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## **Daily Environment Report**

### **Afternoon Briefing - Your Preview of Today's News**

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### **Pennsylvania Nuns to Appeal Transco Pipeline Decision**

*Posted September 29, 2017, 04:01 P.M. ET*

By [Leslie A. Pappas](#)

Nuns who sued on religious grounds to stop a pipeline from traversing their property in Pennsylvania say they will appeal a judge's decision to dismiss the case.

The sisters of the Adorers of the Blood of Christ in July [sued](#) the Federal Energy Regulatory Commission (FERC) and Transcontinental Gas Pipe Line Co. LLC (Transco) to stop construction of the Atlantic Sunrise pipeline on land they own in Lancaster County.

The group said the [pipeline](#) would violate their freedom of religion under the Religious Freedom Restoration Act (RFRA), echoing religious arguments made by the Standing Rock Sioux Tribe and others in their quest to stop the Dakota Access Pipeline in North and South Dakota.

Judge Jeffrey L. Schmehl denied the nuns' motion for a preliminary injunction to stop the pipeline, and granted the company and FERC's motions to dismiss the case, in an [order](#) filed Sept. 28 in U.S. District Court for the Eastern District of Pennsylvania ([Adorers of the Blood of Christ v. FERC](#), E.D. Pa., No. 5:17-cv-03163-JLS, 9/28/17). Schmehl said that the nuns needed to challenge the pipeline under procedures laid out in the Natural Gas Act (NGA).

"No matter how sweeping RFRA may be, plaintiffs simply may not bypass the specific procedure established by Congress in the NGA by bringing a RFRA suit against FERC in this Court," Schmehl wrote in his opinion.

Chris Stockton, a spokesman for Williams Companies, Inc., which owns the Transco pipeline system, said the company was "pleased with the court's well-reasoned decision to dismiss" and said the company remains "open to constructive dialogue with the landowner to find an amicable resolution of our differences."

**'Sacredness of Earth'**

The nuns maintain that the 42-inch pipeline, which would be used to transport natural gas from hydraulic fracturing operations, violates their belief in “the sacredness of Earth.”

The pipeline would go through several Pennsylvania counties, carrying gas to markets like the Cove Point liquefied natural gas export terminal on the Chesapeake Bay.

“While the Adorers respect the District Court’s conclusion that the Adorers could only raise their religious freedom claims during FERC’s administrative proceedings, the issues and rights involved in this case are so important that the Adorers believe additional judicial review is warranted,” the nuns said in a statement emailed to Bloomberg BNA Sept. 29. “The Sisters believe that God calls humans to treasure land as a gift of beauty and sustenance that should not be used in an excessive or harmful way.”

Transco applied in March for authorization to construct the pipeline, and on Feb. 3, FERC gave the company the right to take private property along the pipeline route by eminent domain, the ruling says.

After the nuns refused to allow the pipeline onto their property, the company sued for access, and on Aug. 23, the court granted a portion of the nun’s property to Transco.

The nuns said they plan to appeal the decision to the Third Circuit Court of Appeals in Philadelphia.

## **EPA Silent as Ozone Decision Deadline Looms, States Say**

*Posted September 29, 2017, 02:33 P.M. ET*

*By [Jennifer Lu](#)*

States said the EPA remained mum just days before it was required to announce which areas of the country exceed federal ozone pollution standards and must clean up their air.

By law, the announcement is due Oct. 1. But just days before the deadline, state officials said they had not received feedback from the Environmental Protection Agency about their recommendations for places that violate the ozone standards, which were submitted a year ago along with plans for how to reduce ozone pollution.

Making those nonattainment designations could lead to new pollution control requirements for cars and large industrial facilities such as power plants.

“It’s likely that we’ll see no changes [to states’ recommendations], although it is possible the administration will propose changes or delay,” Miles Keogh, executive director of the National Association of Clean Air Agencies, which represents 40 states, told Bloomberg BNA.

As far as he knows, none of the 40 states in his organization had heard back from the EPA on their ozone nonattainment recommendations, Keogh said Sept. 28.

Air pollution officials in California and Utah also told Bloomberg BNA they had not heard from the agency.

The EPA said in an email it wouldn’t comment on whether it would meet its Oct. 1 deadline.

## **White House Reviewing Proposal**

A proposed rule (RIN:2060-AT41) that would rank the severity of nonattainment areas has been undergoing interagency review at the White House since Sept. 21.

The EPA in 2015 set new, more stringent ozone standards at 70 parts per billion, down from 75 ppb previously. Ozone is formed when pollutants emitted by vehicles and power plants react in the presence of sunlight. Ozone inhalation is linked to breathing problems, including asthma and chronic obstructive pulmonary disease.

