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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.

#### **Monster Storms Change Coastlines, Not Minds on Climate Change**

*Posted September 14, 2017, 8:49 A.M. ET*

*By Jennifer A. Dlouhy*

Back-to-back hurricanes fueled by warm Atlantic waters may have altered the coasts of Texas and Florida, but there's no indication they are shifting the politics of climate change.

"We cannot ignore that carbon emissions are causing our ocean temperatures to get warmer, which is fueling more powerful hurricanes," said Sen. Kirsten Gillibrand (D-N.Y.) at a lightly attended hearing on carbon-capture technology.

Yet that is exactly what many are doing on an issue that increasingly breaks down along partisan lines. Republicans in charge of the House and Senate haven't scheduled hearings to examine the phenomenon. President Donald Trump has ignored shouted questions on the topic and administration officials have brushed the whole issue aside as a distraction.

Scott Pruitt, the head of the Environmental Protection Agency, told CNN it is "very, very insensitive" to storm victims to "have any kind of focus on the cause and effect of the storm versus helping people."

Research shows monster storms may only harden people's position, underscoring already entrenched beliefs about the role humans play in warming the planet.

"The climate movement can't depend on the weather to make its political case," said Robert Brulle, a sociologist at Drexel University who studies environmental activism. "We have a window of opportunity to draw attention to the issue—and then three weeks from now we'll be talking about something else."

Environmental disasters, including an oil spill off the California coast, toxic pollution emanating from New York's Love Canal and Ohio's Cuyahoga River bursting into flames, helped catalyze the modern-day ecological movement, shifting public views. But unlike climate change, the causes were clearer; there was no need for scientists to interpret data or model scenarios.

It's much harder to attack the science of an oil spill, Brulle said. "You can't have a tactic of denying the science when you can see it right there with your very eyes."

Some environmental activists say Hurricanes Harvey and Irma should be a wake-up call, vividly illustrating the potential consequences of extreme weather events made worse by climate change. Scientists haven't linked either hurricane directly to climate change—and they may never be able to—though they stress global warming is leading to more intense, more frequent storms.

Decades into the debate over climate change, people's views on the subject are tied up with their political ideology. And it takes more than 185-mile-per-hour winds to change their beliefs.

People in areas that have experienced extreme weather are only marginally more likely to support climate adaptation policies such as elevation requirements and restrictions on coastal development, according to [research](#) published in the September issue of "Global Environmental Change." Instead, political party identification is a much bigger factor in how people viewed the issue, according to the study that examined public opinion data coupled with geographic information about extreme weather events.

And any changes in thinking after extreme weather are likely to be temporary.

"There was no discernible difference after a month between people who experienced more extreme weather and those who did not," Llewelyn Hughes, a professor at Australian National University, and David Konisky, a professor at Indiana University, said in a Washington Post [essay](#) describing their research. "Even though events like Hurricane Irma are tragic, it may very well be that people tend to forget about them quite quickly and get on with the rest of their lives."

Researchers also have found that living through a disaster changes the way people think—effectively making them more skeptical of leaders and less open-minded. A 2011 study of Honduran villages hit by Hurricane Mitch in 1998 found that severe damage reduces people's willingness to work together.

There are also parallels to the gun control debate, which didn't dramatically shift after shootings of schoolchildren in Connecticut and a congressman in Virginia.

In both cases, "there is a very powerful special interest influence group" that has effectively squelched debate, Sen. Sheldon Whitehouse (D-R.I.) said in an interview.

President Barack Obama made fighting climate change a signature policy of his administration. Trump and Republicans in Congress have sought to roll back those efforts.

Some environmental advocates may be wary of being seen as exploiting a natural disaster for long-term policy changes when homeowners are still ripping sodden carpet from their floors and utilities are still working to restore electricity. Whitehouse says there is plenty of time to talk about the issue as lawmakers debate hurricane-spending relief packages and storm-ravaged cities rebuild.

"We should be talking about this issue on a regular basis; I don't think there is a key moment in which we have to say it or we lose the opportunity," Whitehouse said. "Now is a good time to talk about it; later is a good time to talk about it; there will be plenty of opportunities to talk about it."

### **Congressional Debates**

Climate change concerns could spill into congressional debates over how to rebuild cities battered by the storms.

“It’s impossible to not discuss the incredible amount of money which the federal government is going to spend to clean up after supercharged hurricanes and to not then discuss what can we put in place now for ten cents on the dollar that will avoid the most catastrophic results,” Sen. Ed Markey (D-Mass.) said in an interview.

