

To: Jackson, Ryan[jackson.ryan@epa.gov]
From: POLITICO Pro Energy
Sent: Thur 8/24/2017 9:45:08 AM
Subject: Morning Energy: DOE: Natural gas fueling coal's decline — Verdicts due today on host of national monuments — Energy industry readies for Gulf storm

By Anthony Adragna | 08/24/2017 05:43 AM EDT

With help from Ben Lefebvre and Esther Whieldon

PERRY'S GRID STUDY LAYS BLAME ON NATURAL GAS: Months of breathless anticipation culminated late Wednesday with the release of the Energy Department's [grid study](#) that concluded the surge in supplies of cheap natural gas had weighed on power prices and was the key factor in the closure of many coal-fired power plants, Pro's Darius Dixon [reports](#). The report, requested by Secretary Rick Perry, doesn't call for Congress to change any laws or agencies to alter any specific rules but does seek "reforms" — from the Nuclear Regulatory Commission, the EPA and FERC — to power markets that would help bolster the electricity network's resilience and provide support for some plants.

The agency linked four factors — cheap gas, low electricity demand growth over the past decade, government regulations and the influx of renewable energy into the grid — to the struggles of coal and nuclear power, but didn't try to assign a percentage of blame to each of them.

Still, Perry did cast some side-eye at renewables incentives, saying in [a letter](#) accompanying the report "[i]t is apparent that in today's competitive markets certain regulations and subsidies are having a large impact on the functioning of markets, and thereby challenging our power generation mix. It is important for policy makers to consider their intended and unintended effects."

But the report takes a softer tone than Perry's April [memo](#) that ordered up the study, which said Obama era regulations had "destroyed jobs and economic growth" and threatened the grid, and suggested that federal support for renewable power "create[s] acute and chronic problems." That document, energy guru Peter Fox-Penner told Darius, was "looking through a preconceived, political lens broadly at baseload and blaming renewables policy, which is looking at the wrong culprit. The right direction for a solution is market design."

Part of the reason for DOE's call for FERC, EPA and other bodies to help alter electricity market and aid power plants is because the agency has limited power to direct energy policy. "DOE has no authority," former FERC Chairman Jon Wellinghoff, a Democrat, said ahead of the report's release. "It's FERC that has all the authority ... and DOE does not control FERC. I would say that when I was there, and I'd say it now."

Other voices weigh in: Graham Richard, CEO of Advanced Energy Economy, said grid operators weren't having the troubles adjusting to a wide array of resources as suggested: "This report seriously overstates the challenges associated with new energy resources," he said. Consumer Energy Alliance President David Holt called it an important step in discussing the

future of the energy grid: "While utilities, electric cooperatives, and grid operators have been able to absorb the changes brought about by increases in renewable energy and the abundance of low-cost natural gas, it is clear that they will have significant challenges as the pace of change accelerates," he said in a statement. Others were not so positive. "Coal and nuclear can no longer compete on their own, and they are now pushing Trump to save them. This study is a shoddy attempt to do just that," the Sierra Club's Mary Anne Hitt said.

MONUMENTAL DECISION DAY: Today is Interior Secretary Ryan Zinke's deadline to send President Donald Trump recommendations on the future of 22 national monuments -- 16 of which could be on the chopping block. Zinke earlier this year issued a preliminary recommendation for Trump to reduce the size of the Bears Ears national monument in Utah and one news organization, Utah Policy, reported on Wednesday that Zinke may call for Trump gut the monument's footprint by up to 88 percent.

The secretary made a round of phone calls about the monument report with lawmakers on Wednesday, including House Natural Resources Committee Chairman Rob Bishop who, through a committee spokeswoman, declined to comment on their conversation. Bishop is holding a press briefing on the monuments this morning, and the Sierra Club and public land advocates are holding a rally outside of Interior's Washington headquarters at noon today. Sen. Martin Heinrich will hold his own press conference outside an REI in Albuquerque, N.M. today at 12:15 p.m. MST to oppose any changes to the national monuments.