As many as 116.3 million people live in areas in ozone nonattainment, according to the EPA.

Environmental advocates are likely to sue the EPA if it misses the deadline, Earthjustice staff attorney Seth Johnson told Bloomberg BNA. The EPA previously said it would push back making the ozone designations for a year, but reversed its decision after 15 states, the District of Columbia, and public health and environmental groups all sued over the delay.

A one-year delay wouldn't "make a difference one way or another" in Virginia, which is close to meeting the ozone standards, Michael Dowd, director of the air division in the state's Department of Environmental Quality, told Bloomberg BNA.

"We're still going to have to come to attainment," Dowd said. "They're either going to give us the same time or push it back a year."

## **States Weighing Options**

Even without the EPA's designations, some states are already making plans to improve air quality.

"States don't have the power to achieve the standards without the authority of the Clean Air Act requiring upwind states to reduce their contributions," Paul Miller, deputy director and chief scientist at the Northeast States for Coordinated Air Use Management, an association of air pollution officials from eight states, told Bloomberg BNA.

In the Northeast, much of the pollution blows in from Midwestern sources, including coal-fired power plants in the Ohio River Valley.

Northeastern states may consider clamping down on pollution from cars and trucks in an effort to improve air quality, Miller said. One option would be to adopt stricter vehicle emissions standards set by California that some states have already embraced.

But until EPA makes its designations and approves states' ozone control plans, states can only do so much.

"It's not reinventing any wheels," Johnson said. "They've had a long time. States did their job. EPA needs to do its job."

## **Mosquito Woes Threaten Puerto Rico as Floodwaters Recede**

*Posted September 29, 2017, 7:35 A.M. ET*

By Tiffany Stecker

A tropical disease epidemic could be brewing in Puerto Rico as the island territory struggles to emerge from Hurricane Maria's floods and wreckage.

Public health researchers are concerned that, in coming weeks or months, dengue fever transmission rates will increase in Puerto Rico as a result of rising populations of the virus-carrying *Aedes aegypti* mosquito. Scattered debris, stagnant pools of water, and a lack of air-conditioning due to power outages will create an ideal breeding environment for the mosquito.

And finding a way to kill the mosquitoes could be difficult as many island residents have opposed insecticide spraying in the past.

"All of these things combined may lead to another disease outbreak," Matthew DeGennaro, an assistant professor at Florida International University who leads the university's Laboratory of Tropical Genetics, told Bloomberg BNA.

The Zika virus, carried by *Aedes aegypti*, infected more than 40,000 Puerto Ricans last year. It is not expected to flare up again this year, but scientists are keeping an eye on rates of dengue, which can cause muscle pain, fever, nausea, headaches, and—in severe cases—death.

As of Aug. 25, the most recent date for which figures are available, the territory of 3.7 million people had nine confirmed cases of dengue fever, according to the World Health Organization. That number could rise quickly.

"Even in a good year, Puerto Rico has a difficult time with dengue fever," Peter Hotez, dean of the National School of Tropical Medicine at Baylor College of Medicine in Houston, told Bloomberg BNA.

#### **Mosquito Diseases Could Rise in Months**

The Centers for Disease Control is developing a mosquito-control plan for the island with local authorities. For now, immediate rescue operations take priority, Sven Rodenbeck, chief science officer of the Centers for Disease Control's hurricane response, told Bloomberg BNA.

The island has some time. Immediately after a hurricane, communities will see a rise in so-called nuisance mosquitoes—species that bite but don't transmit West Nile Virus, Zika, dengue, chikungunya, or yellow fever.

Between two weeks and two months after a major storm hits, the number of mosquitoes that carry mosquito-borne diseases increases, Rodenbeck said. But he does not expect to see a substantial increase in the number of people getting sick from diseases spread by mosquitoes, neither in Puerto Rico nor in Texas and Florida, which were ravaged by Hurricane Harvey and Hurricane Irma.

But others are worried that the viruses could spread. West Nile Virus is of particular concern in Texas and Florida, where the *Culex* genus of mosquitoes carry the disease.

"We're already seeing those in large numbers," Shelly Redovan, deputy director of education and communication for Lee County, Fla.'s mosquito control district, said of the *Culex* mosquitoes.

*Aedes* mosquitoes that carry tropical diseases like dengue are increasing in the Miami area,

indicating that Puerto Rico also will see an increase, DeGennaro said.

