

To: Jackson, Ryan[jackson.ryan@epa.gov]
From: Bloomberg BNA
Sent: Tue 7/25/2017 8:26:33 PM
Subject: July 25 -- Daily Environment Report - Afternoon Briefing



Daily Environment 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. The Bloomberg BNA Daily Environment Report is brought to you by EPA Libraries. Please note, these materials may be copyrighted and should not be forwarded outside of the U.S. EPA. If you have any questions or no longer wish to receive these messages, please contact Josue Rivera-Olds at riversa-olds.josue@epa.gov, 202-566-1558.

EPA Chief Pushes for Accountability Over Speed at Waste Sites

Posted July 25, 2017, 12:08 P.M. ET

By [Sylvia Carignan](#)

EPA Administrator Scott Pruitt wants accountability over speed to get potentially responsible parties and the agency itself to move languishing Superfund sites forward.

"It's the responsibility and job of this agency to get accountability with these companies," Pruitt said at a roundtable media briefing July 25.

Superfund sites that have spent years without a cleanup decision may see changes as a result of a new agency plan, he said.

"If you're a [potentially responsible party] and you're in that situation, guess what? We're going to be talking to you very soon," he said.

Pruitt's Superfund task force—convened in May—specifically focused on making changes to the Superfund program that don't require legislation. The task force's 42 recommendations focus on administrative ways the agency can ensure accountability, accelerate cleanup, and prepare sites for reuse, according to a [memo](#) accompanying a [summary](#) of the recommendations.

Scientists Say They Were Left Out of Pesticide Drift Research

Posted July 25, 2017, 12:30 P.M. ET

By [Tiffany Stecker](#)

Farmers could have had better information on handling a new herbicide linked to widespread crop damage in the South and Midwest, but Monsanto Co. limited the scope of research on the pesticide, according to a pair of agricultural scientists.

The scientists told Bloomberg BNA that academic researchers were contracted to measure the effectiveness of a new formulation of dicamba, a 1960s-era chemical that has been updated to handle tough-to-kill weeds. However, they didn't have the opportunity to look at the potential of the herbicide to evaporate and settle on another farm, where it can damage crops, until the products were available for sale, Kevin Bradley, a weed scientist at the University of Missouri, said.

"I feel like many of my colleagues would have liked to do volatility research and were not allowed," Bradley said.

Bradley and another scientist, Tom Mueller at the University of Tennessee's Institute of Agriculture, both conducted independent research on the new dicamba products after they were on the market. Their research is now being cited in a class-action that alleges Monsanto Co., BASF Corp., and Dupont encouraged growers to buy dicamba-based products despite concerns they could drift to nearby farms and damage soybeans, fruit orchards and other "off-target" crops.

Monsanto, in a statement to Bloomberg BNA, dismissed assertions that it didn't prioritize experiments on the pesticide's drift potential. The company said it performed extensive studies on volatility for its XtendiMax herbicide, which includes new technology to prevent the formation of dicamba acid and make it less prone to leaving the field. The Environmental Protection Agency requires that only the new, low-volatility pesticides be used with Monsanto's genetically-engineered crops and that the pesticide can't be sprayed in wind speeds over 15 miles per hour.

"We have expanded our university partnerships and are collaborating with numerous academics and extension agents who are testing the Roundup Ready 2 Xtend Crop System," Monsanto spokeswoman Charla Lord said, referring to the combination of dicamba-resistant seeds and the herbicide. "We look forward to continuing these partnerships in the future."

Hundreds of Damage Reports

Farmers throughout the country are struggling to control weeds that no longer die when sprayed with glyphosate, the world's most-used herbicide that is the main ingredient in Monsanto's Roundup. These weeds lead to big crop losses: palmer amaranth—also called pigweed—can impinge on up to 91 percent in corn yields and up to 79 percent of soybean yields, according to Purdue University Extension.

To meet farmers' needs, companies have developed new formulations of pesticides with decades-old chemicals like dicamba, 2,4-D, and glufosinate. The new tools are popular, and have given farmers hope for combating weeds for the first time in years.

"We're the cleanest from a weed control standpoint than we've been in a decade," Larry Steckel, a plant sciences professor at the University of Tennessee, told Bloomberg BNA.

Growers in the South and the West are now using dicamba on Monsanto's Roundup Ready 2 Xtend cotton and soybeans, genetically-engineered crops that don't die when sprayed with the herbicide. BASF and Dupont also both market herbicides that could be used on dicamba-resistant crops.

However, the lawsuit argues that the companies didn't tell farmers that volatility of the dicamba products could develop over several days, carrying the chemical from one field to the next. Temperature inversions, which trap air in specific locations, can serve as a conduit for dicamba to remain at ground level and eventually travel miles away from a pesticide sprayer's fields, according to the lawsuit.

“They just don’t know what’s going on in their fields,” Paul Lesko, an attorney with St. Louis-based Peiffer Rosca Wolf who represents six Arkansas farms in the class action case, told Bloomberg BNA.

More than 700 Arkansas farmers have filed reports of damage with the state agriculture department from the pesticide. In neighboring Missouri, nearly 200 growers, most of them soybean farmers, have complained. Calls to the Tennessee Department of Agriculture led to restrictions on spraying in the state.

The concerns hit as two of the three companies are seeking regulatory approval for big mergers: Bayer AG is expected to buy Monsanto for \$66 billion and Dupont will join Dow Chemical Co. in a \$79 billion partnership.

The dicamba woes likely won’t affect the companies’ earnings in the short term said Jason Miner, an analyst with Bloomberg Intelligence said, but could play into longer-term strategic changes.

Research Cited in Lawsuits

Bradley said that universities are often called on to investigate all aspects of a new product in order to advise farmers. However, Monsanto didn’t provide its new products to researchers unless the experiments were limited to certain data, according to Bradley.

“There’s a strong stipulation,” Bradley, added, “about what we can research and what we can’t.”

Bradley undertook preliminary research on his own, once the products were on the market. His findings, showcased in a July 6 Powerpoint [presentation](#), are part of the class-action, which collects studies, testimony and other warnings dating back several years.

“Initial results [with] air samples and indicator plants suggest that both [XtendiMax and BASF’s Engenia] can be detected in air after application,” Bradley said, according to court records. “Indicator plants suggest volatilization is still occurring at least 24 hours after treatment.”

Mueller of the University of Tennessee told Bloomberg BNA he was unable to get the new formulations for testing until they came on the market in 2016. Like Bradley, Mueller also presented [findings](#) this month indicating that Engenia, a BASF dicamba product, “is moving from the site of application into the air immediately about the treated field.”

“Soybean injury in adjacent areas should be expected from vapor movement of dicamba after application,” Mueller wrote on the Powerpoint slide from a presentation on his findings. Mueller’s research, funded by the Tennessee Soybean Promotion Board, is part of the plaintiffs’ case against the manufacturers.

“I’m disappointed in what’s happening,” Mueller told Bloomberg BNA.