WELCOME TO THURSDAY! I'm your host Anthony Adragna, and NOIA's Nicolette Nye was the first of many to identify Hawaii as the sole state to commercially grow coffee. For today: What country once issued a stamp in the shape of a banana? Send your tips, energy gossip and comments to aadragna@politico.com, or follow us on Twitter [@AnthonyAdragna](https://twitter.com/AnthonyAdragna), [@Morning_Energy](https://twitter.com/Morning_Energy), and [@POLITICOPro](https://twitter.com/POLITICOPro).

PROGRAMMING NOTE: Morning Energy will not publish from Aug. 28-Sept. 4. Our next Morning Energy newsletter will publish on Sept. 5. Please continue to follow Pro Energy issues [here](#).

HARVEY OVER HOUSTON: Gulf of Mexico oil rigs and refineries are bracing for Tropical Storm Harvey, which looks likely to turn into a full-fledged hurricane. The storm could dump 16.5 inches of rain on the flood-prone coast that is the heart of U.S. energy production, according to forecasts. Oil producers are already starting to pull personnel off oil rigs, which could throw fuel prices higher until the extreme weather quiets down. Track Harvey's path [here](#).

Perry, Texas' longest-serving governor, tweeted "Stay safe, Texas" ahead of landfall, linking to emergency preparedness resources.

IT'S DEJA VU ALL OVER AGAIN: Speaker Paul Ryan said Wednesday a short-term continuing resolution would likely be necessary to give Congress more time to iron out a longer-term spending package, POLITICO's Louis Nelson reports. "I think that will probably be necessary, yes, because I can't imagine the Senate will be able to process the appropriations bill as quickly as the House is," he said of a CR. And that comes even as the threat of government

shutdown grew over President Donald Trump's insistence Congress give him money for his border wall, POLITICO's Josh Dawsey [reports](#), potentially opening up significant rifts within the president's own party if he sticks to his hard line.

WALDEN WEIGHS IN ON MALHEUR SITUATION: Asked about the 2016 occupation of the Malheur National Wildlife Refuge in his district, Energy and Commerce Chairman [Greg Walden](#) urged peaceful protest and respect for the laws for anyone seeking to protest the federal government. "Those that violate the law should be prosecuted," he said [alongside](#) Ryan Wednesday. "However these protests take place, they need not be armed, they need not be violent, they need not be vile."

THERE'S NO PLACE LIKE HOME: With his national monument review wrapping up, Zinke today heads to Missoula, Mont., for an "on-site briefing and [to] assess the situation involving ongoing wildfires in the Pacific Northwest and Northern Rockies." Along with Agriculture Secretary Sonny Perdue, Zinke will "inspect the on-the-ground operations."

GOING OUT GUNS BLAZING! Daniel Kammen resigned his post as State Department science envoy in a [fiery letter](#) addressed to Trump Wednesday in which eagle-eyed readers noted the first letter of each paragraph spelled out I-M-P-E-A-C-H. "Particularly troubling is the consistency of your response to Charlottesville with a broader pattern that enables sexism and racism, and disregards the welfare of young Americans, the global community and the planet," the University of California, Berkeley, professor wrote. "Your presence in the White House harms the United States domestically and abroad and threatens life on this planet."

PENCE: MORE VENEZUELAN SANCTIONS COMING: Expect the Trump administration to unveil yet another round of sanctions against Venezuelan government officials, Vice President Mike Pence told a gathering in the largest Venezuelan community in the U.S. "At President Trump's direction, the United States has already issued three rounds of targeted sanctions against Maduro and his inner circle — and there's more to come," Pence told the applauding crowd. "And we'll continue to act until the Maduro regime holds free and fair elections, releases all political prisoners, and ends the repression of the Venezuelan people." As POLITICO's Sergio Bustos [reports](#), the vice president vowed to employ "full measure of U.S. economic and diplomatic power" to restore order in the oil-rich country.

WATCH THIS SPACE: Look for environmental advocates to pressure sympathetic attorneys general nationwide to launch all-out investigations into whether Exxon Mobil misled the public on climate science in light of Wednesday's peer-reviewed Harvard study with that conclusion. "Time for California AG [@AGBecerra](#) to join [@MassAGO](#) and [@AGSchneiderman](#) in a full scale investigation of what [#ExxonKnew](#)," Jamie Henn, a spokesman for 350.org, [tweeted](#) Wednesday. Back in July, Becerra told advocates that "though we don't announce publicly if we are doing an investigation, I'm very aware of that particular matter."