Extreme weather events could provide an opening to GOP lawmakers—particularly those in affected states—to justify or explain a shift in how they approach the issue, said Joseph Majkut, director of climate science at the Niskanen Center, a libertarian think tank.

Instead of 180-degree pivots on the link between carbon dioxide and climate change, that may come in the form of supporting a resilient infrastructure or backing changes in the national flood insurance program to better incorporate what is known about rising sea levels and storm risks.

“I don’t expect any one storm is going to change the debate on climate, which is now sort of sophisticated and entrenched,” Majkut said. “I do think it can make a difference at the margins, so one thing to watch for will be individual members, individual districts and how much of a role it might play in 2018.”

—With assistance from Christopher Flavelle.

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## **Federal Energy Regulatory Chairman Changes Tune on Coal**

*Posted September 14, 2017, 01:45 P.M. ET*

*By [Rebecca Kern](#)*

Federal Energy Regulatory Commission Chairman Neil Chatterjee seemed to back away from previous pro-coal comments today in his first public testimony since taking office in August.

Chatterjee, during an August podcast interview, made comments that were in line with the Trump administration’s efforts to help prop up coal plants. However, Chatterjee’s responses during a Sept. 14 House Energy and Commerce Committee hearing reflected a change in tone to align with views expressed by other FERC nominees that the commission doesn’t favor any fuel sources.

“The commission is fuel-neutral, and we will look to ensure that as our grid undergoes this transformation, that we ensure that we evaluate the attributes of fuel sources to see what values they provide,” Chatterjee said during a response to a question from Rep. Kevin Cramer (R-N.D.) about what FERC could do make sure coal plants were compensated enough to keep them running.

“We will see if there’s a demonstrated need for reliability, whether or not those things can be compensated,” he added.

Chatterjee, a former energy staffer for Senate Majority Leader Mitch McConnell (R-Ky.), expressed a different view on coal during an Aug. 14 appearance on a FERC [podcast](#).

“I believe baseload power should be recognized as an essential part of the fuel mix. I believe that generation, including our existing coal and nuclear fleet, need to be properly compensated to recognize the value they provide to the system,” Chatterjee said on the podcast.

In his Sept. 14 testimony, Chatterjee echoed comments made by Richard Glick, nominated to be a Democratic commissioner. Chatterjee said that while there are no current reliability threats to the grid with the early retirement of baseload resources, such as coal and nuclear, FERC needs to closely monitor whether retirements could lead to reliability vulnerabilities later.

Glick and Kevin McIntyre, nominated to the Republican chairman of FERC if confirmed by the Senate, both stressed in their confirmation hearing that FERC was fuel-neutral. They are awaiting a Senate committee vote, which was postponed from Sept. 14 to Sept. 19.

## **New York City Targets Buildings for Greenhouse Gas Cuts**

*Posted September 14, 2017, 12:35 P.M. ET*

*By [John Herzfeld](#)*

Buildings in New York City face sharp reductions in greenhouse gas emissions under a plan from Mayor Bill de Blasio (D) to target the city's top source of heat trapping emissions.

The proposed legislation, announced today, would require owners of all buildings in the city larger than 25,000 square feet to make improvements to boilers, heat distribution systems, hot water heaters, roofs, and windows. Deeper changes would be required during replacement or refinancing cycles over the next 12 to 17 years.

De Blasio said that the plan would make New York the first city to mandate cuts in emissions from fossil fuels burned for heat and hot water in buildings, which constitute the top source of greenhouse gases in the city, or 42 percent of the total. He cast it as part of a broader response by cities to inaction on climate issues at the federal level.

The new plan expands on previously announced city goals to cut carbon emissions by 80 percent from 2005 levels by 2050, as well as a long string of city code changes, programs, and voluntary agreements on building energy efficiency. In June, de Blasio issued an executive order backing climate change targets in the wake of President Donald Trump's withdrawal from the Paris climate change agreement.

## **Germany's Energy Transition Creates Costly Problems With Grid**

*Posted September 14, 2017, 6:15 A.M. ET*

*By [Jabeen Bhatti](#)*

Bolstering Germany's renewable output and expanding its electricity grid will be among Chancellor Angela Merkel's priorities if she prevails in upcoming federal elections.

As Germany forges ahead with its green energy transition, grid operators are being forced to dramatically increase operating costs to stabilize a centralized grid that has become unsuited for fragmented renewable production.