Based on company data, the new formulations were supposed to be far less prone to drift than earlier versions. State agencies and agricultural extensions also put in extra work to ensure that farmers would use the new products correctly, he said.

Monsanto Disputes Cause

Monsanto’s U.S. commercial operations lead Brian Naber said in a July 21 [blog post](#) the company’s

preliminary findings indicate that volatility of the approved products is not the major source of the off-target movement. Pesticide applicators are not following label instructions and spraying older products not allowed for use on the genetically-engineered seeds, he said.

Laura Svec, a spokeswoman for Dupont, said that thousands of growers have used the products properly and successfully to address resistant weeds and boost productivity. Dupont has licensed Xtend soybean seeds from Monsanto and manufactures FeXapan dicamba herbicide.

The Agriculture Department approved the sale of Monsanto's Xtend soybeans and cotton in 2015. The EPA, however, didn't approve the new herbicides until nearly two years after USDA made its decision.

In the two summers in between, growers bought the new seeds but had only old, more volatile dicamba available. Complaints of crop damage in Missouri soared in 2016. In one instance, a dispute over drift led to the shooting death of a farmer.

The lawsuit alleges that groups and farmers have warned about the drift problem for years. In 2014 a coalition of farmers named Save Our Crops warned Monsanto that the premature release of dicamba resistant traits would pose a risk to crops. In 2015, a farmer who had purchased XTendFlex cotton testified that a seed representative told him to spray dicamba over his crops, even though it was illegal at that time.

"He was just doing what somebody told him," the farmer, Don Masters, told the Arkansas Plant Board, according to the lawsuit. With penalties were as low as \$1 per acre for the average cotton farm, growers were willing to risk using an outdated product in violation of the EPA's rules to solve their weeds problems, the plaintiffs argue.

This year, cases of dicamba drift have centered in Missouri's bootheel region and the northern Mississippi Delta. But reports also have been filed in Illinois, Indiana and Nebraska.

Mueller of the University of Tennessee doesn't deny the need for effective pesticides for farmers, but said that the agricultural community is going to have to answer some "really difficult questions" for 2018.

"It's a very complicated situation," he said. "At the end of the day the most important issue for the farmer is to grow a crop, make money and feed people."

Saint-Gobain to Fund \$20 Million Water Line in Vermont

Posted July 25, 2017, 01:21 P.M. ET

By [Aaron Nicodemus](#)

Saint-Gobain Performance Plastics Corp. will fund a \$20 million water line extension for approximately 200 Vermont homes, settling claims that a shuttered factory leached a chemical into area wells.

The agreement, to be filed in state court in Bennington, Vt., July 26, will settle some of the claims made by Vermont regarding chemical contamination emanating from the former ChemFab Corp. factory. The factory was found to have contaminated about 200 private drinking water wells with perfluorooctanoic acid (PFOA) in Bennington and North Bennington. Now owned by Saint-Gobain,

the plant, which closed in 2002, is also suspected of contaminating wells in nearby Hoosick Falls, N.Y.

Construction of water lines in Bennington and North Bennington will begin in the fall, according to a statement from Vermont Attorney General T.J. Donovan's office.

"Clean drinking water is a human right," Donovan said in a statement, calling the agreement "a good first step."

Additional Investigations Ongoing

The agreement will address drinking water remedies for a portion of the contaminated area. Saint-Gobain will continue to investigate PFOA contamination throughout the region.

"Providing potable drinking water to citizens of Bennington and North Bennington has always been our shared goal," Tom Kinisky, president and chief executive officer of Saint-Gobain Performance Plastics, said in a statement.

PFOA can be harmful to the thyroid gland and is suspected of causing testicular and kidney cancer, according to the American Cancer Society. It was widely used as a non-stick coating, and ChemFab used it to coat fabrics. Tests in 2016 found PFOA at levels greater than the state limit of 20 parts per trillion in Bennington private wells, and it was traced to the ChemFab plant.

The state will host several community meetings, and the agreement will be open for a 30-day public comment period once it is filed in state court.

Little Change in Rates Expected as China Implements Green Tax

Posted July 25, 2017, 01:52 P.M. ET

By *[Michael Standaert](#)*

Tax rates aren't likely to see much change as China moves to fully implement its Environmental Protection Tax Law, which will go into effect Jan. 1, 2018. Major changes are not expected at first in the amount of taxes companies will have to pay for emissions compared to a previous fee-based system, analysts said, although the exact rates have not been released.

"We expect that the tax rates won't change dramatically overnight," Josephine Jiang, tax partner at KPMG in Beijing told Bloomberg BNA.

Local People's Congresses will be in charge of setting the rates, but no information has been released on when that will happen, Jiang said. Public comments are due by July 26 on the [draft guidelines](#) the Ministry of Environmental Protection (MEP) announced July 18 for implementing the tax.

China's Environmental Protection Tax Law, officially approved at the end of 2016, is the country's first "green tax" and essentially replaces a pollutant discharge fee system that had evolved during the past 30 years. It is the fifth official tax law in China.

Under the law, provincial People's Congresses and some municipal People's Congresses will be able to set the tax rates within a band above or below the national levels after consultation with

central government-level tax and environmental authorities.

“[This] will require unprecedented coordination between local environmental protection officials who will monitor and measure discharges and tax officials who will collect and administer the tax,” Scott Silverman, special counsel on environmental law in China at Baker & McKenzie law offices in Beijing, told Bloomberg BNA. “I am sure there will be implementation challenges as local governments put the new system in place.”

Tax Incentives

The new tax system, which covers companies with direct air emissions and wastewater discharges, as well as solid waste and noise levels from construction sites, will give various levels of incentives depending on the amount they reduce their pollution below provincial and national standards.

Jiang said the overall trend in China is for companies to do self-assessments for their taxes, and tax authorities will step when concerns arise.

“This is another aspect that companies will need to watch out for,” she said.

Another difference from the pollutant discharge system is that environmental taxes will be collected by tax authorities, not by environmental protection departments as the previous pollution fees were.

The previous policy had led to exploitation of loopholes, incidences of bribery and corruption related to the fees, or cases where environmental bureaus simply ignored the fees if a company was very important to the local economy.

“The most difficult challenge [for implementation] is that [pollutant discharge] fees were collected by local governments and now they’ll be collected by state tax authorities,” Jiang said. “There will not be much room for negotiation [for companies] or for them to run away from the environmental tax.”

Environmental bureaus will still be responsible for monitoring emissions levels under the law, however.

America’s Biggest Oil Port Looks to Be Hub for Shale Exports

Posted July 25, 2017, 8:14 A.M. ET

By Hailey Waller and Sheela Tobben

The biggest U.S. oil-import hub wants to grab a piece of surging North American crude exports.

Louisiana Offshore Oil Port, the only terminal along the U.S. Gulf Coast able to handle a fully laden supertanker, is gauging interest from shippers in sending crude overseas on the world’s biggest ships by early next year. The port would continue to take in foreign oil, LOOP LLC said in an emailed statement July 24.