MAIL CALL! BISHOP SEEKS UNREDACTED BLM MISCONDUCT REPORT: House Natural Resources Chairman [Rob Bishop](#) has [asked](#) Interior's acting inspector general for an unredacted copy of a report outlining serious misconduct from a BLM law enforcement manager. According to a committee aide, the official allegedly removed moqui marbles from an evidence

room, gave several as gifts and asked an underling to pore through his emails and delete any that portrayed him badly.

MORE UTILITIES OPPOSE SUNIVA PETITION: Add the [Electric Reliability Coordinating Council](#) and [Duke Energy](#) to the list of entities opposing a bid by Suniva and SolarWorld Americas to have the International Trade Commission recommend duties on imported solar equipment in order to revive domestic manufacturing facilities. "The delivery of reliable, affordable, and increasingly clean energy relies upon international trade policies that increase supply chain stability, not policies that destabilize it," Diane Denton, managing director of federal policy for Duke, wrote.

SUPPORT URGED FOR INTERNATIONAL CLIMATE WORK: As Congress attempts to figure out what to do about the appropriations process, the Business Council for Sustainable Energy sent a [letter](#) to Senate leaders urging continued support for the United Nations Framework Convention on Climate Change and the International Panel on Climate Change, as well as the Green Climate Fund. "Preserving the U.S. financial contributions to these international programs and institutions not only protects the opportunity for U.S. governmental leadership but also protects and promotes the business interests of American companies," Lisa Jacobson, the group's president, wrote.

GETTING TO 100 RENEWABLE AROUND THE WORLD: A Stanford- and U.C. Berkeley-led [peer-reviewed paper](#) out Wednesday tackles individualized plans for 139 countries — which account for 99 percent of global emissions — to run on 100 percent renewable energy by 2050. It won't be easy though, as the study calls for "rapid technology transition" that will see electricity generated by wind, water and solar power replace fossil fuels. Additionally, hitting the targets will rely on public action around the world to pick "leaders who will implement strong policies, reduce barriers and confront entrenched interests." The journal *Joule* published the paper.

THAT'S A LOT OF PEOPLE! An estimated 17.6 million people live within a mile of an active oil or gas well, according to a [peer-reviewed study](#) published Wednesday in *Environmental Health Perspectives*. Researchers from PSE Healthy Energy; the University of California, Berkeley and Harvey Mudd College found 50 percent of West Virginians and 47 percent of Oklahomans live within a mile of active oil and gas development. The study also estimated the state with the most residents living near active wells as Texas, with some 4.5 million.

REPORT: ENERGY SECTOR SPENT BIG IN 2016: Clean Water Action released a [report](#) Wednesday finding the oil and gas industry spent \$103 million during the 2016 election cycle, 88 percent of which went to Republican candidates. In addition, the report found the energy sector spent \$119 million on lobbying in 2016, supporting 722 registered lobbyists to push their priorities.

RECORDS SOUGHT ON PARIS DECISION: The Center for Biological Diversity submitted [open records requests](#) to EPA, OMB and the State Department seeking all records related to the Trump administration's decision to pull out of the Paris climate accord. Those include any

relevant emails, telephone logs and notes from meetings involving Trump, EPA Administrator Scott Pruitt, Secretary of State Rex Tillerson and other officials.

REGULATORY TASK FORCE RECORDS SOUGHT: After EPA failed to respond to an open records request within statutory limits, the Southern Environmental Law Center filed a [federal lawsuit](#) seeking correspondence related to the agency's regulatory reform task force that seeks to identify possible regulations for elimination. "It's already absurd to have an arbitrary directive to strip away commonsense environmental protections, but to refuse to share any information about this process is alarming and simply un-American," Kym Hunter, a staff attorney with the group, said in a statement.

SLEEPING TOO WELL? Your ME host really, really, really hates rats, so [this piece](#) in the New Republic warning of the coming "ratpocalypse" due to shorter, warmer winters is quite disconcerting. And, there's a climate link! "I personally feel there is a connection with climate change, just because of logic and the biology of rats' reproductive cycle," Bobby Corrigan, one of the nation's leading rat experts (that's a thing), said.

