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Daily Environment Report

Afternoon Briefing - Your Preview of Today's News

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Arkema Blasts Highlight Safety Agency Facing Ax Under Trump

Posted September 07, 2017, 7:02 A.M. ET

By [Sam Pearson](#)

A federal agency that could unravel why Arkema's Texas chemical plant exploded after Hurricane Harvey is a tiny office with 40 employees that the Trump administration has proposed to kill.

The U.S. Chemical Safety Board could be the only federal agency able to answer why the Crosby, Texas, chemical plant storing organic peroxides exploded several times following extensive flooding from the hurricane. And while the board has already convinced lawmakers to try to keep the agency open for fiscal 2018, the new investigation could showcase its unique role to both the public and a White House that has given no indication it will support the board's work in coming years.

The CSB has a statutory mandate to investigate the root cause of chemical incidents, a broader task than that of the Environmental Protection Agency or the Occupational Safety and Health Administration, both of which regulate the plant. CSB investigators arrived at the plant Sept. 5.

"The implications of Harvey on the chemical industry in the Gulf kind of show the importance of the Chemical Safety Board and the role that it can play in preventing these kind of incidents, or worse, that happened at Arkema," Jordan Barab, former OSHA deputy director, told Bloomberg BNA Sept. 6. "We're going to be seeing a lot more of these extreme weather events, particularly in the Gulf region," and chemical companies will have to figure out how to adapt.

Former CSB Member Gerald Poje told Bloomberg BNA Sept. 6 the Arkema incident raised significant questions about whether Texas or the company should have done more to ensure safety.

Poje said the state should figure out what it could have done to ensure plants like Arkema did not make the impacts of the storm worse "with a monumental human-caused disaster."

OSHA and the EPA are unlikely to investigate because there is no evidence Arkema was out of compliance with their regulations during the hurricane, Mark Farley, a partner at the law firm Katten

Muchin Rosenman LLP in Houston, told Bloomberg BNA Sept. 6.

OSHA said in a statement it was “premature to speculate” if previous process safety management violations at the plant contributed to the explosions. The plant also is not known to have violated any EPA chemical security regulations, but the agency could issue fines if violations are found.

CSB has a broader mandate, Farley said, to determine if government and industry need to “do something different, especially when such highly hazardous chemicals are involved.”

Arkema spokesman Stan Howard said in an email to Bloomberg BNA Sept. 6 the company plans to cooperate with CSB.

Unique Role in Investigating

As part of the investigation, CSB staff will attempt to determine the root cause of the chemical explosions, which could stem from both lax company procedures and gaps in regulation that don't account for the hazards present at the plant and similar sites. CSB investigators typically seek evidence like samples of failed equipment, company records, and other data to reconstruct what occurred.

While Arkema may conduct its own internal review to determine what happened, only CSB's report is required to be made public.

This gives the CSB “a vital role in safety and health, both for workers and the public,” Jim Frederick, assistant health and safety director at the United Steelworkers union, told Bloomberg BNA Sept. 6.

In other high-profile cases in which CSB has been involved, such as the Deepwater Horizon oil spill in 2010, the board's probe of the blowout led to recommendations for offshore drilling operators and federal regulators to tighten a variety of standards to “shift from correcting individual ‘errors’ identified post-incident to a systematic approach for managing human factors.”

The board could recommend regulatory fixes, including things that are “often uncomfortable to politically powerful people” and are unlikely to be examined by OSHA and EPA under the Trump administration, James Goodwin, a senior policy analyst at the Center for Progressive Reform, told Bloomberg BNA.

The investigation's findings “will be relevant well beyond the facility, responders, planners, and community directly impacted by the incident,” Timothy Gablehouse, government affairs director at the National Association of SARA Title III Program Officials, said in an email to Bloomberg BNA.

While the CSB may examine how existing regulations affected the Crosby plant, Farley said other agencies are not likely to change them at this time because it does not align with administration policy.

“Certainly this administration is not inclined to undertake additional regulatory efforts, especially where it's not clear that they are necessary,” Farley said.

‘Proactive’ Approach, Cooperation

Chemical Safety Board Chairperson Vanessa Sutherland said last week investigators had “a number of document requests” for the company. The CSB can obtain non-public information from

Arkema by administrative subpoena if necessary, and seek legal action against the corporation if it refuses to comply.

