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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.

#### **EPA Review of Model Year 2021 Limits Splits Auto Industry**

*Posted September 06, 2017, 03:59 P.M. ET*

*By Abby Smith*

The EPA's review of model year 2021 mileage standards for light-duty vehicles is causing a split in the automotive industry between major car companies and the manufacturers that supply their equipment.

Major automobile manufacturing groups—like the Alliance for Automobile Manufacturers, which represents the Ford Motor Co., Fiat Chrysler Automobiles, General Motors, BMW and others— have urged greater flexibility in the Environmental Protection Agency's light-duty vehicle greenhouse gas standards, including now for model year 2021.

But a group representing manufacturers and suppliers of auto equipment—the Motor & Equipment Manufacturers Association—is warning that any relaxation of the model year 2021 standards would have a detrimental impact on manufacturing jobs in the United States. The group is asking the model year 2021 limits remain unchanged.

The EPA in March re-opened a feasibility review of the greenhouse gas and fuel efficiency standards for model years 2022-2025, reversing a determination made in the final days of the Obama administration to maintain current standard levels for those years. The agency, along with the National Highway Traffic Safety Administration, began accepting comments on that review Aug. 10, and expanded the review to include potential changes to model year 2021 limits, drawing criticism from environmentalists and other supporters of the Obama-era rules.

The motor vehicle suppliers group is also urging the EPA to “remain on course” with the model year 2021 target the industry had agreed to. Any relaxation of those limits would cause a “significant increase in the level of uncertainty in an already uncertain time,” Laurie Holmes, senior director of environmental policy for the Motor & Equipment Manufacturers Association, said at a Sept. 6 public hearing hosted by the EPA.

Ann Wilson, vice president of public affairs for the group, told Bloomberg BNA that motor vehicle suppliers are the “largest employer of manufacturing jobs in the United States.” Many of those jobs “have been contingent on compliance with the new” NHTSA and EPA vehicle standards, she said, noting suppliers have already dedicated millions of dollars in research and development.

Maintaining the model year 2021 limits, and forward progress from there, is necessary for “these investments to continue to bear fruit” and “to continue to have this level of employment in the United States,” Wilson said.

But also at the hearing, Chris Nevers of the auto alliance and Julia Rege of Global Automakers urged officials to consider tweaks to model year 2021 limits to advance “harmonization” with the NHTSA program.

“We never meaningfully reached the goals of harmonization,” Rege said during her testimony. An adjustment to the model year 2021 standards “would advance our request” to align the two programs.

### **Threat to Oil Becomes Real as Climate Crashes Norway Election**

*Posted September 06, 2017, 8:59 A.M. ET*

*By [Mikael Holter](#)*

Politicians and activists who have been fighting to rein in Norway’s mighty oil industry are eyeing a breakthrough.

Several parties opposed to further oil exploration could emerge as kingmakers in the Sept. 11 election. That will threaten a push to search for about 9 billion barrels in Arctic crude and natural gas, which is necessary to prolong the petroleum age that made Norway one of the world’s richest countries.

“I’m very worried,” said Stale Kyllingstad, chief executive officer of IKM Gruppen AS, one of the biggest suppliers to the oil industry.

Big oil’s enemies are now [gaining ground](#) with both moral and financial arguments. Norwegians are increasingly questioning how to reconcile their role as western Europe’s biggest oil and gas producer with fighting climate change and whether searching for more petroleum is the financially sound thing to do in a world where renewable energy is taking over more and more.

The Green Party, which wants to end exploration immediately and phase out the industry in 15 years, is poised to become a key parliamentary force. The race is too close to call between Conservative Prime Minister Erna Solberg’s government and the opposition, headed by Labor leader Jonas Gahr Store. Polls suggest both blocs could fail to win a majority.

Labor, a historic supporter of the oil industry, has seen its backing plunge in recent weeks, making it dependent on support from smaller parties seeking to curtail drilling. A key Labor politician last month even suggested reviewing tax subsidies for exploration, shocking the industry before the party clarified that it wasn’t about to change a system prized by oil companies for its stability.

That failed to reassure Kyllingstad, who said he feared a weak Labor Party would be forced to “prostitute itself” to “extremist parties.”

The Socialist Left (Labor’s government partner until 2013) and the Red Party, which both want to end license awards and new field developments, also stand to gain.

To be sure, Labor and the current government parties, the Conservatives and the Progress Party, all industry backers, are likely to remain the three biggest groups after the election, sharing well over half the votes.

