPA's proposal to ax the Obama administration's plan to cut carbon emissions from the power sector hasn't silenced the legal back-and-forth over the regulation's merits.

The litigation over the Clean Power Plan has been on ice for months, but supporters and foes of the climate rule are disputing how the U.S. Court of Appeals for the District of Columbia Circuit should proceed with the case. The full court heard oral arguments in the case in September 2016.

The Environmental Protection Agency, in an Oct. 10 status report required by the court, cited its newly signed proposal to repeal the Clean Power Plan, arguing the court should continue to keep the case on hold until the agency's repeal of the regulation is final. The report also noted the EPA is considering "the scope of any potential replacement rule" to cover carbon emissions from existing power plants.

Conservative foes of the Obama regulation say they expect the EPA will ask the court to dismiss the case after it finalizes the repeal.

"I think it would be a futile gesture for the court to adjudicate the regulation that's both stayed [by the Supreme Court] and slated to be repealed," Sam Kazman, general counsel for the Competitive Enterprise Institute, told Bloomberg BNA. "I don't see what that gets anyone except billable hours."

But environmental groups and other supporters of the Clean Power Plan say now, more than ever, is the time for the D.C. Circuit to weigh in on the legality of the regulation.

"As of now, the Clean Power Plan is still on the books," Andres Restrepo, an attorney with the Sierra Club, told Bloomberg BNA.

He said many of the issues litigated in this case will come up in the forthcoming legal fight over the repeal and any potential replacement that the agency offers. The Sierra Club has received funding from Bloomberg Philanthropies, the charitable organization founded by Michael Bloomberg, founder of Bloomberg L.P., the global business, financial information and news leader. Bloomberg BNA is an affiliate of Bloomberg L.P.

“It makes sense for the court to go forward with a decision on the merits of the Clean Power Plan,” he said. “It will save resources in the long run, clarify” the legal bounds of the EPA’s authority under the air act, and “form the basis of the EPA’s current action.”

Wind and Solar’s Future Depends on Taxes, Not Clean Power Plan

Posted October 11, 2017, 8:30 A.M. ET

By Joe Ryan, Brian Eckhouse and Ari Natter

The Trump administration’s decision to end the Clean Power Plan may be deeply symbolic, but the battle that matters most for renewable energy will be over taxes.

Wind and solar have been the fastest growing sources of electricity in the U.S. since 2014 as utilities closed a record number of aging coal-fired generators. That’s largely because it’s become cheaper to build renewable plants than keep coal plants open.

Clean-energy’s fiscal advantage stems in part from two tax credits that Congress extended in 2015. Both measures are scheduled to be phased out in the 2020s, but Environmental Protection Agency administrator Scott Pruitt on Monday called for them to be eliminated. That could upend wind and solar’s edge.

“Without tax credits, those economics no longer work,” said Amy Grace, an analyst at Bloomberg New Energy Finance.

Unlike the Clean Power Plan, tax credits cannot be unilaterally scuttled by the White House. But with Republican Congressional leaders pushing to rewrite the tax code, opponents of the wind and solar tax credits, including those in the Trump Administration, are jockeying to torpedo the measures.

“I would do away with these incentives,” Pruitt said, responding to a question about the effectiveness of renewable energy at an event in the heart of Kentucky coal country. “I’d let them stand on their own and compete against coal and natural gas and other sources.”

Not Easy

It won’t be easy to kill the measures, known formally as the Production Tax Credit and Investment Tax Credit. They have broad support from both Democrats and Republicans from rural districts where wind and solar have become a key source of jobs. Plus, the overall prospects for reforming the tax code remain murky amidst congressional gridlock and Republican infighting.

After Pruitt called for ending the credits for wind and solar, Iowa Republican Senator Chuck Grassley said on Twitter that he would “remind” the EPA chief that the credit for wind farms “will stay on books until 2020, like Congress planned.”

Carlos Curbelo, a Republican Congressman from Florida, went further, invoking Jeopardy! game show Alex Trebek as he opined on the odds of a successful repeal of the tax credits.

“Alex, I’ll take ‘things that are not happening for \$800,’” Curbelo wrote on Twitter.

Cheap Enough

Trump's move to kill the Clean Power Plan has not dimmed investor enthusiasm for clean energy. Since the president signed the order to roll back the emissions-curbing rule, almost \$30 billion has been spent on solar and wind projects.