Arkema Inc. defused the situation without injuries to its employees or the public, but only through a multi-day evacuation that strained emergency responders and rattled residents of Crosby, who were kept 1.5 miles from the plant over safety fears. The company said in a Sept. 3 statement it “took proactive action” to conduct a controlled burn of six remaining containers of the chemicals, and local officials lifted an evacuation zone early Sept. 4.

Democrats’ Last-Ditch Effort to Aid Climate Fund Falls Short

Posted September 07, 2017, 01:37 P.M. ET

By [Dean Scott](#)

A last-ditch Democratic effort to restore U.S. spending for a United Nations climate fund was narrowly repelled by Republican Senate appropriators Sept. 7 in a major step for President Donald Trump’s campaign to zero out international aid to address climate change.

The Senate Appropriations Committee voted, 14-15, to reject a proposal by ranking Democrat Sen. Patrick Leahy (Vt.), that would have provided \$750 million in fiscal 2018 for the Green Climate Fund fund that helps developing nations adapt to climate change impacts and pursue low-carbon development.

Leahy proposed to amend the \$51.2 billion fiscal 2018 spending bill covering the State Department and foreign operations. The bill advanced by the Senate Appropriations Subcommittee on State, Foreign Operations, and Related Programs didn’t include funds for the climate program.

The Obama administration, over objections of the Republican-led Congress, sent a total of \$1 billion to the climate fund, which was created by developed nations to encourage poorer, developing nations to sign on to a global climate change accord reached in Paris in 2015.

EPA Lines Up Five Problematic Chemicals for Regulation

Posted September 07, 2017, 02:58 P.M. ET

By [Pat Rizzuto](#)

The EPA has identified the ways five particularly problematic chemicals continue to end up in plastics, rubber, wiring and other products as it prepares to limit their health risks.

All five chemicals are fast-tracked for regulation because of their tendencies to persist in the environment, accumulate up the food chain, and due to their toxicity—a class of chemicals known as “PBTs.”

These PBT characteristics have prompted many industrialized countries to limit their uses or ban them outright.

Companies also have voluntarily phased out production of some of the compounds, but some are inadvertent byproducts of chemical manufacturing. And substitutes may not be available for some uses.

The Environmental Protection Agency's work was triggered by the 2016 amendments to the primary U.S. chemicals law, the Toxic Substances Control Act. The amendments required the EPA to propose—no later than June 19, 2019—a regulation to reduce risks and exposures from persistent, bioaccumulative and toxic chemicals. The risks and exposures must be reduced “to the extent practicable,” the amended law said.

The agency must issue a final rule no more than 18 months after it's been proposed.

Manufacturers

Akzo Nobel N.V., for example, has told the EPA it made or imported one of the five chemicals—phenol, isopropylated, phosphate (3:1)—in 2012, 2013, 2014 and 2015. This particular phenol is used as a flame retardant, lubricant, hydraulic fluid, and for other industrial purposes, according to EPA information.

Akzo Nobel reviewed its uses of that phenol in 2015 and restricted it to only those applications where substitutes aren't available and the use is proven safe, Andrew Wood, senior spokesman, told Bloomberg BNA.

Other chemical manufacturers that made or imported one or more of the PBT compounds include Albemarle Corp., ICL North America, Lanxess, the SI Group, Inc., and Shell Chemicals, the petrochemicals arm of Royal Dutch Shell.

Chemicals

During a Sept. 7 webinar, EPA staff is scheduled to describe the agency's plans to figure out the extent to which the five chemicals are still in use or in products, and the amount of them that may end up in people's bodies or in the environment. The five chemicals and the uses the EPA has identified are:

- decabromodiphenyl ethers (DecaBDE; CAS No. 1163-19-5), a flame retardant for textiles, plastics, wiring insulation, and building and construction materials,
- hexachlorobutadiene (HCBD; CAS No. 87-68-3), used as a solvent to make rubber compounds and as hydraulic, heat transfer, or transformer fluid,
- pentachlorothiophenol (PCTP; CAS 133-49-3), used to make rubber more pliable for industrial uses,
- phenol, isopropylated, phosphate (3:1; CAS No. 68937-41-7), a flame retardant in consumer products and also used as a lubricant, hydraulic fluid, and for other industrial purposes, and
- 2,4,6-tris(tert-butyl) phenol (CAS No. 732-26-3), an antioxidant that can be used as fuel, oil, gasoline, or lubricant additive.