Ports are competing to fill the needs of domestic oil producers looking for outlets for their growing supply. At the same time, the boom from U.S. shale fields and Canadian oil-sands mines has reduced refiners’ need for imported oil. LOOP’s ability to handle tankers capable of carrying 2 million barrels in their holds would reduce shipping costs for companies looking to send crude to refiners in Asia.

“LOOP is the most obvious place for U.S. crude exports since as a deepwater port it makes it more manageable to load up a large ship such as a VLCC,” Sandy Fielden, director of commodities and energy research at Morningstar Inc., said by phone from Austin, Texas. “It makes huge sense from a logistical perspective as it will allow for more efficient cargo shipments.”

Currently, shippers have to load oil onto smaller tankers in ports such as Houston or Corpus Christi, Texas, that then transfer their cargoes onto Very Large Crude Carriers sitting offshore. That adds cost and time to the shipments. While Corpus Christi received its first VLCC at the end of May, the port’s channel isn’t deep enough for a ship that size to load a full cargo.

Nigerian and Saudi Arabian oil will continue being unloaded from massive supertankers at LOOP’s marine terminal 17 miles offshore and pumped into storage caverns one-third of a mile under its Clovelly Hub in Louisiana, as it has for over 30 years. But LOOP is turning some of its operations around as exports surge after restrictions were lifted at the end of 2015.

“Today, customers are seeking the optionality to safely and efficiently load or offload, which is a natural request for a port,” LOOP President Tom Shaw said in the statement. “This service offers our customers the scalability to fully load a VLCC.”

LOOP will be competing with Corpus Christi, which in 2017 became the top oil-export hub for the U.S. Canadian producers are looking for more options for selling their crude to higher-priced markets around the world, lessening their dependence on U.S. refiners.

In recent years, shipping oil overseas has become more economical, thanks to low-cost drilling methods unlocking vast deposits in West Texas and other areas. U.S. production reached 9.6 million barrels a day in April 2015, according to the Energy Information Administration.

Rising Output

Daily U.S. output is hovering at more than 9 million barrels, much of which is lighter than what local refineries are configured to process. The excess is heading overseas, boosting American exports above those from OPEC members Qatar, Libya, Ecuador and Gabon. VLCC shipments to Asia are expected to jump 52-fold this year, shipping analysts at McQuilling Partners Inc. said in a note. That makes a port able to load the huge ships attractive to traders.

The additional capacity at LOOP could add another 300,000 barrels a day of U.S. exports, according to Fielden.

“Professional exporters will be drawn to this as they will want to export more regularly.”

—With assistance from Laura Blewitt.

©2017 Bloomberg L.P. All rights reserved. Used with permission

Biofuel Subsidies Axed in New House Legislation

Posted July 25, 2017, 11:30 A.M. ET

By [Brian Dabbs](#)

Biofuel subsidy programs at the Agriculture Department would be axed in a bill set for introduction in the House.

Rep. Andy Biggs (R-Ariz.), an environment subcommittee chairman on the House Science, Space and Technology Committee, plans to introduce the legislation July 26, saying the programs disregard market demand at the expense of taxpayers.

“By continuing to force technologies into the market that are not competitive or in demand, we are doing the American people a disservice,” Biggs told a July 25 hearing on advanced biofuels. “The federal government’s biofuel policies have had an unintended adverse effect on food costs. The price of corn, soybeans, and related retail food products have all increased.”

The programs, Bioenergy Program for Advanced Biofuels and Biomass Crop Assistance Program, aim to boost innovation. Advanced biofuels, which can supplant traditional fuels to provide energy, are made from a wide range of plants and plant waste.

Many lawmakers oppose traditional corn-based ethanol over concerns about corn supply and environmental impacts.

Petronas Drops Plan to Build \$27 Billion Canada LNG Terminal

Posted July 25, 2017, 03:02 P.M. ET

By Natalie Obiko Pearson

Malaysia’s Petroliaam Nasional Bhd abandoned its long-stalled plans to build a \$27 billion liquefied natural gas export terminal on Canada’s west coast, citing changes in market conditions.

“Prolonged depressed prices and shifts in the energy industry have led us to this decision,” Anuar Taib, chairman of the board of the Pacific Northwest LNG project, said in a statement.

Petronas, as the state-owned company is known, won Canadian federal government approval for the project in September following more than three years of regulatory reviews and strident opposition from environmentalists, scientists and indigenous communities. The project also faced economic headwinds, with 18 gas export proposals in the province in limbo amid a global glut and plunging prices.

The long-anticipated decision by Petronas delivers a major blow to plans pushed by the previous Liberal-led government of British Columbia to develop an LNG industry in the Pacific Coast province for export to Asia. It comes shortly after Premier John Horgan took office backed by his ally, Green Party Leader Andrew Weaver, who has mocked the LNG industry as “nonsense” and a “colossal failure.”

Petronas and its partners remain committed to developing their natural gas assets in Canada and “will continue to explore all options as part of its long-term investment strategy,” according to the statement.

©2017 Bloomberg L.P. All rights reserved. Used with permission

Appalachian States Look Past Coal, Ask Trump to Aid Natural Gas

Posted July 25, 2017, 8:55 A.M. ET

By Ari Natter

Having lost tens of thousands of coal mining jobs to the rise in natural gas, several states have decided if you can't beat them, join them.

A bipartisan group of lawmakers hopes to persuade President Donald Trump to spare a loan program he wants to kill and use it to help a \$10 billion gas-storage project in the hard-hit Appalachian region of the eastern U.S. where coal had once dominated. Proponents say it would help spur new chemical, refining and other manufacturing industries—and give out-of-work miners a new career path.

“We need a more diverse portfolio,” said Brian Anderson, director of West Virginia University’s Energy Institute, and a member of the project’s coordinating committee. “If you have one industry that dominates your economy and that industry sees a decline then it really runs huge ripples through your entire economy.” Coal and natural gas compete in the electricity markets and the proliferation of fracking in recent years led to cheaper gas that has displaced coal. Coal had once accounted for more than half of all U.S. electricity generation, but last year natural gas topped coal to become the largest source of power generation. The impact has been felt especially hard in the Appalachian region—which was once largely dependent on coal mining and steel production.

The Appalachian Storage Hub, estimated to cost as much as \$10 billion, could encompass underground caverns in Pennsylvania, Ohio or West Virginia, although the final site has yet to be selected. It would have the capacity to hold as much as 100 million barrels of ethane, methane and other products produced in conjunction with natural gas. It would also include a 3,000-mile pipeline network to link up the storage sites with petrochemical plants.

A report by the American Chemistry Council found the project could create more than 100,000 jobs and nearly \$36 billion in capital investment. The project would be similar, though smaller, to the Mont Belvieu natural gas liquids hub just outside Houston that has bolstered that area’s chemical industry.

Supporters of the project say a lack of pipelines and storage infrastructure has depressed the price of gas produced from the Marcellus shale under Pennsylvania, Ohio and West Virginia. Natural gas prices there are only two-thirds that of the main market rate set in Louisiana.