In the third quarter alone, clean energy spending in the U.S. hit the highest level in two years, totaling \$14.8 billion, data compiled by Bloomberg New Energy Finance show. Renewables are now cheap enough to thrive without subsidies in some parts of the world, including Brazil and Mexico. The difference is demand for electricity is growing in those regions while it has stagnated in much of the U.S.

—With assistance from Christopher Martin.

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Killing Obama's Power Plan Hasn't Stopped the Renewable Boom Yet

Posted October 11, 2017, 8:17 A.M. ET

By Mark Chediak

For a look at what the death of the Clean Power Plan means for renewable energy, consider this: Since President Donald Trump signed the order to roll back the emissions-curbing rule, almost \$30 billion has been spent on solar and wind projects.

In the third quarter alone, clean energy spending in the U.S. hit the highest level in two years, totaling \$14.8 billion, data compiled by Bloomberg New Energy Finance show.

The investments in solar and wind are a testament to the seemingly unstoppable boom in renewables that has been driven more by economics and state environmental policies than federal regulations. So far this year, U.S. utility giants including Warren Buffett's Berkshire Hathaway Inc., American Electric Power Co. and Xcel Energy Inc. have laid out plans to collectively spend billions on wind farms that'll replace aging coal-plants.

"The Clean Power Plan doesn't make a jot of difference," said Amy Grace, an analyst at Bloomberg New Energy Finance. "Utilities are installing wind and solar because it is cheaper than running existing plants, and corporations are procuring wind and solar because it's economic to do so."

To be sure, energy companies are investing in clean power while they still can. Tax credits make building wind and solar farms cheaper than running existing coal and natural gas-fired power plants, Grace said. Some of these breaks, extended through bipartisan legislation in 2015, start rolling off this year, Grace said.

—With assistance from Jennifer A. Dlouhy.

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Smoke Alarm Efficiency Exemption Clears House

Posted October 11, 2017, 04:19 P.M. ET

By Dean Scott

Smoke alarms, security systems, and other safety devices would remain exempt from energy efficiency standards as part of a bill headed to President Donald Trump's desk after sailing through the House easily today.

The House unanimously approved the Power and Security Systems (PASS) Act (S. 190), which passed the Senate Aug. 1. The bill would extend to July 1, 2023, an exemption from Energy Department energy conservation standards for smoke alarms, carbon monoxide detectors, and home and office security systems.

The House passed the measure under a fast-track suspension procedure, with Democrats widely backing a Senate bill introduced by Sen. Cory Gardner (R-Colo.) and cosponsored by Sen. Maria Cantwell (D-Wash.).

The bill also would authorize the Energy Department to determine whether subsequent updates of the energy efficiency exemption for those devices is necessary.

A coalition of industry groups including the Security Industry Association, National Electrical Manufacturers Association, and Electronic Security Association had urged Congress to pass the bill. Members of the National Electrical Manufacturers Association include Nest Labs Inc. and BRK Brands Inc., which markets alarms under the First Alert brand name.

The measure "will provide much-needed regulatory relief to our members who employ 400,000 Americans in the security industry," the groups told lawmakers in a June letter. "It also ultimately benefits the millions of American consumers that depend on security and life safety systems."

BNP Paribas to Halt Shale, Oil Sands Financing

Posted October 11, 2017, 03:58 P.M. ET

By Fabio Benedetti-Valentini and Russell Ward

BNP Paribas SA pledged to stop financing shale and oil sands projects, expanding earlier commitments in support of global efforts to tackle climate change.

France's largest bank will no longer do business with companies whose main activity stems from oil and natural gas obtained from shale or oil sands, it said in a statement on Oct. 11. The policy covers companies involved in activities ranging from exploration to marketing and trading. The bank added that it won't fund oil or gas projects in the Arctic region.

BNP Paribas said it's committed to bringing its financing and investment activities in line with international efforts to keep global warming below 2 degrees Celsius (3.6 degrees Fahrenheit) by the end of the century. Achieving that goal relies on reducing the world's dependence on fossil fuels, starting with energy from shale and oil sands, the bank said.

The bank said the extraction of fuel from these sources emits high levels of greenhouse gases and harms the environment in other ways. BNP Paribas may be the first large bank to blacklist shale oil, which has enabled the United States to curb oil imports and pushed down energy prices.