In Texas and Florida, efforts are underway to eradicate the pests. Redovan said her district, which covers about 1,000 square miles near Ft. Myers, Fla., already has exhausted its annual supply of mosquito-killing insecticides and has twice re-ordered the chemicals.

### **Debate Over Aerial Spraying**

Puerto Ricans have a history of being skeptical of mosquito control efforts like aerial spraying of insecticides. Faced with widespread opposition from residents last year, officials on the island dropped a plan to deploy pest control aircraft to kill Zika-transmitting mosquitoes.

Aerial spraying is not the only solution, Rodenbeck said. Throwing out standing water and spraying chemicals on the ground is encouraged, and Puerto Rican officials will decide how to best control the mosquito infestations.

“It’s important to emphasize that local authorities are in charge,” he said.

DeGennaro of Florida International University thinks aerial spraying for *Aedes* mosquitoes would be largely ineffective in Puerto Rico because those species are primarily found in cities, making it more difficult to spray large areas.

In addition, DeGennaro thinks insecticides should be used sparingly like antibiotics: “You don’t want to use them unless you really need to.”

But Eric Wintemute, CEO of AMVAC Chemical Corp., the largest manufacturer of naled, the primary insecticide used for aerial spraying of adult mosquitoes, said the island’s viewpoint could imperil public health.

“I think there’s a fair amount of distrust Puerto Rico has with the U.S. government,” Wintemute told Bloomberg BNA. As a result, “maybe decisions are made that aren’t in the best interest of the overall population.”

Naled is an organophosphate insecticide, a class of pesticides that works by suppressing nerve function. Organophosphates can be highly toxic to humans, but the Environmental Protection Agency says the product is sprayed at very low doses—a couple of tablespoons per acre—and dissipates quickly.

### **Changing Views**

Sonja Swiger, an extension entomologist with Texas A&M University, said she regularly encounters residents who oppose aerial spraying, but that the situation after Hurricane Harvey left some locals more open to the aerial applications.

“Some people are more understanding because of the fact that there was a disaster,” she said. “This is a rare practice in Texas.”

In a typical year, AMVAC sends out enough naled to spray 12 million to 16 million acres. This year, that figure has risen to 20 million acres, with possibly another 10 million to go, Wintemute said.

“We pulled back on some export sales just so that we could make sure we would do everything we

could to meet demand,” Wintemute said. Most exports go to Mexico for use on crops.

### **Outbreaks Years Later**

The spread of diseases after hurricanes is relatively understudied, Hotez of the Baylor College of Medicine said.

The effects can be felt several years after an event. A 2008 [study](#) found that rates of West Nile Virus doubled around New Orleans one year after Hurricane Katrina in 2005. The authors didn’t pin down a specific reason, but suggested that abandoned swimming pools and the holes left from uprooted trees may have been breeding grounds for the mosquito.

“After all three major hurricanes this season, provided there’s some funds to study this, we could learn an awful lot on disease transmission after hurricanes,” he said.

### **Trump Told Iowa He’d Save Ethanol. His EPA Chief Has Other Ideas**

*Posted September 29, 2017, 8:57 A.M. ET*

*By Jennifer A. Dlouhy and Mario Parker*

As he sought votes during last year’s Iowa caucuses, candidate Donald Trump courted farmers with praise for ethanol and promises that he would boost the home-grown fuel.

Now those farmers and other biofuel supporters say the people President Trump has put in charge of the issue in Washington are instead boosting their fossil-fuel rivals.

“This seems like a bait-and-switch,” Iowa’s senior senator, Chuck Grassley (R), said on the Senate floor this week. “Big Oil and oil refineries are prevailing, despite assurances to the contrary.”

The issue is politically precarious for Trump, as it pits the oil industry against Midwest voters who helped elect him. Trump repeatedly vowed to “protect” ethanol. But he loaded his cabinet with allies of the oil industry, which views the Renewable Fuel Standard that mandates biofuel use as costly and burdensome.

Ethanol producers are most vexed by Scott Pruitt, the head of the Environmental Protection Agency. His agency has pursued a series of changes that would help the oil industry at the expense of farmers.

“The White House needs to rein in the EPA before the agency tramples the president’s rural base—and his promises to voters,” said Brooke Coleman, executive director of the Advanced Biofuels Business Council. “I would be surprised if those in the White House realize the depth of his attacks on the Renewable Fuel Standard.”

### **Support for Fossil Fuels**

Pruitt hails from oil-rich Oklahoma, and backing refiners and oil producers could aid any future political campaign in his home state, including a possible bid for the Senate seat that would open up if Republican Jim Inhofe retires in 2020. Pruitt has not announced plans to seek that seat or any other political office. While serving as Oklahoma’s attorney general, Pruitt dubbed the quotas “unworkable” and a “flawed program.”