Southwestern Energy Co., a gas exploration company with operations in the Marcellus, is a top proponent of the storage hub.

Bipartisan Group

A group of lawmakers led by Democrat Joe Manchin and Republican Shelley Moore Capito sent Trump a letter last week asking that he set up a blue ribbon commission to back the construction effort.

The two West Virginia senators also introduced legislation that would allow the Appalachian storage hub to qualify for Energy Department loan guarantees. Trump has proposed killing that program, and a spending bill the House of Representatives is debating this week would do just that.

Even without federal help, there are initial signs that investment is coming to the region. A \$6 billion ethane cracker plant, which would make ethylene for plastics and other products, is being

considered by PTT Global Chemical America for a site along the Ohio River where a former coal-fired power plant owned by FirstEnergy Corp. once stood. Royal Dutch Shell Plc also has a new chemical complex planned for western Pennsylvania.

Shell's project follows the first wave of North American plants being built along the Gulf of Mexico coast by companies such as Dow Chemical Co. and Chevron Phillips Chemical Co. The factories all use shale gas to gain a cost advantage over producers in Europe and Asia that rely on oil and coal feedstocks.

"We certainly had our struggles in this region," said Steven Hedrick, the president of the Mid-Atlantic Technology, Research & Innovation Center in South Charleston, West Virginia. "This would be an opportunity for displaced miners to allow them to use the skills they've learned during a lifetime of engagement with coal."

©2017 Bloomberg L.P. All rights reserved. Used with permission

Canada Business Warns Trudeau on Rising Costs, Regulations

Posted July 25, 2017, 02:37 P.M. ET

By [Josh Wingrove](#) and [Erik Hertzberg](#)

Canada's climate-change plan and other government measures are heaping costs on businesses and pushing them to a breaking point, the Chamber of Commerce says in a warning to Prime Minister Justin Trudeau.

Chamber President Perrin Beatty, in a letter July 25, asked Trudeau to find ways to cut business costs to offset the impact of an emissions plan that includes a minimum carbon price beginning next year. Failure to do so could mean "seriously undermining Canada's competitiveness," he said.

"The cost of doing business in Canada is rising," Beatty said in the letter, which was also sent to the country's provincial premiers. "Our members are deeply worried about their ability to both grow their businesses within Canada or compete for investment and customers from abroad."

Speaking July 25 in New Brunswick, Finance Minister Bill Morneau said competitiveness is a focus of his department. "My job is to make sure Canada keeps the edge that we have, maintains its competitive advantage," he said. He didn't respond directly to Beatty's letter.

'Serious Cumulative Impact'

A cocktail of new regulations, taxes, climate measures and pension changes are having a "serious cumulative impact," Beatty said. The business community supports measures to tackle climate change but argues they should be accompanied by cutting costs elsewhere, he said.

High labor costs, low productivity growth, electricity rates and employment insurance changes are also raising costs. "If we don't give Canadian businesses breathing room, many will suffocate," Beatty added in a news release.

In Ontario, where the government recently announced a proposed increase of the minimum wage to C\$15 per hour by 2019, the self-assurance of smaller firms has already been shaken. [June data](#) from the Canadian Federation of Independent Business shows the barometer index, a measure of

business confidence, fell 10.2 points to 58, the biggest monthly decline since 2008. Nationally, the index dropped 5.2 points, the most in almost six years.

The proposed changes in Ontario drove the decrease in business sentiment across Canada, and are “adding considerable uncertainty over future operating conditions,” Ted Mallet, chief economist at the CFIB, said in the report.

Climate, Trade

The Chamber’s warning comes ahead of upcoming negotiations on the North American Free Trade Agreement and amid U.S. President Donald Trump’s plans to cut taxes and regulations. Canadian “concern becomes even more substantial when we see the determination of the U.S. administration to dramatically cut both regulation and business taxes in that country,” Beatty wrote.

Climate change is one of the foremost policy differences between Trump and Trudeau. The president pulled the U.S. out of the Paris agreement last month, while Trudeau continues to champion it at home and abroad.

“The solution is not to ignore climate change, but to proceed in a way that makes sense for Canada’s economy,” Beatty said. “We believe that the negative impact of carbon pricing mechanisms on competitiveness can be minimized if they are designed with competitiveness in mind and offset by cost reductions in other areas.”

Trudeau’s climate plan kicks in next year, though Canada’s most populous provinces already have either a cap-and-trade regime or a carbon tax. Beatty urged Trudeau and the premiers to discuss competitiveness at their next meeting.

©2017 Bloomberg L.P. All rights reserved. Used with permission

Dead Bodies Piling Up as Mexico’s Stolen-Fuel Market Booms

Posted July 25, 2017, 04:13 P.M. ET

By [Amy Stillman](#)

Buying stolen gasoline in the central Mexican state of Puebla is easy. Pull off the main highway into a busy parking lot, and the black marketeers are waiting in pickup trucks loaded with jerrycans. They’ll siphon the fuel into your tank—boasting as they do that unlike a lot of the country’s regular gas stations, they don’t cheat customers.

While this illegal curbside commerce has been going on for decades, it has exploded in the past few years and now costs Pemex, Mexico’s state oil company, more than 20 billion pesos (\$1.1 billion) a year. The huachicoleros, as the fuel thieves are known in Mexico, dig up pipelines and hijack tanker trucks. These techniques have made Puebla, with its heavy vehicular traffic and extensive pipeline system, a target for organized crime looking to diversify its profit streams. The country’s drug cartels have muscled their way in, with predictable mayhem. Nine people died in a July 2 shootout between rival gangs of robbers in Puebla. And at least 15 people have died in military operations to take out fuel theft rings over the past several months in an area of the state known as the Red Triangle.

The government has started cracking down because it needs to draw foreign capital into the energy sector, where oil output has been sagging because of a combination of underinvestment in exploration and production, aging wells, and deficient infrastructure. The country has a population

about five times that of Texas, yet the U.S. state's fuel pipeline grid is 35 times larger. Potential investors who already look askance at the steady drip-drip of losses from theft and smuggling are even more likely to be deterred by drug gang violence.

Mexico Courts Investment

"For potential participants in the fuel business, whether they're importing gasoline and diesel or they're looking to construct terminals, it's a reality check," says John Padilla, managing director of energy consulting firm IPD Latin America LLC. Exxon Mobil Corp., Glencore Plc, and BP Plc have all announced plans to set up or supply gas stations in Mexico. Commodity trader Trafigura Group has applied for fuel import permits. And as much as \$2.3 billion in investment has been pledged for pipelines as well as terminals for storage and transport, according to the industry regulator. "We take theft very seriously," ExxonMobil spokeswoman Charlotte Huffaker said in an email, adding that the company remains "committed to opening Mobil-branded service stations in Mexico," but will not directly own or operate the stations.