Once a global leader in oil financing, BNP has withdrawn from funding coal mines and coal-fired power plants in recent years, along with other big European banks including Societe Generale SA, HSBC Holdings Plc and Credit Agricole SA. Energy excluding electricity represented 4 percent of BNP's total lending commitments, down from 6 percent in mid-2015, according to its filings.

"Our role is to help drive the energy transition," Chief Executive Officer Jean-Laurent Bonnafe said in the statement. "We're a long-standing partner to the energy sector and we're determined to support the transition to a more sustainable world."

Shale Surge

U.S. oil and gas output has surged over the past six years as drillers unlocked oil trapped in shale formations, partly by injecting water, sand and chemicals under high pressure to crack open reservoirs. Banned in France, the process known as hydraulic fracturing, or fracking, has been at the center of controversies about contaminating water sources and causing earthquakes.

Meanwhile, investor sentiment toward oil sands—a heavy crude that is capital intensive to extract—has soured as prices halved from above \$100 a barrel over the past three years, with Royal Dutch Shell Plc selling out of its oil sands assets in Canada.

Last year, BNP decided to halt further development of its reserve-based lending business, the key avenue for financing shale companies. In 2012 the bank sold its reserve-based lending activities in the U.S. and Canada to Wells Fargo & Co., including \$9.5 billion of loans.

BNP also repeated its target for 15 billion euros (\$17.7 billion) in financing for renewable energy projects by 2020 and 100 million euros of investment in startups in areas such as power storage and efficiency.

—With assistance from Ben Sharples, Javier Blas and Donal Griffin.

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Rail Safety Targeted in Fuel Transport Study on Shale Boom

Posted October 11, 2017, 02:54 P.M. ET

By [Meenal Vamburkar](#)

Routes used to ship crude oil, natural gas, and ethanol by rail need better and more frequent inspections, according to a report by a national science group that also urged added training for local first responders.

From 2005 to 2015, there were 58 rail incidents involving ethanol shipments and 21 involving crude, according to the study by the National Academies of Sciences, Engineering and Medicine, a Washington-based nonprofit research organization. A July 2016 derailment in Oregon spilled about 40,000 gallons of oil, which ignited and led to the evacuation of about 100 people, the report said. The cause appeared to be track failure.

Pipelines and marine shipping remain the safest form of transportation, according to the study, which was initiated in 2015 and released Oct. 11. It was designed to assess whether the U.S. energy boom was putting strain on the transportation industry and sacrificing safety.

Barges have an “exemplary safety record,” even as the total volume of oil they handle has risen, according to the report. That’s the result of a federal revamping of industry safety rules following a series of spills nearly 30 years ago, the group wrote. Now, regulators should determine if improved incident- and traffic-reporting systems can help train safety.

“Preventing derailments of this traffic is imperative,” the report said, particularly since some of the tank cars in use are designed to older specifications. At the same time, emergency preparedness remains a challenge in rural communities, the report said, where local responders may not have sufficient training to deal with accidents.

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DTE, Enbridge Gas Line, Energy Transfer Project OK’d by FERC

Posted October 11, 2017, 11:24 A.M. ET

By Catherine Traywick

DTE Energy and Enbridge gained approval from federal regulators to start construction of the \$2 billion Nexus natural gas line in the Midwest, with certain exceptions, according to a [filing](#) posted today.

However, the Federal Energy Regulatory Commission order bars construction at two locations and at proposed horizontal directional drilling sites pending submission of additional environmental information.

The 257-mile pipeline would be able to transport 1.5 billion cubic feet per day of Appalachian gas to Ohio, Michigan, Illinois, and Ontario.

In a separate [order](#), the energy regulator also cleared Energy Transfer Partners L.P. to resume horizontal directional drilling at four sites along Rover natural gas line.

The approval is a major step forward for a project that’s been mired in protests and investigations since Energy Transfer razed a historic house in Ohio and disclosed massive spills of drilling fluids associated with laying the pipeline. The setbacks have delayed the project’s startup by months, with Energy Transfer saying earlier in August that it won’t bring the system fully into service until January.

The Energy Transfer authorization has no bearing on the agency’s investigation into the spills in Ohio, order says.

The agency previously allowed the company to move forward with its drilling at other sites including Captina Creek.

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Stops on New England Gas Orders Made Prices Rise, Group Says

Posted October 11, 2017, 01:21 P.M. ET

By Ryan Collins (Bloomberg News) and Adrienne Appel (Bloomberg BNA)

Power companies' approach to booking space on U.S. natural gas pipelines is becoming the latest flash point in the debate over whether to build more of the links in the historically constrained Northeast.