Production Volumes

The national aggregate production volume—which includes importation—of decaBDE dropped between 2012 and 2015 due to a voluntary phase-out to which several major manufacturers agreed. It dropped from a range of 10 million and 50 million pounds in 2012 to less than 25,000 pounds in 2015.

The total production of phenol, isopropylated, phosphate (3:1) remained at a range between one million and 10 million pounds all four years, according to information its manufacturers provided the EPA.

The EPA withheld the production and/or importation volumes of two of the chemicals—PCTP and 2,4,6-tris(tert-butyl) phenol—because so few companies made or imported them that releasing the production volume could reveal proprietary information.

No company reported making or importing HCBP. The countries that have adopted the Stockholm Convention on Persistent Organic Pollutants agreed in May to reduce the unintentional release of that chemical, which is a byproduct of the production of solvents such as perchloroethylene, trichloroethylene, and carbon tetrachloride. HCBP also is used to make rubber, chlorofluorocarbons, lubricants, and may be used to recover chlorine gas chlorine production plants, according to EPA information.

Interior Nominee Says He Wants Collaboration, Streamlining

Posted September 07, 2017, 02:10 P.M. ET

By [Alan Kovski](#)

A nominee for a top regulatory role managing energy and other federal lands' resources promised senators Sept. 7 he would collaborate with state, local, tribal, private and environmental advocacy interests to smooth out land management policies.

Joseph Balash, nominated to be an Interior Department assistant secretary, referred frequently to his experience as a state regulator as he testified at his nomination hearing before the Senate Energy and Natural Resources Committee.

While working at the Alaska Department of Natural Resources, a state backlog of applications for work on federal lands was reduced by more than 50 percent after studies to identify the problems, he said.

No one opposed Balash at the nomination hearing. The committee will vote later on his nomination after more vetting through conversations and document reviews. The position requires Senate approval.

If Balash is confirmed as assistant secretary for land and minerals management, he will oversee the Bureau of Land Management, the Bureau of Ocean Energy Management, the Bureau of Safety and Environmental Enforcement, and the Office of Surface Mining, Reclamation and Enforcement.

Energy Regulator Nominees Back Technology-Neutral Stance

Posted September 07, 2017, 02:24 P.M. ET

By [Rebecca Kern](#)

Republican and Democratic nominees for the Federal Energy Regulatory Commission agreed that the agency should be technology neutral when it comes to regulating electric power generation, differing from a pro-coal stance of the current FERC chairman.

“FERC is not an entity whose role includes choosing fuels for the generation of electricity,” Kevin McIntyre, who was nominated for a Republican commissioner seat, said at a Sept. 7 Senate Energy and Natural Resources Committee confirmation hearing. McIntyre, who was also nominated to serve as chairman of the commission, is currently an attorney in the Washington offices of the Jones Day law firm.

Richard Glick, who has been nominated to fill a Democratic commissioner seat, also said “FERC doesn’t have authority to prop up technologies.” Glick is currently a Democratic general counsel for the committee.

The comments contrast with commentary from those made by Neil Chatterjee, the agency’s temporary chairman, in an Aug. 14 FERC podcast. Chatterjee, the former energy aide for Senate Majority Leader Mitch McConnell, said that coal-fired power plants are a crucial part of America’s energy mix that needed to be “properly compensated to recognize the value they provide.”

Committee Chairman Sen. Lisa Murkowski (R-Alaska) told reporters after the hearing that she wants to hold a vote on the nominees by late next week. If the two nominees are confirmed by the Senate, it will bring FERC back to a full panel of five commissioners.

“It is my intention to urge my colleagues to get their questions in and to ask you to be rapid with your responses so that you can be moved through and so that you can get to work,” Murkowski said during the hearing.

Trump’s Trade Barrier Push Threatens U.S. Energy Profits, Critics Say

Posted September 07, 2017, 11:35 A.M. ET

By [Brian Dabbs](#)

Trade expansion poses the biggest potential boon to U.S. energy companies, yet the Trump administration’s rhetoric threatens that prospect, said several speakers at an event to discuss NAFTA renegotiations.

President Donald Trump has so far chosen to prop up the U.S. oil and gas industry by rolling back environmental regulations, but that rollback will only save energy behemoths like ExxonMobil Corp., Chevron Corp., “pennies on the dollar,” David Goldwyn, chairman of the Atlantic Council’s Energy Advisory Group, said at the Sept. 7 event.