Foreign capital and know-how is exactly what Mexico's reform-minded legislators wanted when they voted in 2013 to end the state's 76-year-long monopoly in the oil and electricity sectors. The liberalizers have scored some wins: This month private companies announced oil finds in the Gulf of Mexico that may hold as much as 3 billion barrels (Mexico's oil production averaged 2.5 million barrels per day last year). Households, however, haven't seen their energy bills shrink, and political opposition to the creeping privatization remains vigorous, with one of the leading contenders in next year's presidential election promising to reverse the reforms.

Especially unpopular was the government's move to scrap fuel subsidies at the start of this year. Prices at the pump immediately jumped about 20 percent. Theft grew even faster: Illegal pipeline taps in the first five months of 2017 were up almost 70 percent from a year earlier, according to Pemex.

Fernando Chavala, a truck driver, says he was out of work for six months last year when the company he was working for had one of its 62,000-liter trucks stolen and stopped sending out deliveries. "When you're on the highway, you never know what could happen," he says, as he waits to fill up at a Pemex terminal in Puebla's state capital. "We don't have any security."

Violence in the Red Triangle

The aptly dubbed Red Triangle, which comprises a cluster of rural municipalities in the state, has seen two massacres due to government efforts to take down fuel thieves. Ten people were killed in the town of Palmarito Tochapan on May 3 when the military was deployed to round up suspects, and five died on July 21 in the Vicente Guerrero township in an attempt to capture the alleged leader of the state's main fuel theft gang, Roberto de los Santos de Jesus, alias "El Bukanas."

Investors will likely stay clear of places like the Red Triangle. "They are going to start in areas less vulnerable to fuel theft," says Alejandro Schtulmann, president of Empra, a risk consulting firm in Mexico City. "They will only invest more when they see that the situation is safer."

Schtulmann says 30 percent of the consumer fuel trade is controlled by "petty criminals" operating solo. But as much as 20 percent of the commerce is run by the country's biggest crime conglomerates, the drug cartels.

There are echoes of the drug war in the deployment of federal troops to Puebla and in the government's more than decade-long "decapitation" strategy to break up the cartels by targeting

their leaders. Also reminiscent are the gang-on-gang clashes that broke out in July in the Puebla municipality of Huehuetlan el Grande. Nine people were killed allegedly for their involvement in the fuel trade and failure to pay an extortion fee to a rival group; authorities said five of them were kidnapped and their bodies found burned.

Jose Aguilar, a local resident, watched the procession of caskets, stooping under a tree to shield himself from the afternoon sun. As the line of mourners wound its way uphill to the cemetery, flanked by state police trucks, Aguilar said the best way to halt the violence was for townspeople to form a vigilante group. He approvingly cited similar efforts in states such as Michoacan, where self-defense militias have sprung up in farming communities and clashed with drug cartels and government forces. In Huehuetlan, “no one leaves their homes now after 6 or 7 in the evening,” Aguilar says. “They shut the curtains, and the town is lifeless.”

Buyers Beware Too

Officials say they’re pursuing buyers as well as sellers. Pemex has canceled contracts with seven gas stations in Puebla that are under investigation for receiving stolen fuel. Pemex Chief Executive Officer Jose Antonio Gonzalez Anaya has said that the company is attacking the demand side of the market. This month, the attorney general’s office arrested a mayor in the Red Triangle for alleged involvement in the trade.

The squeeze is having some impact, judging by the price of black-market gasoline. Residents of the Red Triangle say they pay from 13 pesos to 14 pesos for a liter of illegal fuel, compared with 9 pesos last year. But Mexican drivers can still save about 20 percent by filling up at places like the parking lot in the market of San Salvador Huixcolotla.

The attendants there don’t have pumps. They carry plastic hoses and use their mouths to create suction so they can siphon the gas into customers’ tanks. Some wear surgical masks to protect against the fumes. “How many liters?” one shouted to the driver of a red Honda with a baby napping in the back seat. He dispensed the fuel, then shook the empty 20-liter can at the car window to demonstrate there’d been no scrimping.

Consultant Padilla says the entire supply chain—from the complicit worker at a Pemex oil terminal all the way down to locals acting as lookouts while huachicoleros milk a pipeline—is worth about \$1.5 billion and is set to expand. “That’s a lot of money, and it ends up involving a lot of people,” he says.

And despite the government’s efforts, there remains public backing in Puebla for the black marketeers—and scorn for the federal troops sent in to catch them. “They’re only trying to survive,” says Dulce Rosario Martes, a taxi dispatcher in Palmarito. “There’s no other work.”

©2017 Bloomberg L.P. All rights reserved. Used with permission

House Poised to Add Russia Sanctions With Curbs on Trump’s Power

Posted July 25, 2017, 9:18 A.M. ET

By [Anna Edgerton](#)

The U.S. House is poised to vote on a bill to strengthen sanctions against Russia and prevent President Donald Trump from unilaterally lifting penalties, after the measure was delayed by procedural concerns and objections from energy companies.

The measure, which was altered to ensure that oil companies can work on certain joint projects overseas, would also impose new sanctions on Iran and North Korea. House leaders expect bipartisan support for the bill in the vote July 25.

The White House has sent mixed messages about whether Trump would sign the legislation and has expressed concern over limiting the president's power to ease sanctions on his own. Trump supports sanctions against the three countries but wants to make sure the U.S. gets "good deals," White House spokeswoman Sarah Huckabee Sanders told reporters aboard Air Force One July 24.

Congressional Rebuke

The measure would then go back to the Senate, where members of both parties have spoken in favor of changes made to the legislation they passed last month, S. 722.

The Russia sanctions measure is a rare rebuke to Trump from congressional Republicans. They say they want to prevent the president from acting on his own to lift punishment from the previous administration for meddling in last year's U.S. election and for aggression in Ukraine. House and Senate committees and the Federal Bureau of Investigation are examining possible ties between the Trump campaign and Russia.

As a bitter fight over health care consumes much of Washington, the sanctions bill is one of the few major legislative efforts uniting members of the fractured Republican Party, along with their Democratic colleagues.

"A nearly united Congress is poised to send President Trump a clear message on behalf of the American people and our allies," said Ben Cardin of Maryland, the top Democrat on the Senate Foreign Relations Committee. "And we need President Trump to help us deliver that message."

Iran Sanctions

The original bill from the Senate Foreign Relations Committee included only sanctions on Iran, modeled on previous executive orders, designed to punish entities that support terrorism, sell weapons to Iran, or help that country's ballistic missile program. The bill would also authorize, but not require, sanctions on human-rights abusers.

The Russia sanctions were added in an amendment on the Senate floor. Sen. Lindsey Graham (R-S.C.) also introduced a provision to reaffirm U.S. commitment to Article 5 of the NATO agreement, which requires members to defend other nations in the alliance.

House leaders flagged procedural concerns with the Senate bill, saying the Constitution requires legislation raising revenue to originate in the lower chamber. In resolving this issue, Republicans also limited the minority party's power to introduce and fast-track a resolution to question administration action on Russia sanctions.

Meanwhile, energy companies stepped up their lobbying in opposition to a prohibition against working on international projects with even a small Russian stake. That rule was changed to apply only to ventures where sanctioned Russian entities have at least a 33 percent interest, which prevents Russian firms from buying into a fraction of a project to keep American competition away.