The Environmental Defense fund said in an Oct. 11 [report](#) that New England utility companies Eversource Energy and Avangrid Inc. have repeatedly reserved pipeline capacity for large gas deliveries, only to cancel their orders for the power-plant fuel at the last minute. It's a move that, the group said, amplified the run-up in electricity prices during cold snaps and cost customers \$3.6 billion over three years.

The practice is permitted by regulations meant to ensure reliable gas supply, and Eversource says it didn't profit from it.

New England, where electricity prices are among the highest in the nation, has been embroiled in a debate over whether to allow companies to build new pipelines to carry more gas into the region. Many power plants use natural gas to generate electricity, and homeowners also use it for heating.

The Environmental Defense Fund said it is not anti-pipeline, but the findings are likely to be used by other environmental groups to argue that more pipelines are not needed.

Capacity Cancellations

The Environmental Defense Fund said in its report that the eleventh-hour capacity cancellations show the gas supply bottlenecks used to justify new pipelines may be less severe than they appear. Eversource pulled out of a \$3 billion New England pipeline proposal last year after a court ruling effectively blocked funding for the conduit.

"There were in some instances plenty of available capacity on the pipelines serving the populated areas of the Northeast that bore the brunt of the price increase," N. Jonathan Peress, senior director of energy market policy at the Environmental Defense Fund, said in a phone interview.

Pipelines may not be needed and may not be the most cost-effective solution to energy needs, but as markets operate now, lack of clear price data makes it impossible to tell, Jon Coifman, a spokesman for the environmental group, said.

Caroline Pretzman, a spokeswoman for Eversource, called the group's report misleading. A spokesman for Avangrid didn't respond to a request for comment.

"It is well documented that New England pipeline demand greatly exceeds the supply on cold days," Pretzman said. "Our gas distribution business is carefully regulated and the gas supply we purchase for our customers is a strict pass-through cost—meaning we don't benefit from higher prices derived from withholding."

Gas Reliance

Avangrid and Eversource, like many utilities, lock in the rights to purchase space on gas pipelines for the long term. In 2008, the U.S. Federal Energy Regulatory Commission amended rules to allow such companies to sell extra capacity not needed for customers to a secondary market, where power plants buy the fuel, according to the report. Because utilities are part of a regulated monopoly, most profits from the secondary market have to be given back to the ratepayers in the

form of dividends.

But when utilities cancel scheduled pipeline capacity in the last hours of the trading day—too late for it to be resold—higher electricity bills can result, according to the Environmental Defense Fund report. It's a phenomenon that may become more pronounced as the nation becomes more reliant on gas-fired generation, Peress said.

“New England is probably the leading example in the country of what the implications of increased gas use and increased reliance on gas fired generators” are for consumers, he said.

Pipeline Construction Fight

“The allegations raised in the report are concerning,” a spokeswoman for Attorney General Maura Healey (D) told Bloomberg BNA Oct. 10 in an email.

Healey's anti-pipeline stance is well known in Massachusetts: In November 2015, her office issued a report concluding that any additional energy needs of the next 15 years could be met through energy efficiency and demand response.

The fight over natural gas pipeline construction in New England came to a head in Massachusetts in August 2016, when the Supreme Judicial Court ruled that an Eversource and industry pipeline plan backed by Gov. Charlie Baker (R) could not go forward.

The Access Northeast Pipeline was proposed by Eversource, Spectra Energy and National Grid to bring more natural gas from New York starting in 2022. Massachusetts uses 42 percent of the natural gas in New England, according to Eversource, and most of it fuels electricity plants.

Eversource Energy executive vice president Lee Oliver told investors in February the company was pursuing legislation in Massachusetts to give it permission to build the pipeline that was blocked by a Supreme Judicial Court ruling. Massachusetts lawmakers, however, say they have moved on from even considering a bill and instead are debating scores of bills this year that would strengthen the state's renewable energy portfolio.

“I hope [the study] puts a nail in the coffin of the idea that we have a problem with natural gas capacity and need another pipeline to solve it,” David Ismay, an attorney with the Conservation Law Foundation, an environmental organization, told Bloomberg BNA Oct. 10.