QUICK HITS

— EPA Demands Answers From Valero Months After Massive Benicia Refinery Outage. [KQED](#).

— Regulatory activity dips to new lows in Trump administration. [BGov](#).

— Coal-burning Erickson Power Plant to go offline by 2025. [Lansing State Journal](#).

— Another US agency deletes references to climate change on government website. [The Guardian](#).

— Cheap oil undercuts U.S. rail, bus service: study. [Reuters](#).

— EPA bowed to TVA, contractor on worker safety standards at nation's largest coal ash disaster, records say. [USA Today](#).

HAPPENING TODAY

crickets

THAT'S ALL FOR ME!

To view online:

<https://www.politicopro.com/tipsheets/morning-energy/2017/08/doe-natural-gas-fueling-coals-decline-024380>

Stories from POLITICO Pro

DOE grid study: Gas drives power shift, but markets need reform [Back](#)

By Darius Dixon | 08/23/2017 10:08 PM EDT

The Trump administration's dive into the nation's power system delivered a conclusion Wednesday that the energy world reached long ago: Cheap natural gas is changing the face of the U.S. electric grid.

In an Energy Department report ordered by Secretary Rick Perry, the agency pointed to low power prices and the closure of many coal-fired power plants as mostly due to a surge in supplies of natural gas, which last year topped coal as the nation's biggest source of electricity. But the report also called for "reforms" to power markets that would help bolster the electricity network's resilience by easing the financial pressures on many power providers.

Perry drew a wave of criticism when he ordered the agency to produce the report, saying in his April [memo](#) that Obama-era regulations had "destroyed jobs and economic growth" and threaten the grid, and suggested that federal support for renewable power "create[s] acute and chronic problems." Critics warned that Perry appeared to be building a case for federal action to support the coal industry, a priority for President Donald Trump, who promised to revive the suffering industry.

But the new [187-page report](#) paints a far more complex picture of the nation's power grid, and it laid out many of the issues that have been vexing states and federal regulators, particularly in the Northeast and Midwest.

"The biggest contributor to coal and nuclear plant retirements has been the advantaged economics of natural gas-fired generation," DOE's report says. "Low-cost, abundant natural gas and the development of highly-efficient [natural gas combined cycle] plants resulted in a new baseload competitor to the existing coal, nuclear, and hydroelectric plants."

The agency focused on four different factors that were eating away at the economics of coal and nuclear power: cheap gas, low electricity demand growth over the past decade, government regulations and the influx of renewable energy into the grid. But DOE officials said that assigning a percentage of blame to each of those factors was too great a lift — if it was possible at all. Nevertheless, one official said agency number-crunchers were able to identify natural gas as the biggest factor.

Despite highlighting natural gas as the prime factor that most analysts, utilities and regulators had already settled on, one DOE official said the new study was designed to approach the concern around the retirements of around-the-clock baseload power in a new way, and bring new attention to an important but underappreciated issue.

Perry, in a [letter](#) accompanying the report, said the power industry "has experienced massive change in recent years, and government has failed to keep pace."

"It is apparent that in today's competitive markets certain regulations and subsidies are having a

large impact on the functioning of markets, and thereby challenging our power generation mix. It is important for policy makers to consider their intended and unintended effects," he added.

The report's recommendations don't call for Congress to change any laws or agencies to alter any specific rules. Rather, it appears designed to nudge regulators like FERC to "expedite" its work with grid operators to figure out policies to bridge — or block — new state energy policies and establish fuel-neutral power markets that fairly pay power producers.

The study also suggests that the Nuclear Regulatory Commission, the EPA and FERC revisit a number of their regulations on the power industry, and boost research and development for grid management and coal power plant efficiency.

The report is not likely to be nearly as popular in the coal industry as Trump's early executive order on climate change and energy, which focused mostly on promoting coal by rolling back regulations at EPA and the Interior Department. Still, the report nodded to the president's call for "energy dominance."