This new threshold allows ventures like the [Shah Deniz](#) project in Azerbaijan, where BP Plc is the

main operator and Russia's Lukoil PJSC has a 10 percent stake in an ongoing expansion. The change also appears to give a green light to the Sakhalin 1 oil fields in Russia's far east, where Exxon Neftegas Limited, a subsidiary of Exxon Mobil Corp., is partnering with two Russian companies that have a combined interest of 20 percent.

Few Accomplishments

House Majority leader Kevin McCarthy of California also pushed for the inclusion of North Korea sanctions over its nuclear and ballistic-missile efforts. The House passed such sanctions 419 to 1 in May.

Minority leader Nancy Pelosi of California said in a statement over the weekend that while she supported that initiative, she was concerned that more major changes would result in further delays.

Timing of a new Senate vote is uncertain. The chamber is mired in debate over repealing and replacing Obamacare and plans to stay in Washington for the first two weeks of August. The House is set to begin its five-week recess at the end of this week.

Following through on the promise to be tough on Russia is one of the few accomplishments House members will have to show constituents during the summer break. Their health-care plan remains deeply unpopular, and GOP leaders are working through the main elements of their tax plan, including how to pay for it.

Trump continues to push back against the investigation of possible collusion between his campaign and Moscow. His son-in-law and senior adviser, Jared Kushner, was interviewed in private by the Senate Intelligence Committee July 24 and will appear July 25 before a House panel.

—With assistance from Toluse Olorunnipa, Jennifer A. Dlouhy and Catherine Traywick.

©2017 Bloomberg L.P. All rights reserved. Used with permission

Government Shutdown Odds Grow With Border Wall Funding Bill

Posted July 25, 2017, 8:50 A.M. ET

By [Erik Wasson](#) (Bloomberg) and [Roxana Tiron](#) (Bloomberg Government)

House Republicans this week are increasing the possibility of a government shutdown in October by moving forward with a \$788 billion spending bill that complies with President Donald Trump's demands to boost the military, reduce clean-energy programs and fund a wall on the U.S.-Mexico border.

Those priorities, especially the \$1.6 billion in wall funding, guarantee House and Senate Democratic leaders will oppose the bill. Trump has urged his Republican supporters in Congress to fight, saying in May that a "good" shutdown may be needed to advance his agenda.

Republicans are trying to demonstrate unity after months of division over major legislation, including a repeal of Obamacare. Adding the wall funding is intended to attract enough conservative support to spare House Speaker Paul Ryan (R-Wis.) an embarrassing defeat on the House floor. The Trump administration said it strongly supports the measure (H.R. 3219).

But if an agreement can't be reached with the Senate, Republicans run the risk of turning off voters with a government shutdown ahead of next year's congressional elections. Four years ago, Republicans tried and failed to use a government shutdown to end Obamacare, resulting in a deep dip in the polls for the party that GOP leaders don't want to repeat.

Senate Opposition

The House measure "isn't going to go anywhere" in the Senate, said Sen. Patrick Leahy (D-Vt.), the top Democrat on the Senate Appropriations panel.

Democrats are demanding that Republicans negotiate a bipartisan deal that combines defense increases with more money for domestic agencies such as the departments of Health and Human Services, Commerce, and Education. They argue Republicans are trying to distract from the GOP's halting efforts to repeal Obamacare or agree on a tax overhaul.

Rep. Ruben Gallego (D-Ariz.) said he could have supported the GOP bill without the wall funding. "Nobody likes to be held hostage," he said in an interview. "There is a risk of a shutdown and it is going to be entirely led by the Republicans and the president."

With a recess in August and just three House working weeks in September, there's little time for lawmakers to complete their work on the spending measure. If they don't, leaders likely would resort to a stopgap spending bill that maintains current funding levels to keep the government operating after Oct. 1. Trump hasn't said whether he'd sign such a measure that doesn't include new money for the wall.

Debate is set to start July 26 on the House floor on a package of four of the 12 spending bills needed to keep the government open after Oct. 1. The bill would fund the departments of Defense, Energy, and Veterans Affairs, along with the U.S. Army Corps of Engineers and the legislative branch. The \$1.6 billion for the wall is being added to the measure in an effort to attract conservative votes.

Conservative Rebuff

Republican leaders had tried to get their members on board with a larger 12-bill package, only to be rebuffed. Some conservatives weren't willing to commit to the other domestic bills, which eschew most of Trump's request for deep spending cuts. Moderate Republicans said passing \$8 billion in cuts to domestic priorities now would make it harder for their party to agree to spend more money after the Senate rejects the bill.

Leaders assembled the least controversial of the 12 spending bills to reduce the risk of failure.

It's difficult to oppose giving troops a 2.4 percent pay raise and boosting spending on veterans by \$6 billion. The same goes for the increased nuclear weapons funding in the Energy part of the bill and security upgrades for members of Congress after the June shooting of Rep. Steve Scalise (R-La.) at a congressional baseball practice.

"The highest priority of Congress is to ensure the safety and security of our nation and to guarantee the future of our great democracy—this critical national security legislation needs to head to the floor," Rep. Rodney Frelinghuysen (R-N.J.), the chairman of the House spending panel, said in a statement.

Some conservatives say they may still rebel against the spending bill because the \$72 billion in

increased defense spending isn't fully offset by spending cuts and because it would allow transgender troops to receive medical care related to their gender transition.

"There are some things that would have to be fixed before we can support it," said Rep. Jim Jordan (R-Ohio) a member of the conservative House Freedom Caucus.

Conservative Rep. Tom McClintock (R-Calif.) said he would be uneasy voting for the spending package without prior approval of a budget resolution containing cuts to entitlement programs.

Meanwhile, Democrats plan to use the floor debate to try to embarrass Trump by forcing a vote on a spending ban by federal employees at Trump hotels.

Defense Boost

Voting on the defense spending measure is a clear sign that congressional Republicans are making a priority out of lifting the defense spending cap put in law in 2011. They can't do that without Senate Democrats, who want similar increases for domestic spending.

Last week, Senate Democrats proposed a deal in which military spending would increase by \$54 billion in exchange for an equal increase for domestic agencies. Their proposal was defeated along party lines in a committee vote.

The House bill would provide \$9.5 billion for 84 Lockheed Martin Corp.'s F-35 aircraft, while the Pentagon requested 70. The measure proposes \$1.8 billion for 24 Boeing Co. F/A-18E/F Super Hornet aircraft, an increase of 10 planes over the Trump budget. It also includes funding for three Littoral Combat Ships, made in competing versions by Lockheed Martin and Austal USA.

The \$37.6 billion energy part of the spending bill cuts the non-military part of the Energy Department by \$1.7 billion. That level is still \$2.3 billion more than Trump requested in his budget. The bill would cut the Energy Department's clean-energy research division and kills off the agency's loan-guarantee program for energy companies.

—With assistance from Ari Natter.