But the smaller parties, which for now have had little more to celebrate than a ban on drilling off the Lofoten islands, could extract deeper concessions, said Anders Holte, an analyst at Danske Bank A/S in Oslo. That could include fewer license awards and possibly jeopardize a program that lets loss-making companies collect 78 percent of exploration expenses in cash, he said.

For an industry that lost 50,000 jobs during the oil crash, it would be a bad blow. It could especially threaten an expansion in the Arctic Barents Sea, which holds the bulk of the country's undiscovered oil and gas resources and is seen as key to maintaining production 10 years from now after it already dropped by 12 percent since a 2004 peak.

"For the first time in a long while, there's increasing political risk," Holte said.

The outgoing government has pushed hard to stimulate exploration in the Arctic, overseeing a record search for oil in the Barents Sea, including Norway's northernmost well, and offering the most blocks ever in that region in a licensing round. On Sept. 6, the Petroleum Ministry said it received a record amount of applications in a round focusing on mature blocks after Barents acreage had been boosted.

Rasmus Hansson, the only Green lawmaker for now, said the top priority is to end exploration for new oil. That's a moral obligation because of climate change and a financial imperative because spending on exploration could be throwing money into the sea if the resources are never used as the world moves beyond fossil fuels, he said.

"It's particularly naïve to believe that the oil industry will be profitable for a long time to come," he said in an interview last week. "An increasing number of Norwegians are saying in polls that they see a future after oil."

One survey showed last month that 44 percent of Norwegians would be willing to leave some oil in the ground if it helped cut emissions.

At Statoil ASA, Norway's biggest oil company, outward appearances are cool for now.

"I'm registering that there's a greater diversity and a bigger stretch in the views on the Norwegian oil and gas industry," Eldar Saetre, the company's CEO, said in a phone interview this week.

Saetre said he wasn't worried about a change in the fundamental framework conditions for oil companies. The powerful Norwegian Oil and Gas Association and the country's biggest oil union, Industry Energy, also said they trusted the big parties to safeguard the industry because of its importance for jobs, value creation and government income.

But the industry could be overplaying its hand and Solberg has vowed to help the country wean itself off oil. Its dominance is slowly fading, and production now comprises about 12 percent of the economy, down from more than 20 percent pre-oil crisis. To be sure, that doesn't factor in how oil cash seeps through other sectors of the economy.

"I understand that people in the oil industry are worried," said Frode Alfheim, who represents thousands oil workers as head of the union. "I'm pretty certain that once one or the other

constellation starts running the country after the election, the broad lines will remain firm.”

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## France Proposes to End Oil Output by 2040 with Exploration Ban

*Posted September 06, 2017, 8:13 A.M. ET*

By [Francois de Beaupuy](#)

France will stop granting new exploration permits next year as it seeks to end all oil and gas production by 2040, according to a draft bill presented at a Sept. 6 cabinet meeting.

The move would allow the government to turn down more than 40 exploration requests already made, while some existing permits may be extended to respect contracts, the presentation showed. That includes the Guyane Maritime [license](#) off French Guiana, in which Total SA has a stake, according to an adviser to Ecology Minister Nicolas Hulot, who briefed reporters in Paris.

This legislation would “allow us to progressively free ourselves,” Hulot said after the cabinet meeting, also confirming that current exploration permits off French Guiana would remain valid. “It will allow investors to go much further in their renewable investments. Currently oil and gas leave us dependent on geopolitics.”

The proposed legislation is part of President Emmanuel Macron’s broader plan to take the lead against climate change, after U.S. counterpart Donald Trump ditched the landmark Paris agreement to fight global warming. While France’s oil and gas output is small, the plan may affect companies such as Vermilion Energy Inc., which has several [concessions](#), and will reduce the prospect of discoveries off French Guiana.

France pumped 6 million barrels of oil in 2015, covering just 1 percent of its demand, according to the presentation. Oil and gas exploration and production on French soil generates as much as 300 million euros (\$358 million) in annual revenue, and accounts for as many as 5,000 jobs, directly and indirectly. Existing production licenses wouldn’t be extended beyond 2040 under the proposed law.

“We do not expect this new legislation, if passed, to have a material impact on Vermilion as our operations are focused on development activities such as well-workovers, infill drilling and waterflood optimization,” the Calgary-based company [said](#) previously.

Under a plan presented by Hulot in July, France will end the sale of gasoline- and diesel-powered vehicles by 2040. It will also progressively increase taxes on fossil fuels, close coal-fired power plants by 2022 and invest more in renewable energies.

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Energy and Climate Report