"While DOE is not the main agency tasked in the Order, it should continue to prioritize energy dominance and implementing the Executive Order broadly and quickly," it states.

Paul Bailey, head of the American Coalition for Clean Coal Electricity, commended DOE and Perry in a statement "for studying the challenges that face the electricity grid. One of the biggest challenges is how to sustain the nation's coal fleet so it can continue supporting a reliable and resilient electricity grid."

Solar Energy Industries Association head Abigail Ross Hopper said the group was still reviewing the report. But she noted "it's been proven time and again that a diversified electricity mix is good for the overall system and poses no threat to the reliability of our nation's grid. On the contrary, solar and other renewables provide significant cost savings, relieve pressure on our nation's infrastructure and improve the grid's overall performance."

DOE's call for FERC, EPA and other bodies to help alter the electricity market and aid power plants is at least partly because of the agency's limited power to direct energy policy.

"DOE has no authority," said former FERC Chairman Jon Wellinghoff, a Democrat, ahead of the report's release. "It's FERC that has all the authority ... and DOE does not control FERC. I would say that when I was there, and I'd say it now."

Still, Tony Clark, a Republican former FERC commissioner, said DOE is often used by administrations as a "thought leader in the energy space," given the resources the agency has in its national labs and vast amounts of data.

One DOE official said that most studies of the power system have focused on its reliability. And though a gas-heavy grid is dependable, the official cautioned that those plants are reliable so long as the fuel is there, and the threats to pipelines, physical attacks and resilience deserve a lot of attention.

The study, which Perry had originally sought in June, was also notable for what it doesn't say.

In letters that became public on Tuesday, coal producer Murray Energy and other companies wrote that during private conversations with CEO Robert Murray, Trump had promised to use DOE emergency power to put in place a two-year moratorium that would require Ohio-based FirstEnergy to keep operating its coal-fired plants even if its power-generating subsidiary goes bankrupt. According to the letters, administration attorneys were concerned about the legality of such an action. One letter said Murray was present when Trump repeatedly directed Perry to grant the request to order the plants to stay open.

But DOE denied the request, saying that "the evidence does not warrant the use of this emergency authority."

Environmentalists, renewable energy advocates and some analysts were incensed by Perry's initial April 14 memo as well as some of his public statements about intervening with state energy policies, such as suggesting he planned to have a hand in keeping power plants running.

Perry's memo, energy guru Peter Fox-Penner said, was "looking through a preconceived, political lens broadly at baseload and blaming renewables policy, which is looking at the wrong culprit. The right direction for a solution is market design."

Just days after issuing the memo to his chief of staff, Perry said that keeping nuclear power on the grid served a national security interest and can justify moves by the federal government that override state authority.

"I was a very strong proponent of the 10th Amendment — thank you very much, we know how to run Texas," the former governor said at an energy event in New York City, referring to the amendment that lays out federal authority limits. "Shoe is on the other foot — or the boot is on the other foot — now."

But on Wednesday, DOE officials said they focused on the specific questions they were tasked with in Perry's memo and not his public statements.

Clark said the controversy around Perry's statements had gotten out of hand.

"Everything right now in D.C. seems to get spun out of control a little bit in terms of reaction on both sides," he said. "When it was first announced that there would be a DOE study, you had some folks say every coal plant in Ohio and Pennsylvania was going to be saved. And you had other people setting their hair on fire thinking that this would be the end of the wind and solar. ... To me, that was the D.C. spin machine."

To view online [click here](#).

[Back](#)

Ryan: 'I don't think anyone's interested in having a shutdown' [Back](#)

By Louis Nelson | 08/23/2017 03:09 PM EDT

House Speaker Paul Ryan said Wednesday he did not think Republican lawmakers are interested in shutting down the government over funding for President Donald Trump's long-promised border wall.

Trump told the crowd at a rally Tuesday night in Phoenix, "believe me, if we have to close down our government, we're building that wall," a promise that prompted the crowd to chant "build that wall."

But Ryan (R-Wis.), who spoke to reporters during a visit to Intel Corp. offices in Oregon, said the House has already passed border security legislation that includes money for a wall. He said lawmakers shouldn't have to choose between keeping the government open and making good on the president's border security pledge.