©2017 Bloomberg L.P. All rights reserved. Used with permission

Hopes Rest on Private Firms for Legacy Coal Cleanup

Posted July 25, 2017, 7:15 A.M. ET

By [Stephen Lee](#)

The defining landmark in Hazleton, Pa., when John Quigley was growing up in the 1960s was a giant pile of black, crumbly coal waste that had been there for as long as anyone could remember. Taller than a 20-story building, the heap covered an area the size of four football fields and even had its own name: the Jeansville Coal Bank.

"It was the Mount Everest of Hazleton," Quigley, who later became the city's mayor and then head of the state Department of Environmental Protection (DEP), told Bloomberg BNA. "It loomed over the city, which was a pretty interesting metaphor because Hazleton's whole history is interwoven with mining, and its decline was because of mining."

Now, specialty power companies such as Olympus Power LLC, Northern Star Generation LLC, Robindale Energy Services Inc., and the Rich Family of Companies are cleaning up those piles, pitching their efforts as a win-win: They get free scrap coal to burn for power, and the community gets free cleanup of their polluted land and water. The enthusiasm for such efforts is an acknowledgment that government efforts to clean up befouled lands can only go so far. (Click [here](#) for a slideshow on Pennsylvania's coal refuse situation)

More than just eyesores, coal refuse piles leach acid mine drainage into streams, occasionally catch on fire—sometimes smoldering underground for decades and emitting volatile organic compounds—and pose a safety hazard for children who play on the unstable banks, said Vincent Brisini, former deputy secretary at Pennsylvania DEP's Office of Waste, Air, Radiation, and Remediation.

But now the companies say they might only be able to survive a few more years, thanks to growing pressure from cheap natural gas and environmental regulations. One coal refuse plant already has gone down: Piney Creek Power Plant, of Clarion, Pa., stopped operations in 2013, a victim of bruising energy markets. If the nation's 18 remaining refuse plants also shut down, the 800 coal refuse piles scattered throughout Pennsylvania—to say nothing of the hundreds more in West Virginia, Kentucky, and other Appalachian states—will remain in place indefinitely, because neither the federal government nor the states have the money to clean them up, said John Stefanko, deputy secretary for the Office of Active and Abandoned Mine Operations at the Pennsylvania DEP.

A Win-Win?

That's why so many environmental groups, in an unlikely pairing, have given the coal refuse industry their stamp of approval. Their reasoning is that, even though the companies do burn coal, the environmental benefits of cleaning up the refuse piles outweigh the costs.

"We're very interested in partnering with the waste coal industry," Anne Daymut, watershed coordinator at the Western Pennsylvania Coalition for Abandoned Mine Reclamation, told Bloomberg BNA. "We do view it as a win-win."

The cost/benefit claims can't be precisely measured because much of the data has never been collected, largely due to a lack of funding, said George Ellis, executive director of the Anthracite Region Independent Power Producers Association, an industry trade group.

For example, no one knows which or how many toxins are released from the 48 pile fires currently smoldering throughout the state, some of which have been burning for decades, said Ellis, former president of the Pennsylvania Coal Association.

Fourteen facilities capable of burning coal refuse for power now operate in Pennsylvania, with two more in West Virginia, another in Wyoming, and one more in Utah. The industry is strongest in Pennsylvania because the state offers a more hospitable climate for independent power companies than most other states, said Sean Lane, Olympus Power's executive vice president of governmental affairs.

The industry hasn't taken off more broadly, Lane said, because environmental permitting regulations make it "extremely difficult and costly" to site new power plants. Economic forces are at play, too: energy and capacity pricing in the current marketplace run by PJM Interconnection LLC, operator of the nation's largest power grid, wouldn't sustain a new coal refuse plant, Lane said.

Corporate investors in the sector include General Electric Capital Corp., Energy Capital Partners, Dynegy Inc., and CalPERS, the largest public pension fund in the U.S. based in California.

Benefits to Local Economies

Even given the incomplete data about the technology's costs and benefits, the industry's supporters seem to far outnumber its detractors. In addition to Daymut, representatives from the Eastern Pennsylvania Coalition for Abandoned Mine Reclamation, Schuylkill Conservation District, and Earth Conservancy, a group dedicated to reclamation of former coal mining lands, also told Bloomberg BNA that they support the industry.

Some environmentalists, such as Carol Parenzan, executive director of the Middle Susquehanna Riverkeeper Association Inc., point to the economic and environmental justice benefits brought on by the coal refuse industry.

"Take a drive to Shamokin," Parenzan told Bloomberg BNA, referring to a struggling coal town an hour and a half north of Harrisburg, Pa. "This was once a thriving city of 20,000 people plus. Now you drive through the city and there's boarded-up houses, closed businesses, and an orange stream running through the center of town. It's a fine line between what's best for the environment and what's best for business.

"But you can't say no to this, no to that. You have to find benefits for everyone so it can be a win-win."

Bipartisan Support

Other supporters of the industry include Joseph Pizarchik, who headed the Office of Surface Mining Reclamation and Enforcement under President Barack Obama, and both Republican and Democratic lawmakers in the Pennsylvania statehouse.

"These slag piles will be there in perpetuity," state Rep. Peter Schweyer (D) told Bloomberg BNA. "As a liberal Democrat, I am not of the opinion that [EPA chief Scott] Pruitt will do anything to help our slag piles. So we can either clean them ourselves or not. Yes, this is still a carbon-based fuel; it's going to have costs on the clean air side. But it helps so much in other ways that those benefits outweigh the costs."

Similarly, Pennsylvania House Majority Leader Dave Reed (R) told Bloomberg BNA that the coal refuse industry is "really a public-private partnership that cleans up those piles. Government doesn't have the funds to do it themselves. Those piles are going to sit there for generations. Jobs are going to leave and you're going to continue to have the environment being polluted."

A Low-Ranking Priority

In 1988, Quigley was elected mayor of Hazleton. Immediately he busied himself with the state's abandoned mine land problem. Including the coal refuse piles, Pennsylvania's overall reclamation bill has been pegged at \$15 billion.

But the Office of Surface Mining Reclamation and Enforcement deems refuse piles such as the Jeansville Coal Bank as the lowest-priority sites. That meant Quigley couldn't spend federal dollars to clean them up until the higher-priority sites were addressed.

"I tried to develop plans to turn [the abandoned mine land sites] into productive use," Quigley said.

“But that’s a very long-term proposition, and I was only there for eight years. The whole problem of AML was well beyond the capacity of a city with a \$6 million budget. So we didn’t get much further than conceptual plans and aspirations.”

The Jeansville Coal Bank remained in place. It caught fire underground in 2012; the fire is still burning today.

Fighting for Survival

In addition to the fires at coal refuse piles, dust laced with heavy metals can blow off the piles and into the water and soil, according to Brisini, who now serves as director of environmental affairs at Olympus Power.

The piles, often dangerously unstable and surrounded by physical hazards, also attract dirt bikers and all-terrain vehicle drivers. Most recently, Isael Ramirez died July 7 when he struck a gate outside a coal refuse pile while operating an ATV in Hughestown, Pa., the chief of police told Bloomberg BNA.