Now at the EPA, Pruitt has gone “rogue,” said Michael McAdams, president of the Advanced Biofuels Association.

“His job is to implement the vision of the president who says he supports biofuels,” he said. Pruitt’s actions don’t “support biofuels in any shape or form.”

Representatives of Pruitt declined to respond to questions about his ties to the oil industry. “EPA is currently seeking input from all stakeholders involved. Nothing has been finalized at this time,” the agency said in a statement.

Despite the president’s high-profile pledges of support, the intricate details of biofuel policy are being decided by administration officials with no allegiance to the sector, said Monte Shaw, executive director of the Iowa Renewable Fuels Association.

For instance, Trump’s Energy Secretary is Rick Perry, who as Texas governor asked the EPA to waive half of the conventional renewable fuel quota in 2008. And Trump’s Agriculture Department is led by Sonny Perdue, who previously was governor of Georgia, the nation’s top poultry producer. Livestock producers have linked arms with the oil industry to fight the biofuel mandate, arguing it drives up feed costs.

Trump also tapped billionaire refinery owner Carl Icahn, a critic of the biofuel mandate, as special adviser on regulations. Icahn has since left that role.

In the latest policy move, the EPA this week issued a notice opening the door to potential reductions in annual quotas for biodiesel and ethanol. The action followed heavy lobbying by oil industry leaders seeking lower biofuel targets.

The 14-page “notice of data availability” that set those potential changes in motion explicitly invokes arguments by refiner Valero Energy Corp. or top oil trade groups nine times, with the EPA echoing the industry’s assertions that imported biofuels jeopardize U.S. energy independence.

What’s missing? Any reference to the counter arguments from the other side—biodiesel producers or corn farmers.

The EPA had already proposed lowering the amount of advanced biofuel that would be required next year, after Pruitt forced a last-minute rewrite of the agency’s initial slate of renewable fuel quotas. EPA officials initially wanted to require 384 million gallons of cellulosic ethanol to be used next year—up 19 percent from this year’s 311 million gallon quota—according to documents released by the Office of Management and Budget.

#### **Corn Belt**

But after lobbyists for refiners raised concerns about relying on imported biofuel to meet the targets, Pruitt directed EPA staff to recalculate the figures. The resulting proposal aims to lower the cellulosic ethanol requirement for the first time—to 238 million gallons next year.

Separately, the agency is mulling a change to allow exported biofuel to count toward compliance with the annual quotas—a move that would lower compliance costs for refiners while decreasing the premium some ethanol producers collect for selling the fuel domestically.

Oil industry leaders say Pruitt is making good on his pledge to get the RFS back on track, by establishing biofuel quotas ahead of legal deadlines.

The EPA is advancing “Congress’s stated purpose of bolstering America’s energy independence,” the American Fuel and Petrochemical Manufacturers said in an emailed statement. “American drivers shouldn’t have to shoulder more costs to help foreign biofuel producers.”

Biofuel boosters are reminding Trump of his promises now.

“It is my hope that your EPA has not forgotten about the pledges that were made to my constituents and to farmers across the country,” Senator Joni Ernst, a Republican from Iowa, told the president in a letter this week.

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## **Senate Republicans Want to Allow Drilling in Alaska Refuge**

*Posted September 29, 2017, 01:07 P.M. ET*

*By [Ari Natter](#) and [Erik Wasson](#)*

Senate Republicans set the stage for using the budget to end the 37-year ban on oil and gas drilling in Alaska’s pristine Arctic National Wildlife Refuge.

A provision in the budget resolution, released Sept. 29, tells the Senate Energy and Natural Resources Committee to come up with \$1 billion in savings over 10 years. That mandate is the first legislative step necessary for Congress to approve drilling in the preserve, known as ANWR, without the threat of a Democratic filibuster.

“You know me, I’m always trying to advance ANWR,” Alaska Republican Senator Lisa Murkowski, the chairman of that committee, said on Sept. 26.

Murkowski and fellow Alaska Republican Senator Dan Sullivan have previously backed legislation that would allow oil and gas development on as much as 2,000 acres (809 hectares) of the refuge, and pressed to get this provision included in the budget.

Fossil fuel development in the 19-million-acre wilderness area has been prohibited since 1980.

If the budget is adopted by both the House and the Senate, a bill conforming to the instruction can be brought up in the Senate and could pass with 50 votes plus Vice President Mike Pence’s tie-breaker, rather than the usual 60 votes need to end debate.