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NAFTA Negotiators to Tackle Energy Issues During Friday Meeting

Posted October 11, 2017, 02:44 P.M. ET

By Catherine Traywick and Eric Martin

NAFTA negotiators are gathering in Washington for their fourth round of talks to update the trade deal, and energy is on the agenda -- if only for two hours.

U.S., Mexican and Canadian representatives will hold just one energy session late Friday during seven days of talks ranging from gender to the environment. Details haven't been released, but oil and gas companies are pushing for a rule on diluents, a light crude product typically sourced from

the U.S. and added to heavy Canadian oil to help it flow through pipelines. Oil companies want a rule that allows up to 40 percent of diluent in cross-border oil shipments, according to a [paper](#) by the American Petroleum Institute, the Asociacion Mexicana de Empresas de Hidrocarburos and Canada's Oil and Natural Gas Producers.

The trade groups want to loosen NAFTA rules so that producers can more easily transport oil, gas and infrastructure across both borders. That includes simplifying the process for certifying hydrocarbons' country of origin and allowing companies to move drilling rigs, vessels and personnel across borders.

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Merkel Faces Coal Insurrection Over Phaseout Date of Fossil Fuel

Posted October 11, 2017, 8:00 A.M. ET

By [Brian Parkin](#)

Germany's power, mining and chemical workers warned Chancellor Angela Merkel against embracing a phaseout date for coal under a new government.

The 640,000 member [IGBCE union](#) is preparing to respond if Merkel is persuaded by a "hysterical campaign against coal," according to Chairman Michael Vassiliadis Oct. 11. Exploratory talks to form a new government are being held between Merkel, the Free Democrats and Green Party, which has called for a firm end to coal power.

Workers are concerned "they will have to pay" for the costs of a new government said Vassiliadis in a speech to union delegates in Hanover. "Let me tell you this: whoever plans a wedding on the backs of others won't enjoy a honeymoon."

The union's threat is a response to the Greens' election campaign pledge to phase-out coal power in Germany by 2030 and immediately shutter the 20 most-polluting plants. Their suspicions were fueled by Merkel's campaign promises that Germany would meet its 2020 carbon dioxide reduction targets.

Coal plants push emit about a third of Germany's total greenhouse gases. The nation risks missing its pledge to cut the output by 40 percent by 2020 compared with 1990 levels and may only accomplish a 31 percent cut. Merkel has vowed to close the gap without saying how.

Her plans may become clearer Oct. 12 when she meets Vassiliadis in Hanover and later holds a speech. Prospective allies from the Greens and the Free Democrats will be in tow for a panel discussion. The Free Democrats campaigned on clamping down on the soaring costs of Germany's transition to renewable energy and rejected setting a date to phase out coal power.

Some companies and industries say they're also concerned that weak cost control over wind and solar power could erode competitiveness. Their demands—which include a tapering of clean power subsidies and rejection on enforced closures of coal plants—fall short of revamped U.S. policies that would provide aid for the fossil fuel.

The Trump administration yesterday began the process of repealing former President Barack Obama's plan to cut greenhouse gas emissions from power plants, opening a small window for a

revival of coal while prolonging uncertainty over the U.S. electricity mix. The Obama administration “pushed the bounds of their authority” by forcing states to change their power mix, Environmental Protection Agency Administrator Scott Pruitt said.

With union backing, German utilities EON SE, RWE AG, Uniper SE and STEAG GmbH are counting on Merkel to avoid imposing a strict coal phaseout. Europe’s biggest power market is dependent on some 140 hard coal and lignite plants, which together supplied about 40 percent of the nation’s power last year.

Merkel’s decision to wind down nuclear power by 2022 will underscore that dependency, say the power companies and labor unions. Germany’s transportation shift to low- and zero-emission vehicles will mean the economy needs even more cheap power, Vassiliadis said.

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U.K. Floats Nuclear Safeguards Bill for Post-Brexit Period

Posted October 11, 2017, 12:46 P.M. ET

By Alex Morales

The U.K. published draft [legislation](#) to create a domestic nuclear safeguards system that will replace provisions under the European Union’s Euratom treaty once Britain has left the bloc.

The law aims to give certainty to the nuclear industry and sectors such as health care that Britain will maintain a stringent system of checks over radioactive materials after Brexit. The legislation became necessary after government deemed it impossible to withdraw from the EU without also leaving Euratom, putting in doubt everything from the transport of nuclear fuels to cancer treatments.

