

To: Jackson, Ryan[jackson.ryan@epa.gov]
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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.

Despite Trump, States Still on Pace to Reach Paris Climate Goals

Posted September 20, 2017, 02:15 P.M. ET

By [Joe Ryan](#)

A coalition of states that vowed to fight global warming is on track to meet its share of U.S. targets set under the Paris Climate Agreement, even as President Donald Trump guts federal environmental efforts.

California, New York, and other members of the U.S. Climate Alliance have collectively cut greenhouse gases 15 percent since 2005, putting them within reach of the national goal of reducing emissions at least 26 percent by 2025, according to a Sept. 20 report. The rest of the nation has trimmed emissions by 10 percent, according to Rhodium Group research cited in the report.

The push reflects growing state-level efforts aimed at fighting climate change, even as the White House moves in the opposite direction. That still may not be enough. Unless more states work to aggressively cut emissions from power plants and automobiles—or federal policy changes—the U.S. will still fall short of its goals set under the historic pact brokered at the French capital in 2015.

“It’s very clear that we need a president to take leadership on climate action,” California Gov. Jerry Brown said in an interview. “But Trump is on the sidelines. So the answer is that states and cities and corporations need to do everything they can.”

Economic Upside

Brown is set to unveil the analysis at an event in Manhattan along with New York Gov. Andrew Cuomo (D), Washington Gov. Jay Inslee (D) and former Secretary of State John Kerry as world leaders and industry executives gather for Climate Week NYC and the United Nations general assembly. Confronting climate change does not necessarily require economic sacrifice. Clean energy policies have attracted billions in investments and helped create 1.3 million jobs.

The three governors formed the U.S. Climate Alliance in June, after Trump announced he would withdraw from the Paris accord. It now comprises 14 states and Puerto Rico, with more than one-third of the U.S. population and accounting for \$7 trillion in economic output. That’s more than any single nation other than the U.S. and China.

Corporations have also pledged to work toward the U.S.'s Paris targets. The World Resources Institute and other environmental groups [released a list](#) this week of more than 300 companies that have pledged to cut emissions, including Adobe Systems Inc., United Technologies Corp., Nike Inc. and Merck & Co.

Despite the push by states and corporations, Rhodium Group [projected](#) in May that the U.S. is on pace to reduce emissions between 15 and 19 percent by 2025, short of its goal of 26 to 28 percent.

“Climate change is a profound threat to the world,” Cuomo said in an emailed statement. “Despite the federal government’s reckless neglect of our environment, New York and the other U.S. Climate Alliance members are calling on other states to join us in this challenge to adopt aggressive policies to combat climate change.”

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Airline Carbon Permitting Clash Brewing in the EU

Posted September 20, 2017, 01:02 P.M. ET

By [Ewa Krukowska](#)

European Union lawmakers are on a collision course over a proposal that would allow utilities and manufacturers to use allowances that currently are earmarked only for airlines in the world’s biggest emissions market.

The European Parliament has proposed deleting a provision in carbon-market laws that prevents stationary installations from using aviation permits for compliance. EU governments oppose that move, according to two people with knowledge of the matter, who asked not to be identified.

Representatives of the EU Parliament and the 28-nation bloc’s governments will start negotiations on Sept. 25 about a revision to the carbon-market law.

Those could extend an exemption on foreign flights from the cap-and-trade program. The EU Parliament adopted its mandate for the talks last week, and the governments approved their stance at a meeting in Brussels on Wednesday.

12,000 Facilities Impacted

The EU emissions trading system imposes emission quotas on about 12,000 facilities owned by manufacturers and utilities. It forces those that exceed their caps to buy permits from businesses that pollute less. Emitters, which also include airlines, must hand in allowances to match the previous year’s emissions by the end of each April.

Prices in the program lost almost 70 percent in the past nine years as an economic crisis cut industrial output and imports of United Nations carbon credits added to a supply surplus.