"In the next legislative period, we will need a great deal of effort to overhaul our transmission networks," Merkel said at her Christian Democrats' Energy Policy Dialogue event in April.

A “speedier” legislative process will be a priority as will establishing a “community of responsibility” with those of Germany’s federal states that have lower transmission costs than others, she added.

Germans head to the polls Sept. 24 to decide whether Merkel, who has led Germany since 2005, will remain in power.

Even if so, to make Merkel’s vision a reality, “there’s a lot of investments that they have to make and this contributes to increased grid fees,” Matthias Lang, a partner at the Bird & Bird law firm in Düsseldorf, told Bloomberg BNA. “But even if tomorrow we have a beautiful idea for the grid, it will still need to be built. And we’ll be paying for it for the next 40 or 50 years.”

The energy transition, in full swing for more than a decade, has drawn attention across Europe and from other countries also looking to rely more on renewable energy.

Germany already has some of Europe’s highest energy costs, so analysts wonder whether more increases will curtail public support: Some 95 percent of Germans support continued investment and expansion of renewables, according to a representative survey by German research agency Kantar Emnid.

#### **Transmission Snafu**

Germany decided to cut ties with nuclear power in an ambitious energy transition known as the Energiewende. The move completely upended its energy production and transmission procedures. Since beginning the phaseout of nuclear energy in 2010, renewable energy output has doubled to 33 percent of total production in 2016, while fossil fuel and nuclear energy production significantly decreased, according to the Federal Ministry of Energy and the Economy. As of March, wind made up almost 12 percent of all electricity generation, while solar was almost 6 percent. Despite having succeeded in rapidly overhauling energy production, Germany’s electricity grid, originally optimized for a centralized approach to energy consumption and transmission of non-renewables, is still struggling to efficiently accommodate the flood of electricity from renewables, analysts said. Strategically placed power plants used to funnel energy in a harmonized system based on need, price of production, high-consumption areas, and energy availability. As such, grid infrastructure developed along centralized transmission routes. The Energiewende’s quick rollout changed that practice. As opposed to strategically erecting power plants in line with transmission networks, renewable energy centers began popping up wherever wind or solar was available. That created a distributed operation using mixed energy sources that has put increased strain on the existing grid, analysts said. “The factor is really commercial where you get the cheapest place to put your wind farms” and solar, said Lang. “It has nothing to do with where the power is consumed. So you have increased the amount of transportation that you need, because there’s a total disconnect between where generation and consumption takes place.”

#### **New Infrastructure ‘Urgent’**

The German power grid is sectioned into transmission quadrants overseen by four operators: TenneT, Amprion Inc., 50Hertz Transmission GmbH, and EnBW Transportnetze AG. Hundreds of local and regional energy producers pay these operators to transmit electricity to consumers across Germany. Costs on producers then are passed on to the consumers themselves. Analysts and grid operators said the transmission costs largely stem from efforts to stabilize electricity flow on the grid, known as re-dispatch costs, during periods of particularly high renewable output. This involves turning on or shutting off traditional power plants either to stanch or ramp up output in line with need. As renewables have become more popular, increased output has clogged transmission on a grid that was optimized for fossil fuels. This January and February, instances of re-dispatch on the

grid increased by some 63 percent in comparison to the previous year, a spokeswoman from Germany's Federal Association of Energy and Water Management told Bloomberg BNA.

Meanwhile, in 2015, re-dispatch efforts cost operators some 412 million euros (\$490 million), three times the cost from the previous year, according to the latest Monitoring Report from Germany's Federal Network Agency. The agency has warned that costs could jump to 1 billion euros (\$1.2 billion) by 2020 as renewable output increases. As a result, TenneT, Germany's largest grid operator, whose transmission zone spans the entire middle passage of the country from north to south, was forced to raise operating fees in its zone by 80 percent in 2017, a company spokeswoman told Bloomberg BNA. That translates to a 27 euro (\$32) increase a year in energy costs for a three-person household. Grid prices on average accounted for some 25.7 percent of energy costs for German households as of February, according to statistics from the the federal energy and water management association. "New infrastructure is becoming more and more urgent. Curtailment costs of renewables are increasing and we can't build the infrastructure so that the networks are faster," Andreas Jahn, a senior associate with the Regulatory Assistance Project, an energy think tank in Berlin, told Bloomberg BNA.