“We are bringing forward the U.K.’s first new nuclear power plants in a generation, and it is in our mutual benefit to maintain the successful working relationship we have now with Europe and the rest of the world on nuclear matters,” Energy Minister Richard Harrington said in a statement. “This is what we will be looking to secure in negotiations with our partners.”

Electricite de France SA has already begun work on a new nuclear plant at Hinkley Point in southwest England. Japanese utilities Hitachi Ltd. and Toshiba Corp. also plan new reactors in Britain.

No time line has yet been set for the passage of the law through Parliament, but it needs to be enacted before Britain’s scheduled departure from both the EU and Euratom in March 2019. Euratom’s main function is to account for nuclear material so it remains in peaceful uses.

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Mexico Energy Skeptical Presidential Candidate Will Undo Reforms

Posted October 11, 2017, 8:53 A.M. ET

By [Vanessa Dezem](#) and [Adam Williams](#)

Mexico's power suppliers are convinced that Andres Manuel Lopez Obrador, the left-wing presidential candidate who's pledged to roll back the nation's energy reforms, won't be able to deliver on his promises.

The 63-year-old former Mexico City mayor—and current leader in polling for July's election—says the 2013 reforms have failed to lower power and fuel prices for consumers and wants to hand the issue to voters with a national referendum. The shift was driven by current President Enrique Pena Nieto, who opened the country's power, natural gas and oil markets to new competition in an effort to drive down costs and spur investment in areas long dominated by state-owned enterprises.

In the power sector, electricity prices have declined since the reforms were enacted, with record low prices for renewables in the last auction. A more efficient power system is expected to drive a 14 percent decrease in industrial electricity prices to 2040, according to a [report](#) from the International Energy Agency. More than half of the nation's power generation is now owned by private investors, including Invenergy LLC and Actis LLP, according to the Mexican Wind Energy Association.

"Mexico has quickly become one of the most important power markets not only in Latin America, but globally," said Paul Abitante, Mexico country manager at Invenergy, a Chicago-based renewable-energy company. "We are confident that Mexico's government and people will recognize the reforms' value and we don't see a scenario where a candidate or a politician takes steps to unwind the reforms."

Others aren't so sure, pointing to the fact that Lopez Obrador could slow the process even if he can't win the two-thirds majority in congress needed to officially undo the reforms.

'Stop Implementing'

"There is no need to change the law," said Miriam Grunstein, chief energy counsel at Brilliant Energy Consulting and nonresident scholar at Rice University's Baker Institute Mexico Center. "They can simply say 'we will stop implementing the energy reform.' There is no obligation to implement it."

Developers are sticking to their investment strategies, confident that Lopez Obrador will be reluctant to reverse changes that are now bearing fruit.

"Companies keep investing in Mexico," said Leopoldo Rodriguez, president of the Mexican Wind Energy Association. "Companies are interested in participating in the market. There is the idea that it's not possible to easily change things."

Mexico's energy mix is shifting, with 24 percent now coming from renewable sources like wind and hydro. Deregulating the electricity market and a series of auctions for new capacity helped the country post record levels of clean-energy investment this year.

Line in the Sand

"Mexico's energy reform was a line in the sand," said Hector Olea, chief executive officer of Mexico City-based Gauss Energia, which owns solar farms in the country, and president of Mexico's solar energy association. Energy demand in Mexico is expected to increase about 20 percent up until 2040, according to the International Energy Agency. That's attracted billions in new investments.

Polls show that Lopez Obrador would win in all nine of the most likely combinations of candidates in the July 1 election, with at least 24.9 percent of votes, [according to](#) data from Mexico City-based

Consulta Mitofsky.

The most likely scenario for a Lopez Obrador presidency would be a partial review of the reform, predicts Luiza Demoro, an analyst at Bloomberg New Energy Finance in Sao Paulo.

“If he wins, Lopez Obrador wouldn’t be able to change everything, but he would be able to change energy-auction rules or renewable-energy targets, creating barriers for private companies,” Demoro said. “The next power auction in November will be interesting as its prices will show how the market is perceiving these political risks.”

Mexico’s oil industry is also concerned about what a Lopez Obrador presidency might mean for the blossoming sector. The candidate has said he would review oil contracts awarded to producers including Chevron Corp., Exxon Mobil Corp. and Royal Dutch Shell Plc since the opening of the Mexican industry to private competition in 2014.

A spike in gasoline prices in January 2017 may be one of the reasons Lopez Obrador is criticizing the energy reforms. When the government announced that gasoline prices would increase as much as 20 percent, protesters took the streets across the country to decry the failed promises of the energy overhaul.