Trump’s attacks on Mexico, typified by a call to build a border wall on Mexico’s tab, may derail cross-border pipeline projects already underway, Jeff Schott, a trade specialist at the Peterson Institute for International Economics, said. In fact, the administration’s pledge to crack down on free trade, typically regarded as duty-free trade, with Mexico and other countries, jeopardizes huge opportunities for U.S. companies, experts said.

“If there is any concern about some destabilization in the bilateral relationship, investors will pull back, slow down, or even reverse investments,” Schott, who also advises the U.S. Trade Representative, said.

Renegotiating NAFTA

The U.S., Canada, and Mexico concluded Sept. 5 the second round of North American Free Trade Agreement renegotiations in Mexico City. Top trade officials from the three countries are now

scheduled to meet for a third round in Ottawa at the end of this month.

At the outset of negotiations in mid-August, Robert Lighthizer, the U.S. trade representative, said the U.S. aims to improve trilateral energy relations, but didn't elaborate on ways to achieve that.

Mexico was virtually excluded from energy negotiations in NAFTA, which entered into effect in 1994. Mexico's Constitution prevented foreign development of domestic resources, but sweeping constitutional changes in 2013 ended the state-owned Mexican fossil fuel company Petróleos Mexicanos' (Pemex) 75-year monopoly in the energy sector.

And in early December 2016, Mexico awarded deepwater development rights to Chevron, Exxon Mobil, Total SA, and China-owned CNOOC Ltd. in its competitive oil auction.

The preservation of that access is a top priority for U.S. companies, Rep. Michael McCaul (R-Texas) told Bloomberg BNA after speaking at the event, sponsored by the Atlantic Council, a Washington-based think tank that focuses on international affairs. McCaul led a congressional delegation to Mexico in June.

EU Firm on Climate Pledges Despite U.S. Withdrawal From Pact

Posted September 07, 2017, 02:11 P.M. ET

By [Stephen Gardner](#)

Full implementation of the 2015 Paris climate accord should be advocated by the European Union at the forthcoming UN climate summit despite U.S. President Donald Trump's decision to pull out of the agreement, the European Parliament's environment committee decided Sept. 7.

The committee voted 54-0, with six abstentions, for a nonbinding resolution that sets out EU priorities for the Nov. 6-17 meeting in Bonn, Germany. Among its main goals, the EU should push for more climate funding to aid poorer countries and prepare for 2018 when a "facilitative dialogue" on countries' emissions reductions commitments will start, the resolution says.

At the 2018 dialogue, the parties to the Paris agreement will assess their progress in reducing greenhouse gas emissions and plan their next steps after 2020. The resolution says the EU should set an example by "revisiting its own mid- and long-term goals and policy instruments" as early as possible. The EU pledged in the Paris agreement to reduce its emissions 40 percent from 1990 levels by 2030.

Ulriikka Aarnio, international climate policy coordinator with the group Climate Action Network Europe, told Bloomberg BNA Sept. 7 the Bonn summit primarily would focus on technical preparations for the 2018 assessments, which would be a "first stocktake" of the success countries have had in reducing emissions to meet their goal of keeping global warming to within 2 degrees Celsius compared to pre-industrial levels.

A draft of the resolution ahead of the environment committee vote emphasized keeping the implementation of the Paris agreement on track and did not mention the U.S. decision to exit the agreement. However, an amendment to the resolution approved by lawmakers said that the U.S. decision was a "step backwards."

The U.S. withdrawal from the Paris Agreement does not take effect until 2020, and the country has

the right to participate as a party at the Bonn summit, Aarnio said. Negotiators from the rest of the world wanted to press ahead with implementation of their climate commitments, she said, and “no-one is really keen to discuss Trump and the U.S. situation any more.”

The European Parliament will vote to make the resolution on the Bonn summit final during a plenary session Oct. 2-5.

Rising Chemical Export Requests Could Spur Delays, EU Agency Says

Posted September 07, 2017, 10:58 A.M. ET

By [Stephen Gardner](#)

The addition of new chemicals under an international export convention is challenging the European Chemicals Agency with a rising tide of export requests, potentially causing delays for chemicals companies.