Some lawmakers in the EU Parliament support removal of a firewall differentiating permits used by airlines from those that industry can access. They have argued that such a move would allow utilities and manufacturers to avoid excessive costs should their allocation of free permits become limited by a special rule on a correction factor.

Those members of the European assembly have pointed out that the proposal will increase the efficiency of the cap-and-trade program and won't aggravate the surplus in the market, since airlines may be short of allowances in coming years. The cap on aviation emissions will be subject to an annual reduction starting from 2021 under the draft law.

The final version of the law will need to be ironed out in talks that include the European Commission, the EU regulatory arm. The commission declined to comment because the negotiations are ongoing.

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U.K. Brushes Off Trump on Iran with \$720 Million Solar Deal

Posted September 20, 2017, 03:01 P.M. ET

By [Anna Hirtenstein](#)

The U.K. deepened its economic relationship with Iran in a solar deal worth \$720 million less than a day after U.S. President Donald Trump called the Persian Gulf nation a "rogue state" and threat to global security.

Current and former Iranian and U.K. officials gathered in London to announce a 600-million euro (\$714 million) plan to develop a giant solar park with cash from investors in Asia, Europe and the Middle East. The agreement underscores how difficult it will be for Trump to dismantle the 2015 nuclear accord, or JCPOA, between six world powers and Iran.

"The British government has made it absolutely clear that it sees the JCPOA as important, it thinks the JCPOA should continue," Norman Lamont, a former chancellor of the exchequer who is also chairman of the British Iranian Chamber of Commerce, said at a press conference Sept. 19. "The British government is also backed by other governments in the U.K. and in Europe."

The future of the accord, which caps Iranian nuclear activities in exchange for sanctions relief, has been at risk since Trump took office in January. Even as UN monitors have certified eight separate times since January 2016 that Iran is sticking by the terms of the accord, the U.S. administration has accused the government in Tehran of violating the spirit of the agreement. Trump told leaders Sept. 18 in New York it was "one of the worst" deals the U.S. has entered.

All the other signatories to the nuclear accord—China, France, Germany, Russia and the U.K.—have announced that they're committed to keeping the deal. The solar project by [Quercus Investment Partners Ltd.](#), a London-based renewables developer, shows international interest continues in Iran's market, despite Trump's rhetoric.

"The fact that the European partners are rushing to Iran, for different industries, auto industries energy industry, shows that they do not believe at all that the failure of JCPOA is an option," Hamid Baedinejad, ambassador of Iran in the U.K., said at the press conference.

The U.K.'s trade with Iran rose 42 percent from January to October in 2016 and 57 percent in the same period in 2017, according to Lamont. Global trade with Iran rose 13 percent last year to \$113 billion, according to data compiled by Bloomberg.

"The opportunities are tremendous, they really are tremendous," said Richard Bacon, a current

member of Parliament from the ruling Conservative Party. “I sense that we’re on the cusp of something very special, the scale of the opportunities is really quite extraordinary.”

The U.K. investment follows separate announcements by China, the [European Union](#), France, [Japan](#) and Russia that they’ll continue to support the accord. Europeans are also positioning themselves against a unilateral withdrawal from the JCPOA.

“This would damage not only U.S. interests but U.S. international standing and credibility,” 76 European leaders wrote in an [open letter](#) urging Trump to stick with the agreement.

Should the U.S. abandon the accord, the other countries “would work to see the nuclear deal continued with Iran, even in the absence of U.S. participation, and that could include defending European companies and individuals from any re-introduced U.S. sanctions and supporting legal action to do so.”

A U.S. bid to toughen the Iranian accord has inspired unified UN opposition.

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Biggest Miner Aims to Show Carbon Neutrality Won’t Cut Growth

Posted September 20, 2017, 8:21 A.M. ET

By David Stringer

BHP Billiton Ltd., the mining giant that’s made the biggest cuts to greenhouse gas emissions among the world’s top corporate emitters, has set itself the goal of becoming carbon neutral as new research across diverse industry sectors shows reductions don’t have to come at the cost of growth.