### **Royalties to Flow**

Republicans plan to use the budget resolution to allow fast-track consideration of a tax overhaul plan.

Royalties from oil and gas production in the wildlife reserve would be a revenue-raiser that could help offset some of the tax cuts Republicans are proposing. President Donald Trump earlier this year proposed raising \$1.8 billion over the next decade by opening up parts of the refuge for oil and gas development, a change that would require congressional action.

Energy production in the wildlife refuge, which is estimated to contain as much as 12 billion barrels of oil, has been debated for more than 50 years, with major oil companies such as ConocoPhillips, Alaska's biggest oil producer, interested in exploring for oil in the area. Environmentalists, meanwhile, have argued for making the refuge's coastal plain permanently off-limit to drilling, noting the area's fragile ecosystem is home to polar bears, caribou, musk oxen and more than 200 species of migratory birds.

"It would be a sin against the environment," Senator Ed Markey, a Massachusetts Democrat, said in an interview. "We should not be doing that for the oil industry. We don't need to set up a gas station on top of the ANWR."

### **Fuel Prices**

Proponents of opening up the area to energy development argue it's needed to help keep domestic fuel prices low and generate government revenue, including funds for Alaska, which has seen its economy and state government coffers hit hard by a decline in oil prices.

In addition to Democrats, Republicans Senators such as Susan Collins of Maine and John McCain of Arizona have in the past voted against efforts to open the refuge to drilling. Asked how she might vote this time around, Collins said she was open to reconsidering.

"I am told that there is a new kind of horizontal drilling that is far safer, but I don't know enough about it to have looked into yet," Collins said in an interview. Still, she added, "I voted against it consistently in the past."

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### **Perry Moves to Aid Coal, Nuclear Generators with Pricing Rule**

*Posted September 29, 2017, 9:58 A.M. ET*

*By Catherine Traywick*

U.S. Energy Secretary Rick Perry is doubling down on coal and nuclear power.

The Energy Department proposed a rule Sept. 29 aimed at helping coal and nuclear power plants compete within wholesale power markets by allowing them to recover their costs at "a fair rate of return," according to the agency's website. Generators with a 90-day supply of fuel on site are eligible.

While they provide reliable, base-load power, coal, and nuclear plants are costly to run, so grid operators usually don't call on them until after all renewable and natural gas resources have been exhausted. Meanwhile, low cost gas, wind and solar power have lowered electricity prices to the point that coal plants, when needed, often aren't paid enough to cover operating costs.

"Ensuring a reliable and resilient electric supply and corresponding supply chain are vital to national security," Perry said in a letter to the Federal Energy Regulatory Commission, which will consider the proposal. The letter touts the agency's recent grid study, which made the case for preserving base-load power, a term typically used to describe coal and nuclear plants that can run all the time.

Perry's proposal may have a friend in Neil Chatterjee, who was tapped by President Donald Trump to temporarily lead the energy commission. Chatterjee has repeatedly argued that coal-fired plants are a crucial part of America's energy mix that needed to be "properly compensated to recognize the value they provide."

But grid operators may find implementing such a rule to be "difficult or problematic," Christi Tezak, managing director at ClearView Energy Partners in Washington, wrote in a research note. Still, a pricing rule of some kind may be formalized by as soon as spring 2018, she said.

#### **'Major Retreat'**

Rob Gramlich, founder of the clean energy consultancy Grid Strategies LLC, characterized the proposal as "a major retreat from competition."

The Federal Energy Regulatory Commission, an independent agency under the Energy Department, has authority over power markets, though the energy secretary may propose rules to the commission. Perry is seeking final action within 60 days.

The proposal follows the agency's controversial grid study, which argued that base-load power is critical to grid resilience and called for changes to how wholesale electricity is traded. The report cautioned that "market designs may be inadequate" to keep "traditional" power generation online.

—With assistance from Jim Polson and Ari Natter.

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### **Southern's Nuclear Plant Gets \$3.7 Billion More in U.S. Aid**

*Posted September 29, 2017, 12:55 P.M. ET*

*By [Ari Natter](#) and [Mark Chediak](#)*

Southern Co.'s troubled nuclear reactor project in Georgia is in line to get additional government support after the Energy Department announced Sept. 29 it offered \$3.7 billion in additional loan guarantees.

Georgia Power Co. and its partners constructing the Vogtle plant—the only new nuclear power project in the U.S.—were already recipients of \$8.3 billion in federally-backed loan guarantees, but asked the Trump administration to come to their aid amid ballooning costs and delays.