According to the agency, the number of notifications—which chemicals exporters are required to submit under the European Union’s Prior Informed Consent Regulation (PIC, Regulation (EU) 649/2012)—increased by 74 percent since 2014 to nearly 8,000 in 2016. The number of companies filing notifications rose from 390 to 1,177.

The export notifications are on the rise because new substances are being added to Annex I of the PIC Regulation and companies are becoming more aware of their obligations under the law.

“The expectation is that more chemicals will be added to Annex I,” leading to a greater workload in the future, the agency said in a Sept. 6 statement to Bloomberg BNA.

Limited Staff

The agency said it has only seven full-time staff working on the implementation of the PIC Regulation and will request that EU institutions allocate additional resources when its budget for the 2018-2020 period is discussed.

Jasper Jansen, communications manager with Dutch chemicals company AkzoNobel, told Bloomberg BNA Sept. 6 that it was required to file notifications for exports of some hazardous substances and “overall, we are satisfied” with the system set up by the chemicals agency to handle the notifications.

European Chemicals Agency Director Geert Dancet said in a statement Sept. 6 that unless the agency received new resources, however, it “cannot guarantee the same level of quality as we have achieved so far.”

When exporters want to export a listed chemical, they have to notify their national authority no later than 35 days before the export. The national authority then has 10 days to check the notification and pass it onto the EU chemicals agency. About 5 percent of these notifications are delivered late, according to the agency. ECHA then has 10 days to get in touch with the authority in the importing country to notify them of the export; about 1 percent of these notifications are now running late.

According to a [report](#) it published Sept. 6, the agency has already experienced some delays in processing export notifications and passing them onto importing countries and with authorities in EU

member countries forwarding notifications to the European Chemicals Agency.

Annex Contains 200 Substances

The EU PIC Regulation implements the Rotterdam Convention on the PIC Procedure for Certain Hazardous Chemicals and Pesticides in International Trade in the bloc, which seeks to ensure that companies only export certain hazardous substances to countries that have previously consented to their import.

The regulation's Annex I contains 200 substances for which consent must be sought from authorities in the importing country, or for which an export notification must be filed with the European Chemicals Agency.

According to the chemicals agency's website, the greatest number of notifications for exports out of the EU are submitted for chloroform, benzene and 1,2-dichloroethane, which is used in applications such as the production of polymers, pharmaceuticals, and pesticides.

Companies that manufacture the substances in the EU include AkzoNobel and Germany's BASF. BASF told Bloomberg BNA Sept. 6 it was unable to comment on the PIC export notification procedure.

The U.S. signed the Rotterdam, or PIC, Convention, but never ratified it. Since 157 countries and regions are parties to the treaty, however, U.S. chemical and pesticide manufacturers exporting to those parts of the world must comply.

—With assistance from Pat Rizzuto.

Brazil's Rattled Wind Power Supply Chain Looks Ahead

Posted September 07, 2017, 01:35 P.M. ET

By [*Michael Kepp*](#)

Suppliers in Brazil are hoping the upcoming energy auctions will kick-start a jittery wind-power sector that's trying to deal with the country's worst recession in decades, officials from several companies told Bloomberg BNA.

Brazil is home to six major foreign and local turbines makers in addition to hundreds of equipment component suppliers. Most had set up shop after the government began holding energy auctions in late 2009, signaling the push for wind power in Brazil.

During the past two years, however, a prolonged national recession has haunted Brazil, the world's ninth largest wind market in installed capacity. This in turn has caused ripple effects for those in the supply chain that produce and distribute the parts and pieces for wind power equipment.

"WEG's component suppliers, dependent on a constant flow of orders, have maintained investments to supply us and we've guaranteed them a minimum of orders to keep them afloat," said Joao Paulo Gualberto da Silva, wind power director for WEG Energy S.A., a local equipment maker. "But we've also told them to tighten their seat belts for the next two years."

Gaulberto da Silva cited other supply-chain hurdles, including transportation bottlenecks and the

need for Brazil's Development Bank "to fine-tune" the eligibility conditions for wind farm developers wanting low-cost government financing.

"Specialized trailers for hauling wind turbine blades have a 5-meter lateral width which, in Brazil, means that, besides hiring a private escort, they also need a federal police escort," Gualberto da Silva told Bloomberg BNA. "And from mid-July to mid-August this year, the federal police ran out of money to pay for such escorts, which caused delays in delivering our wind equipment orders."