The company is aiming to meet a target of net zero emissions from its operations in the second half of this century, by making further cuts and using carbon offsets, according to a report published Sept. 20. Along the way, it’s aiming to hold emissions at, or below, levels recorded in the 12 months ended June 30 over the next five years.

The world’s biggest miner has been emboldened after proving it can lift output at the same time it curbs emissions, according to Fiona Wild, BHP’s vice president, climate change and sustainability. BHP cut emissions about 61 percent in the six years to 2016, the largest reduction among the top 10 corporate emitters, Bloomberg New Energy Finance said in a Sept. 14 report.

Other industry sectors are also proving cuts to emissions can co-exist with growth, according to the report. In the five years to 2015, health care and consumer staples companies reduced emissions at the same time as increasing revenues, the data shows. “There’s a massive decoupling of emissions from production growth, and that’s the thing that we are trying to drive across the organization,” Wild said by phone Sept. 20.

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South Africa Sees No Hurry for New Coal, Gas Power Projects

Posted September 20, 2017, 8:36 A.M. ET

By Paul Burkhardt

South African programs to add coal and gas power generation from independent providers should wait until policies are updated and the nation's future needs are clearer, said Energy Minister Mmamaloko Kubayi.

The government is also seeking a "middle ground" with developers in a program to add renewable-energy projects, she said in a phone interview Sept. 19. Kubayi announced earlier this month that the long-delayed contracts must be signed by the end of October, but not before pricing was renegotiated to make the deals more attractive to state-owned power utility Eskom Holdings SOC Ltd.

South Africa expanded the so-called independent power-producer programs to diversify its energy mix and ease the burden on Eskom, which was forced to implement rolling blackouts in 2015 after seven years of shortages hindered economic growth. However, the country now has surplus capacity after growth in demand stalled and more units from Eskom's new coal plants came online.

"Let's look at how much capacity do we need, and when," Kubayi said. The calculations should include economic growth estimates and determinations of how much generation is required from each technology, she said.

The gas-to-power program included plans for about 3,000 megawatts of capacity from proposed plants on South Africa's coast, the department said in October last year. Its coal program was designed to add 2,500 megawatts of capacity.

South Africa needs to conclude the revision of its Integrated Energy Plan and Integrated Resource Plan, which set long-term policy, before moving ahead with additional programs to procure electricity from gas and coal, Kubayi said.

Can't Proceed

"For those, we can't proceed right now," she said.

While the country's program to add renewable energy from private developers has drawn more than 200 billion rand (\$15 billion) of investment, the most recent bidding rounds have stalled as Eskom refused to sign new power-purchase contracts.

While developers welcomed Kubayi's announcement on Sept. 1 that the deals would be signed by the end of October, industry lobby groups have questioned her comments that pricing must be renegotiated. South Africa's cabinet and Eskom recommended a maximum price of 0.77 rand per kilowatt-hour.

Bidders will need to consider the legal, financial, and credit-risk implications on their projects if deals are renegotiated, according to the South Africa Photovoltaic Industry Association.

Setting a price ceiling on the renewable projects "actually removes all of the legitimacy of that program," said Niveshen Govender, program manager for Sapvia. "It's become actually difficult to understand where we're moving towards."

It's also unclear how the recommended price cap was settled on, said the South African Wind Energy Association.

“Undertaking negotiation after a duly concluded procurement process goes against South Africa’s procurement rules,” association Chief Executive Officer Brenda Martin said in an emailed statement. “We would hate to think that the extended delay and related job losses are set to continue for much longer, on the basis of an unachievable target.”

About 20 of the projects that the government plans to renegotiate can be completed for below the 0.77 rand level, Kubayi said. She said she isn’t biased for or against any particular type of generation.

While the government “seems to be in its legal rights to stipulate a price cap,” the uncertainty may deter investors in the future, Jason Harlan, CEO of Fieldstone Africa, a Johannesburg-based, energy-focused investment bank, said in an emailed reply to questions.

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