The project represents the last, best hope for a much-hyped nuclear renaissance that has failed to materialize in the U.S. following Japan's Fukushima accident and persistently weak wholesale electricity prices.

"I believe the future of nuclear energy in the United States is bright and look forward to expanding American leadership in innovative nuclear technologies," Energy Secretary Rick Perry said in a statement announcing the additional aid.

The proposed aid comes after the Trump administration proposed ending the loan guarantee program, which has been under fire from conservative critics since it famously backed a half-billion-dollar loan guarantee to failed solar-panel maker Solyndra LLC.

## **Project Costs Soar**

The new federal financing comes as Southern seeks Georgia regulators' approval to continue building two reactors at its Vogtle nuclear facility. Costs for the project have soared to more than \$25 billion amid construction delays, caused in part by the bankruptcy of contractor Westinghouse Electric Co.

The Energy Department announced conditional loan guarantees of \$1.67 billion to Georgia Power, a subsidiary of Southern; \$1.6 billion to Oglethorpe Power Corporation; and \$415 million to three subsidiaries of Municipal Electric Authority of Georgia.

Securing the additional money will help the Atlanta-based company make its case to Georgia regulators who must now weigh Southern's recommendation to continue against concerns from environmental groups and consumer advocates.

The additional loan "will help us continue to reduce our financing costs," said Paul Bowers, president of Georgia Power. With more than \$5 billion in loan guarantees promised to Southern, the utility owner says its customers will get \$500 million in "benefits" for its customers.

Georgia's public service commission will likely give its OK to the Vogtle project if Southern and its partners receive about \$3.7 billion in payments from Westinghouse's parent Toshiba Corp., Tim Echols, a member of the Georgia Public Service Commission, said last week.

"The additional loan guarantee money, monetizing the Toshiba payment, and tax credit extension are music to my ears," Echols said. "Without these it will be difficult to finish our Vogtle reactors and I hope the U.S. Senate knows that."

—With assistance from Brian Eckhouse.

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## **VW Still Choking on Diesel as Damages Surge to \$30 Billion**

*Posted September 29, 2017, 12:44 P.M. ET*

*By [Chris Reiter](#) and [Elisabeth Behrmann](#)*

More than two years after Volkswagen AG was thrown into chaos by the diesel-emissions scandal, the German auto giant is still choking.

The latest reminder that the crisis is far from over came Sept. 29 when Volkswagen announced it will take a charge of 2.5 billion euros (\$3 billion) because plans to buy back or retrofit tainted U.S. diesel cars proved more complex than expected. That brings total damages to about \$30 billion and raises questions about whether Chief Executive Officer Matthias Mueller has the situation under control.

"This is yet another unexpected and unwelcome announcement from VW, not only from an earnings and cash-flow perspective but also with respect to the credibility of management," Arndt Ellinghorst, a London-based analyst with Evercore ISI, said in an email. "No surprise, investors are skeptical and cynical."

To put the latest charge into perspective, it comes a full 15 months after the company reached a settlement with U.S. authorities to buy back or fix around 500,000 tainted vehicles, including Golf, Jetta and Audi A3 models. So after more than a year of working through the issues, Volkswagen suddenly discovered that the plans were technically tougher than anticipated. The complications, which the company didn't describe in detail, amount to more than 5,000 euros per car.

Volkswagen shares fell as much as 4 percent, making the prospect of returning to pre-crisis levels even more remote. Since September 2015, the stock has lost about 15 percent of its value.

While the charge was the clearest evidence the crisis is still smoldering, it wasn't the only sign this week. On Sept. 27, Munich prosecutors arrested former Volkswagen engineer Wolfgang Hatz, the second person detained in the widening probe into cheating at the automaker's Audi division. Hatz, who ran Volkswagen's motor development from 2007 to 2011, left the automaker in May 2016 after being suspended in the aftermath of the company's admission that it rigged diesel cars to cheat on regulatory tests.

And then there was the unrelated issue of the Scania truck unit being fined about \$1 billion by European Union authorities over price fixing.

"What's clear is that the emissions scandal isn't off the table," said Stefan Bratzel, director of the Center of Automotive Management in Bergisch Gladbach, Germany. "Today's announcement shows they miscalculated."

Mueller has sought to push past the crisis, with only limited success. At the Frankfurt auto show earlier this month, he played the role of visionary, arriving at a presentation in the German financial capital in a self-driving bus, dubbed Sedric. Before hundreds of guests, he vowed to turn Volkswagen into an electric-car leader, as he remakes the company from within, with the Moia ride-hailing brand and de-centralized decision-making.