Eager for Auctions

The country has not held an auction for future wind power since December 2015 and has scheduled two end-year energy auctions, both of which will sell wind power. One auction will be held Dec. 18 and the other Dec. 20. Supply chain companies like German equipment supplier Wobben welcomed the auction news since it means wind farm developers that win future supply contracts likely will place equipment orders.

"I'm fairly optimistic about the next future wind auctions because the wind sector has experienced repressed demand for the last three or four years," said Julio Cesar Pinheiro Goes, purchasing director in Brazil for Nordex SE, a German wind turbine maker. "This recession is temporary because the market runs in cycles. We'll survive this moment."

But Rogerio Zampronha, president of the Brazilian arm of Denmark's Vestas Wind Systems A/S, the world's biggest wind turbine maker, said, "A lack of economic predictability in Brazil makes life difficult for wind equipment suppliers here. We need some [government] guarantee that there will be wind auctions each year."

Rosana Santos, product and strategy marketing director in Brazil for General Electric, one of the country's biggest wind turbine makers, had a more optimistic outlook on the supply chain. "Brazil needs to auction between 2,000 and 2,500 megawatts of wind power a year to maintain a healthy supply chain. And because of repressed demand, I'm hoping that at the two December auctions developers sell from 1,500 megawatts to 2,000 megawatts of future wind power," she told Bloomberg BNA.

China Proposes First Public Pollution Disclosure Requirement

Posted September 07, 2017, 6:51 A.M. ET

By [Michael Standaert](#)

China's major manufacturers for the first time would have to publicly disclose emissions of sulfur dioxide, nitrogen oxides, and other nationally regulated pollutants under a proposal by the Ministry of Environmental Protection.

The proposal—which also calls for the creation of a searchable database of manufacturers and pollutants—represents a major step toward improving the information companies must share, one of the leading advocates for environmental transparency told Bloomberg BNA.

"Government disclosure of pollution information [such as air and water quality] has made great progress, but when it comes to corporate disclosure, it has been far from satisfactory," Ma Jun, director of the Institute of Public and Environmental Affairs, a nonprofit group which publishes a pollution map tracking water and air pollution data across China, told Bloomberg BNA.

The proposal requires the reporting from major sources of pollution such as iron and steel manufacturers, coal-fired power plants and cement and textile plants.

These companies now have to report their pollution to the government, but there's currently no requirement to make that information available to the public. Under the proposed plan, major sources of pollution would have to release information publicly about their pollution and detail efforts to implement pollution prevention and control.

"Assuming that this becomes real, it will encourage companies to pollute less and to be more careful," said Dan Harris, managing partner of the law firm Harris Bricken LLP, whose specialties include international and corporate law. "I am guessing there will be many western companies that will be more careful in choosing their suppliers based on this."

Foreign companies in many cases release environmental responsibility reports with emissions reports and other environmental data about their supply chains. They could suffer harm to their reputations from association with heavily polluting suppliers.

A public comment period on the draft will continue until Sept. 18. China gave no indication when the proposal could be implemented.

The U.S.-China Business Council declined to comment, saying it did not have sufficient detail on the proposal. The American Chamber of Commerce in China did not respond to requests for comment.

China Eyes 707 Megawatts of Pilot Wind Farms Free of Subsidies

Posted September 07, 2017, 8:07 A.M. ET

By [Bloomberg News](#)

China, the world's biggest clean-energy investor, selected 707 megawatts of wind power pilot projects that will receive the same subsidy-free payment for electricity as coal plants.

The projects are in the Chinese regions of Hebei, Heilongjiang, Gansu, Ningxia and Xinjiang, according to a Wednesday statement on the National Energy Administration's website.

Project developers won't receive renewable energy certificates for the electricity they generate, which will only be consumed in places where it's produced.

The move is part of the nation's efforts to push wind power's costs down to parity with coal. China currently subsidizes the portion that renewable power prices exceed that of coal.

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Rare Earth Metals Electrified by China's Illegal Mining Clean-Up

Posted September 07, 2017, 8:00 A.M. ET

By [Bloomberg News](#)

Rare earth metals are booming again as a clampdown on wildcat miners in China crimps supply in the world's biggest producer, while the clean energy boom bolsters their use in everything from

electric vehicles to wind turbines.