### **Infrastructure Needs**

Grid operators must now rapidly build infrastructure from the ground up in areas lacking proper access, such as along Germany's coast with the North Sea, a major center of wind production. "They have an obligation to connect a particular wind farm to the grid," said Lang. "But if the grid behind the wind farm was never built to take on that type of power, they have to reinforce the grid. And this drives up grid costs."

This is particularly the case in rural areas in East Germany, where a lack of grid infrastructure has left consumers there footing the bill for updates to newly constructed renewable systems, in addition to transmission costs and stabilization measures. "The costs simply stay with this limited number of customers," said Jahn. "We need a common agreement on the cost: Urban customers should have to pay a part of the costs in rural areas as well." While updated transmission routes are supposed to be finished by 2022, when the last of Germany's nuclear plants are to go offline, the Federal Network Agency confirmed to Bloomberg BNA that new, high-traffic grid connections likely won't be finished until 2025.

### **Disputed Solutions**

Numerous actions have been suggested to stymie rising costs—from efforts to rapidly increase grid expansion to legislation to equalize costs among consumers across the board, regardless of geographic location. A bill addressing the latter was completed in the Parliament in July and will clear the way for a harmonization of long-distance transmission costs across all regions by 2023. "There's differing positions from the states simply because many profit enormously from the current system: They have lower grid costs while others' bills are higher," Tobias Austrup, an adviser on energy policy with Greenpeace Germany, told Bloomberg BNA. "But it really comes down to a question of fairness," he added. Another proposal has been to decouple Germany's transmission network from Austria and Luxembourg to combat electricity bottlenecks at the border that contribute to skyrocketing redispatch costs. But analysts dispute whether decoupling would be financially and politically beneficial. While creating a domestic internal bidding zone for electricity could indeed drive down prices in the short term, it doesn't match the political objectives of the European Union and could increase congestion at national borders. And that could serve to exacerbate re-dispatch costs. "Electrons don't know national borders. They know copper," the Regulatory Assistance Project's Jahn said. "In the end, it will be more expensive if we have 27 energy transitions instead of a joint project."

## 'Antiquated Power Stations'

Greenpeace's Austrup views the grid in its current form—with its mix of traditional and renewable power plants—as the root of the problem. With an all-or-nothing approach replacing all traditional power stations with renewables immediately, instead of gradually, Germany could significantly reduce grid fees and energy costs, he said. "It's a myth that the problem is that there's too much renewable energy that can't be transported," Austrup told Bloomberg BNA. "The problem is these antiquated power stations that no longer belong in this world." Still, building up renewables to the point of energy independence is a waiting game, said attorney Lang. Technology and legislation have to reach the point where such a feat would be possible. "If we finish the buildup of renewables, then at some stage, the grid will have caught up," said Lang. "But I'm hesitant to say when exactly this is going to be, because we don't know what technology we will be able to use going forward." That means that high energy costs for consumers in Germany—already higher than most of its European counterparts—won't show any sign of stopping, he added. "It's costing money and costs are going to increase. It will get more expensive," he said. "If we want a higher percentage of renewables, then we have to upgrade the grid to do so. And that will cost what it costs."

## Fastenal Canada Fined \$218K for Import, Sale of Ozone Depleters

*Posted September 14, 2017, 8:26 A.M. ET*

By [Peter Menyasz](#)

Major industrial supply firm Fastenal Canada Ltd. will pay C\$265,000 (\$217,000) in fines for importing and selling in Canada aerosol products containing ozone-depleting substances.

The Ontario Court of Justice levied the fine Sept. 7 after the company pleaded guilty to two counts of violating the ozone-depleting substances regulations under the Canadian Environmental Protection Act, Environment and Climate Change Canada said Sept. 13.

Enforcement officers found that Fastenal imported and sold aerosol products containing hydrochlorofluorocarbons (HCFCs), a regulated ozone-depleting substance, between November 2012 and January 2015, the department said in a statement.

The company, based in Winona, Minn., didn't respond to Bloomberg BNA's request for comment.

The fine will go to the Environmental Damages Fund, which is used to support projects that benefit the environment, and the company's name will be added to Canada's Environmental Offenders Registry, the government said.

HCFCs are primarily used in foam blowing agents, refrigeration and air conditioning coolants, solvents, aerosols, and fire extinguishers.

Fastenal has 2,503 retail outlets and 401 on-site locations in the U.S., Canada, Mexico, and Europe, with net sales totaling \$4.0 billion in 2016.

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