"We have got the message and we will deliver," Mueller said at the show. "'Business as usual' is no longer enough."

Yet there are plenty of signs that the old Volkswagen is alive and well. In addition to the long-running diesel saga, unions are flexing their muscles and resisting disposals of ill-fitting remnants from past empire-building such as the Ducati motorbike brand and divisions that make power plants and ship engines.

### **Electric Future**

The affected diesel vehicles in North America are only a small part of the nearly 11 million rigged cars globally. In the U.S., Volkswagen is required to update the emissions software and make changes to engine hardware, a more rigorous fix than the repairs required in Europe.

The continuing fallout compounds pressures facing Volkswagen as it grapples with a disruptive shift in automotive technology, including the prospect of new, nimble competitors like vacuum cleaner pioneer Dyson Ltd. Keeping ahead of the shift to an era of self-driving electric cars requires significant resources, and Volkswagen is planning to invest about 20 billion euros by 2030 to develop a fleet of electric cars and another 50 billion euros to buy the batteries needed to power the vehicles.

The scandal set off a backlash that has led consumers to turn away from diesel technology amid

concerns about pollution and driving bans. That creates problems for Volkswagen as it relies on diesel cars to boost profit and lower carbon-dioxide emissions to reach tightening environmental targets. Still, the world's largest automaker had net liquidity of 23.7 billion euros at the end June to help it finance the investments.

"Volkswagen remains very liquid in terms of its financial position and the risk of a capital increase is low," said Juergen Pieper, a Frankfurt-based analyst with Bankhaus Metzler. "However, given the uncertainty in Europe about diesel cars and the future investments that need to be made for electric cars, that risk is rising" in the aftermath of the "surprisingly large" hit from the scandal.

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## **Trump's 1970s-Era Oil Comes at Right Time to Feed Asia's Thirst**

*Posted September 29, 2017, 9:11 A.M. ET*

*By Robert Tuttle*

When President Donald Trump's Energy Department was lining up buyers a month ago to dump 14 million barrels of crude into the market, it might have seemed like bad news.

But as all that oil from the Strategic Petroleum Reserve starts hitting the market next week, the timing turned out to be pretty good.

Here's what changed: crude got out of its funk and entered a bull market, the outlook for global consumption suddenly looks a lot brighter, compliance with OPEC-led cuts improved, the shale boom is waning and, most importantly, sales to Asia have led U.S. exports to record levels. So, America doesn't look so incurably awash in oil after all.

"You'll see a lot of it get exported right away," said Dominic Haywood, an analyst at consultant Energy Aspects Ltd. in London. "There's good demand for it."

To get an idea of the size of the sale, deliveries spread over two months will add an average 233,000 barrels a day of crude that's been stashed in salt caverns in Texas and Louisiana since the wake of the Arab oil embargo in the late 1970s. That's more than either Kuwait or the United Arab Emirates have cut so far this year under the OPEC-led accord, data compiled by Bloomberg show.

That seemed worrying when the DOE was taking bids in early September and futures in New York were stuck below \$50 a barrel. Hurricane Harvey had knocked out more than a fifth of U.S. refining capacity, the summer driving season had just ended and stockpiles were rising again.

But with the global Brent benchmark nearing \$60 a barrel, West Texas Intermediate seems like a steal even after it surpassed \$52 for the first time since April this week.

The type of oil coming out of the caverns, sour crude, also happens to be in particularly high demand because that's the kind OPEC has cut the most. Bonito Sour, for instance, sold at a \$3.75-a-barrel premium to WTI on Sept. 22, the widest since May 2015, data compiled by Bloomberg show.

"Sour crude differentials are on a tear," Haywood said. "Definitely it's a good time."

For the government, getting rid of the oil hoard from another era has become a priority because

maintaining the facilities is a cash drain. Trump wants to slash it by half. In recent years, Congress has ordered small sales to fill government budget holes.

At a time when U.S. fields gush increasing amounts of crude, there has been growing support for making some cash out of the reserve, or even get rid of it altogether—specially because it'll cost about \$2 billion to upgrade it.

By statute, the Energy Department needs to conduct two sales of oil from the Strategic Petroleum Reserve for fiscal year 2018, according to an agency spokeswoman. The timing is based on factors including the volume of oil, the potential delivery periods for each sale and how sales integrate with maintenance and operations at storage sites. The agency doesn't try to time it based on forecast commodity prices, she said.

—With assistance from Catherine Traywick.

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## **Green Projects May Be About to Lose Their Richest Investors**

*Posted September 29, 2017, 8:29 A.M. ET*

*By Anna Hirtenstein*

Renewable energy developers may lose some of their richest backers as wind and solar farms move toward competing on price instead of their green credentials, Sweden's largest utility said.