Prices for “light” rare earths, including neodymium and praseodymium, have exploded in recent months as traders and consumers snap up material that’s becoming scarcer. China’s shutting down illegal producers as the industry is swept up in the same kind of government clampdowns that have shaken other metals markets in 2017. Among many other applications, the elements are needed to make magnets used in motors and turbines.

“The prices of light rare earths still have upside for the longer term,” Alice Mu, a Beijing-based analyst at researcher Argus Metals, said via Wechat message. “There are shortages emerging from the supply side as China’s government shuts down illegal mines, purchases for state reserves, and implements tighter environmental policies.”

China, which produces more than 80 percent of the world’s rare earths, is clamping down on mining as part of a campaign to tackle pollution and tighten control of its massive industrial complex. Measures to curb production have already driven up prices of aluminum and steel and now rare earths are feeling the heat just as demand accelerates.

Praseodymium-neodymium oxide, a raw material for the metal, has almost doubled this year, according to Shanghai Steelhome E-Commerce Ltd. Neodymium surged by nearly a third in August alone and is up 81 percent in 2017. Demand for some rare earths may exceed supply in the second half after the crackdown on illegal mines, Ma Rongzhang, secretary-general of the China Rare Earth Industry Association said, according to a Shanghai Securities News report last week.

Electric Revolution

The rare earths join once-niche metals including lithium and cobalt as beneficiaries of rapid growth in the electric vehicle industry and renewable energy.

Global sales of electric vehicles increased by 55 percent last year to 695,000, primarily driven by China, according to Bloomberg New Energy Finance. While that’s a tiny fraction of the world total, they’ll account for more than half of new sales by 2040 when a third of all cars on the road will be electric-powered, BNEF forecasts.

Usage of magnetic rare earths in such vehicles is expected to grow from about 2,000 metric tons last year to 7,000 tons by 2020 and 12,000 tons by 2024, according to a presentation dated last month from Lynas Corp., the biggest rare earths miner outside China. Its shares are up 160 percent this year.

Growth in demand for wind turbines will double usage of the metals to 4,000 tons by 2024, according to Lynas. BNEF forecasts that onshore wind power will account for a quarter of all new power generating capacity additions globally over the next 23 years.

The last time rare earth prices spiked was in 2010-2011, when China triggered fears of a global shortage by restricting its exports. Prices eventually slumped as manufacturers turned to alternatives. The World Trade Organization subsequently ruled in favor of a U.S. complaint that China violated trade rules.

Similar to China’s major steelmakers, which are benefiting from the clampdown on smaller rivals, the nation’s chief state-owned rare earths producers are enjoying a strong year. China Northern Rare Earth Group High-Tech Co., the biggest, is up 53 percent this year, while China Minmetals Rare Earths Co. is up 27 percent.

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Chilean Court Order on Wetlands Impacts May Shut Kinross Mine

Posted September 07, 2017, 03:15 P.M. ET

By [Tom Azzopardi](#)

The future of Kinross Gold's mining operations in northern Chile could depend on whether the Canadian company successfully appeals a court decision limiting the amount of water it can extract from wells near sensitive wetlands.

The Second Environmental Court based in Santiago upheld the limits Sept. 1 imposed last year by Chile's environmental regulator Superintendencia del Medio Ambiente (SMA) after finding that water extracted by Kinross subsidiary Compañía Minera Maricunga (CMM) had caused the water table in the Pantanillo-Ciénaga Redonda basin to fall. The drop is blamed for drying up at least 70 hectares of the Negro Francisco and Laguna Santa Rosa Lake Complex.

The wetlands site—listed under the 1971 Ramsar Convention on Wetlands of International Importance—is used as a breeding ground by rare species of Andean flamingos and other birds.

The court's orders forced Kinross to bring forward plans to mothball its Maricunga mine, which relies on the wells for water, by ceasing active operations to August last year, leading to the loss of 300 jobs.

In a Sept. 5 statement to Bloomberg BNA, the company said that it “vigorously disagrees with the ruling and is assessing its options, including a potential appeal to the Chilean Supreme Court.” It blames the drop in water levels on a regional drought.

Water is a sensitive issue in arid northern Chile—home to the bulk of the country's mines—and the industry is turning increasingly to the Pacific Ocean for its water. But the pumping and desalination involved is expensive, especially for mines such as Maricunga which is located over 4,000 meters above sea level in the Andean Altiplano.