Power producers say the long-term benefits will outweigh the short-term issues. Reforms have “prompted foreign and long-term investments and reduced power costs,” Gauss Energia’s Olea said. “It would be contradictory to reverse something that’s working. It would be counterproductive, even politically.”

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10,000 Electric Cars Highlight Steep Path to India’s Ambitions

Posted October 11, 2017, 8:42 A.M. ET

By P R Sanjai and Rajesh Kumar Singh

Prime Minister Narendra Modi has kicked off India’s race to turn all new passenger car sales electric by 2030. The largest order has gone to a company that hasn’t commercially started producing the vehicles.

Tata Motors Ltd. hasn’t sold a single electric car yet, though Chief Executive Officer Guenter Butschek says its late-mover status is an advantage at a time when technology advances are leading to a fall in costs. Tata along with Mahindra and Mahindra Ltd.—India’s sole electric carmaker that plans to boost its vehicle manufacturing capacity to 5,000 units a month—underscore the distance to be covered when compared to China and the U.S.

Ramping up production of electric vehicles in a country where carmakers sell 2.5 million fossil fuel powered units annually is just one part of the problem, finding uninterrupted power supply is another. In addition, non-existent charging infrastructure further widens the gap between India and China, the current global leader. It had 336,000 new registrations in 2016, more than double of 160,000 in the U.S., while India had just 450 cars hitting the roads, according to the International Energy Agency.

“The government needs to set up charging infrastructure to make this electric business model

sustainable,” said Ram Kidambi, partner at consultancy firm A.T. Kearney. “Indian automotive companies may be able to supply electric vehicles meeting the deadline. But the problem is what do the car owners do without the charging infrastructure?”

Falling Prices

The pursuit for all electric new car sales in less than a decade-and-a-half is part of Modi’s plan to champion the cause of combating climate change. Bloomberg New Energy Finance predicts the target will be “incredibly difficult” in the absence of a clearly defined policy and without subsidies. Chinese firms have benefited from generous funding offered by various regional governments.

India currently has about 350 charging points while China had about 215,000 installed at the end of 2016, according to the BNEF report. It will take about 15 years in India for total cost of ownership for electric vehicles to reach parity with conventional vehicles, around the time the south Asian nation plans to end sale of fossil fueled cars.

India’s EV target appears a little too ambitious, said Pawan Goenka, managing director at automaker Mahindra & Mahindra. “It would be little more moderate, though lot more aggressive growth path than what we have seen in other countries, but more moderate than being 100 percent electric vehicles by 2030.”

Modi’s administration is hoping to fast-track change by leading from the front. The government-backed Energy Efficiency Services Ltd. (EESL), which is tasked with helping the nation reduce emissions and curb fuel imports, is buying 10,000 battery-powered cars from Tata Motors and Mahindra & Mahindra to replace petrol and diesel cars used by the federal government in about four years.

Revenue Source

Electric vehicles open up a new source of revenue for India’s money-losing power retailers and could attract their enthusiasm in building the charging infrastructure, according to Shantanu Jaiswal, head of India research at Bloomberg New Energy Finance in New Delhi.

“In areas where the traffic volumes are high, it makes good business sense for distribution utilities,” Jaiswal said. “In rural areas though, where concentration of electric cars may not be very high, getting investments may still be a challenge, as we have seen in household electrification.”

Automobile ownership in India remains low, with only 18 cars per 1,000 citizens compared to nearly 69 in China and 786 for the U.S., a study by Niti Aayog, a policy planning body, and Colorado-based Rocky Mountain Institute. The scarcity of privately owned four-wheel vehicles and a large number of two-wheelers will enable Indians to leap frog into electric cars space as higher demand could lead to lower prices.

That’s what Tata and Mahindra are betting on. Tata is running trials of its electric buses after developing the plug-in versions of its Bolt and Tiago hatchback models. Mahindra has plans to expand its capacity to make electric vehicles almost 10-fold to 5,000 units a month in two to three years.

Tata Motors has a two part strategy—one which includes selling cars to the government—and then rolling out electric buses and trucks to cater to the mass transportation segment. Plans for both are ready, Tata’s Butschek said in an interview.

“We have invested a lot in electric vehicle business although we may not be outspoken about the same,” he said.

—With assistance from Debjit Chakraborty.

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