To keep the coal refuse industry afloat, its lobbyists want both a regulatory fix and an economic fix.

On the regulatory side, the industry is backing a bill in Congress known as the Satisfying Energy Needs and Saving the Environment (SENSE) Act ([H.R. 1119](#)), which would allocate additional sulfur dioxide emissions credits to coal refuse power plants under the Cross-State Air Pollution Rule. That would effectively ease pollution control requirements by allowing the plants to increase their emissions.

The SENSE Act would also change the compliance obligations for coal refuse plants under the EPA’s Mercury and Air Toxics Standards rule.

The bill passed the House last year, but was never introduced in the Senate. Rep. Keith Rothfus (R-Pa.), the SENSE Act’s sponsor, told Bloomberg BNA that he plans on pushing for the bill “very aggressively” again in this session of Congress. A Republican spokesman for the House Energy and Commerce Committee said the panel is considering moving the bill this year, although it’s not yet on the schedule. The bill was re-introduced in the House in February.

Rothfus also said he met recently with EPA officials to seek “administrative relief” for coal refuse plants. So far, agency officials haven’t signaled their willingness to comply, he said. Liz Bowman, an EPA spokeswoman, told Bloomberg BNA that the EPA was talking to elected officials, but declined to say specifically what it planned to do about administrative relief for coal-refuse-fired power plants.

A Tax Lifeline?

Meanwhile, to help coal refuse plants stay competitive with other, cheaper forms of energy, Pennsylvania lawmakers inserted a tax credit for the industry into last year’s state budget.

The tax credit, which was worth \$7.5 million last year and \$10 million per year for 10 years, won’t come close to saving the industry on its own, according to Olympus Power’s Lane. The industry had initially asked for \$45 million.

Nevertheless, the credit “serves as an important statement in the public record of Pennsylvania’s support, and as a potential model solution, as we engage Congress in a dialogue regarding the

preservation of this industry,” Lane said.

The legislature passed a \$32 billion budget June 30, but the revenue package isn’t expected to be finished until later this month at the earliest. Lane said all sources of revenue and spending, including tax credits, are “under great scrutiny” in the state legislature.

However, state House Majority Leader Reed told Bloomberg BNA he was confident the tax credit would be renewed this year.

Some Stakeholders Push Back

But not everyone supports the idea of burning coal refuse. Rep. Frank Pallone (D-N.J.), ranking member on the Energy and Commerce Committee, opposed the SENSE Act last year, saying it would be “absurd” to give coal refuse plants a “free pass” under EPA air standards.

After the bill passed the House last year, the Obama White House said it would veto it.

Further, coal refuse carries higher levels of toxic heavy metals per pound than regular coal, according to Tom Schuster, senior campaign representative with the Sierra Club’s Pennsylvania chapter.

Seven of the nation’s 18 coal refuse-fired power plants are also unable to satisfy the acid gas portion of the MATS rule for hydrogen chloride or sulfur dioxide, acknowledged Brisini, the former Pennsylvania DEP official. The state has granted the industry an extension until 2019 to comply with the rule.

“If you’re going to claim that what you’re doing has environmental benefits, at a bare minimum, you have to comply with the existing [MATS] limits,” Schuster said. “And they’re not.”

In Schuster’s view, a better solution to cleaning up the piles is the Revitalizing the Economy of Coal Communities by Leveraging Local Activities and Investing More (RECLAIM) Act (H.R. 1731, S. 728, S. 738), a bill in Congress that would speed the delivery of \$1 billion to coal states for land remediation. The bill passed a House committee June 27 and is expected to start moving in the Senate shortly.

The House version could move forward as part of a larger bill, such as the pending infrastructure bill, Democratic aides say. In the Senate, the chief difference between the two bills, one sponsored by Senate Majority Leader Mitch McConnell (R-Ky.) and the other by Sen. Joe Manchin (D-W.Va.), is that Manchin’s places greater emphasis on economic development. Proponents on both sides of the aisle say they’re confident the bill will pass.

Industry Rejects Charges

The coal refuse industry flatly rebuffs Schuster’s claims about environmental harms. Brisini said that, during the combustion process, chemical reactions occur that capture the pollutants in the ash. He also said fabric filters at the plants are “extremely effective” at capturing non-mercury metals.

The ash that remains after combustion is tested and certified for leachates, then brought to a reclamation site, Brisini said. There, the material is set in place, where it hardens like concrete and releases no metals into the soil, he said.

Further, in developing the MATS rule, the EPA should have considered the special characteristics of coal refuse plants, which may exceed the acid gas rules but still deliver net benefits, Gary Merritt, former director of Pennsylvania's now-defunct Office of Environmental Energy Management, told Bloomberg BNA.

The high cost of additional control equipment to comply with MATS would "inevitably result in the closure of these facilities," Brisini said.

As for the RECLAIM Act, even if it were to pass, Pennsylvania alone has an inventory of \$13 billion to \$14 billion in higher-priority mine sites that must be cleaned up before the state can use federal funds on waste piles, Merritt said. Because the bill only releases \$1 billion nationwide, it wouldn't come close to delivering enough money to clean up the piles.

'A Good-News Story'

The Pennsylvania DEP also recently found impressive reductions in water discharges after coal refuse piles were cleaned up. DEP found that, post cleanup of coal refuse piles, iron flowing into the Blacklick Creek watershed had been reduced by 99 percent, acidity by 96 percent, aluminum by 94 percent, manganese by 87 percent, and sulfate by 82 percent.

"We've got fish in the water now," Cambria County Commissioner Tom Chernisky told Bloomberg BNA. "People weren't fishing here before. This is a good-news story."

The 14 coal refuse plants in Pennsylvania have removed more than 200 million tons of coal waste, restored or improved more than 1,200 miles of streams and reclaimed more than 7,000 acres of abandoned mine lands, according to the Anthracite Region Independent Power Producers Association. Currently, the industry removes about 10 million tons of waste per year, the group said.

Still Burning

John Quigley became secretary of the Pennsylvania DEP in 2015. Last year, working with the Obama administration, he helped steer \$30 million in federal funding toward the cleanup of a large coal refuse pile in Ehrenfeld, Pa.

"That was one of the things I was most proud of," Quigley said. "And in the back of my mind, I was thinking, 'Can we do that in Hazleton?'"

The money ran dry before that could happen: The \$30 million influx of federal funding was only a one-time infusion. President Donald Trump proposed canceling the funding altogether in his maiden budget request.

"There are hundreds of communities that are dealing with these issues, and there's nowhere near enough public funding available to solve the problem," Quigley said. "Ultimately there's no substitute for public sector involvement in remediating these problems, but you have to take the long view. Private companies might be our only hope to reclaim these lands."

[Privacy Policy](#) | [Terms of Service](#) | [Manage Your Email](#) | [Contact Us](#)

1801 South Bell Street, Arlington, VA 22202
Copyright © 2017 The Bureau of National Affairs, Inc. .
Daily Environment Report for EPA