"I don't think a government shutdown is necessary, and I don't think most people want to see a government shutdown, ourselves included. And Congress, in the House, has already done its work on this issue. There are very legitimate problems and concerns on the border that need to be addressed," Ryan said. "I don't think anyone's interested in having a shutdown. I don't think it's in our interests to do so while we work on doing what we actually said we would do, what we've done already in the House and we need to do, which is to control our border. So I don't think you have to choose between the two."

Congress must pass funding legislation by the end of next month in order to avoid a government shutdown, and lawmakers are scheduled to have just 12 working days after their Sept. 5 return before the deadline hits. Ryan said he expects Congress will keep the government open via a short-term continuing resolution, as opposed to a full appropriations bill, because the schedule won't offer sufficient time for the Senate to process the latter.

"The fact is though, given the time of year it is and the rest of the appropriations we have to do, we're going to need more time to complete our appropriations process, particularly in the Senate. So that's something that I think we all recognize and understand, that we're going to have to have some more time to complete our appropriations process," the speaker said.

Asked if that meant a continuing resolution, he replied, "I think that will probably be necessary, yes, because I can't imagine the Senate will be able to process the appropriations bill as quickly as the House is."

To view online [click here](#).

[Back](#)

Shutdown threat grows as Trump digs in on wall [Back](#)

By Josh Dawsey | 08/23/2017 01:30 AM EDT

President Donald Trump's vow Tuesday to close down the government if he doesn't get money for the border wall mirrors private comments he has made to advisers in recent days — and could cause significant rifts within his own party if he follows through.

The fight over the wall is likely to explode in September as the administration wrangles over a new budget, an increase in the debt ceiling, the beginning of a tax reform package and a possible resuscitation of health care legislation.

Trump has told his advisers he will not accept a deal on other issues without money for the wall "and it has to be real money," said one senior White House official.

Trump has told senior White House officials and advisers he would be willing to go to whatever lengths are necessary to get money for the wall, a contentious claim even among his advisers.

He hasn't identified specific amounts of money that he wants, but he seeks "enough to really start building it," said one person who spoke to him last weekend.

"He is animated about the wall," the person said. "He cares about that more than many other things. He knows his base cares and chants about it."

At a campaign rally in Phoenix on Tuesday, the president reiterated to his loyalists that he is committed to his vision for securing the border. "If we have to close down our government," Trump said, "we're building that wall."

Some said Trump's preoccupation is in keeping with what he has said since before the election last year. "It should surprise exactly no one," presidential counselor Kellyanne Conway said. "Why are people surprised when they try to change his mind on something significant and fail?"

Few staff members in the West Wing are as concerned about it, senior administration officials said.

Some in the White House have urged Trump not to focus as much on the wall, try to pass a clean debt-ceiling bill and move to tax reform. "You have barely anyone here saying, 'Wall, wall, we have to get the wall at all costs,'" one White House official said.

It would be impossible to get Democrats on board for such a plan, Capitol Hill aides say, and Republicans will probably need Democratic support to enact a budget or raise the debt ceiling.

Rep. Mark Meadows (R-N.C.), who leads the conservative Freedom Caucus, praised the idea Tuesday — and Speaker Paul Ryan (R-Wis.) has promised to try to get money for the wall. The House passed a bill in July that delivers some wall funding, but it has little chance of becoming law.

Trump, on the campaign trail, said that Mexico would pay for the wall — a promise that has been widely mocked for its improbability.

Two people who have spoken to Trump said he sees not building the wall as a personal embarrassment — and that he has shown more interest in building the wall than in other issues, like the upcoming budget negotiations.

"You don't want a government shutdown," the White House official said. "He is told that. He says, 'I want money for the wall.'"

To view online [click here](#).

[Back](#)

Was this Pro content helpful? Tell us what you think in one click.				
Yes, very	Somewhat	Neutral	Not really	Not at all

You received this POLITICO Pro content because your customized settings include: Morning Energy. To change your alert settings, please go to <https://www.politicopro.com/settings>

This email was sent to jackson.ryan@epa.gov by: POLITICO, LLC 1000 Wilson Blvd. Arlington, VA, 22209, USA