SMA head Cristian Franz said Sept. 4 that the environment court's ruling “ratifies the responsible, serious and objective actions of [the SMA] in recent years...in the overwhelming majority of cases, these courts have supported our decisions.”

But Kinross hinted that it saw room for an appeal based on science as the court had approved SMA's orders on “purely procedural grounds.”

“In its ruling, the Tribunal did not reach any conclusions relating to alleged wetlands impacts due to CMM's groundwater pumping, including detailed technical reports submitted by CMM showing a lack of such impacts,” the company said.

Since halting operations at Maricunga, Kinross has been assessing its plans for the mine, including a possible sale to a third party.

“Future plans for the site will depend on a variety of factors...we continue to keep our options open,” the company said.

South Korea Pours Millions Into Building Solar Panels on Landfills

Posted September 07, 2017, 9:36 A.M. ET

By Elaine Ramirez

Landfills are not just for garbage anymore. At least not in South Korea where the government and a landfill operator are coordinating to place solar power facilities at four disposal sites.

South Korea plans to install enough solar power generation facilities to supply 80,000 households by 2021 with a 390.3 billion won (\$344.2 million) infrastructure project as the new Moon Jae-in government aims to transform the power matrix into 20 percent renewable energy by 2030.

“The metropolitan area is playing a leading role in realizing a resource recycling society through the expansion of energy facilities,” Kim Dong-jin, director of resource circulation at the Ministry of Environment, said in the statement. “We plan to develop the landfill as a new renewable energy mecca and as a success model for responding to the new climate era.”

The three-phase project to construct 250 megawatts of solar power generation facilities over four landfills in Incheon, west of capital Seoul, is expected to become a “win-win model” of mutual profit between metropolitan landfill management, local governments, power generation companies, foreign investors, and local residents, the ministry said in a Sept. 4 statement.

The initial stage of the project, to produce a 10-megawatt capacity facility, which was approved last month, is being produced by a consortium of Thai investor Pea Encom, Hong Kong investor NWS Group, Landfill Site Management Corp., Korea Western Power, Korea Southern Power, LG Serveone, Seoul Energy Corporation, Incheon U-City, and some local residents, Park Sang-cheol, deputy director of the ministry’s waste-to-energy division resource circulation bureau, told Bloomberg BNA on Sept. 6.

The plan, he said, “is finalized in the sense that 250 megawatts will be achieved by 2021, but specific investors and details are yet to be decided.”

The solar power produced will be mainly used for commercial sale and facility operations, Park said.

New Energy Paradigm

President Moon Jae-in, who entered office in May, has maintained South Korea’s commitments to the Paris climate accord of lowering emissions by 37 percent of business-as-usual levels by 2030. He has also vowed to phase out nuclear and coal plants, and replace them with clean energy to create a renewable energy supply of 20 percent of total power, up from 6.6 percent as of 2015, according to Korea Energy Agency data. Solar power contributes about 10.7 percent of the country’s renewable energy, according to 2015 data.

South Korea plans to expand the supply of renewable energy such as biogas, landfill gas, and solar power by turning waste and idle sites in the metropolitan area into renewable energy hubs, the environment ministry said.

Suk Chan-woo, sales manager for local wind and solar device producer Eco Power, said demand for solar power facilities this year is similar to last year’s but is expected to increase.

“Of course the policy will work positively for the industry,” he told Bloomberg BNA on Sept. 6. “We are planning on increasing production, but not just yet as nothing is finalized [with contracts].”

Seok Sang-II, energy and chemical engineering professor at South Korea’s Ulsan National Institute of Science and Technology, said as long as solar energy was not too much more expensive than power generated by state-run Korea Electric Power Corp. and didn’t cause a public inconvenience, it’s a good way to boost the country’s renewable energy matrix.

Hydro power faces constraints in water storage and dam construction, while the wind in the country does not blow in the right direction for efficient power generation, he noted.

“Once you exclude all of these, solar energy is the alternative in the end,” he said.

“There is a lot of unused land [at landfills] so the proportion of renewable energy used can increase greatly” with the solar facility installations, he added.

But Seok said this project alone wouldn’t be enough to help South Korea reach its 20 percent renewable energy goal, since the amount of waste is fixed along with the amount of energy that can be taken from it.

“The government is trying to increase the solar and wind power so that will play a major role in reaching the rate” of the 20 percent renewable energy goal, he said.

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