Vattenfall AB, which is one of Europe's biggest developers of offshore wind farms and has sold a stake in one of its projects to pension fund AMF Pensionsforsakring AB, said institutional investors may be wary of backing green projects in the future.

Green energy projects are starting to become more risky. A plunge in prices for wind and solar power has allowed many developers to bid for power-purchase deals at rates competitive with traditional forms of energy. Governments and regulators are responding by removing the subsidies and incentives that green energy sources required in their early years to attract investment, and without that backing, they're exposed to power-market price risks.

"The reason for very high interest from their side is it's a rather low-risk investment," said Chief Executive Officer Magnus Hall. "If you go for a merchant-based risk picture you would have to look at different investors. I don't think they would be the traditional pension funds because they have very clear regulation around them not to take too big risk."

So-called merchant risk is when electricity is sold on the wholesale power market rather than at a fixed price. Renewables have to date had long-term contracts that freeze a price, either paid by a government or by a large company for energy-intensive operations such as a data center.

This is starting to change as clean energy technologies like solar panels and wind turbines get cheaper. In April, developers in Germany placed bids for the first subsidy-free offshore wind farms. Hall is skeptical about whether they will actually get built.

"It's important to note that there are operators and developers who have been bidding zero bids and they have won, but we haven't seen any final investment decisions and they are not due for a quite

long time,” he said. “That’s important for politicians to note.”

Hall expects that renewables will require long-term fixed prices going forward, but that they may not have to be inked by governments.

“As a developer you can seek to make long term contracts with a buyer of electricity and you can use that as part of your basis for investment,” he said. “But the question is if we can have these fixed price contracts big enough to make the whole change that we want to make” in the energy system.

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## **Electric Scooter Taxes to Drop as Taiwan Boosts Green Vehicles**

*Posted September 29, 2017, 01:41 P.M. ET*

By *Yu-Tzu Chiu*

Electric scooter owners in Taiwan could see a tax break as the country aims to boost clean transportation and its domestic electric vehicle industry by extending licensing incentives through 2021.

Only 929 car buyers have taken advantage of the existing automobiles license tax waiver for electric cars, and Taiwan hopes dropping the fees for electric scooters will encourage more buyers to consider eco-friendly vehicles. The proposal Taiwan approved Sept. 28, which still must be approved by the legislature, would extend the existing waiver on the license tax for electric vehicles through the end of 2021. The tax break was set to expire Jan. 5, 2018.

Currently, the vehicle license tax rate in Taiwan for electric scooters under 12 horsepower is zero; electric scooters with 45 horsepower or more pay a vehicle license tax of 1,620 Taiwanese dollar (\$53) annually.

Deputy Finance Minister Tzu-hsin Wu said at a news conference that revising tax codes is one of the government’s strategies to encourage the development of domestic electric vehicle industries. As European countries such as Norway consider banning gasoline and diesel cars, Wu said it’s important for Taiwan to catch up.

Taiwan projects that the extended tax breaks eventually will put 5,795 electric cars on the road by 2021 and more than double the number of electric scooters to 171,000. The extended tax incentives would help the government gain an additional 800 million Taiwan dollars in revenue, Wu said.

During a recent meeting discussing the tax exemption proposal, Premier Lai Ching-te said the incentives are designed to both encourage green consumption and help boost the development of domestic electric vehicle industries, according to Kuo-yung Hsu, a spokesman for the Taiwan Cabinet.

### **Industry Hopes for Boost**

Taiwan’s automakers praised the tax incentives but suggested cash rebates, such as those used in the U.S., could encourage even more buyers to consider an electric vehicle. In Taiwan, cash incentives are offered to buyers of electric scooters as one of the government’s pollution control measures. Taiwan wants to ban smoky two-stroke scooters by 2020.

Wen-yi Lo, a spokesman for Taiwan-based Yulon Motor Co Ltd., said the company has invested more than 3 billion Taiwanese dollars (\$99 million) in the past decade to develop electric cars. Taiwan's electric vehicle charging network has expanded with the support of government policies, and by late 2017 three kinds of electric cars produced by Yulon will be available in Taiwan, he said.

Yen-yang Chen, marketing manager of Gogoro, a Taiwan-based company selling electric scooters, said it's encouraging that the electric vehicle license tax exemption would expand to electric scooters.

"More buyers will choose electric scooters because supportive policies have been seen here," Chen told Bloomberg BNA.

Gogoro started selling its electric scooters in Taiwan in 2015. By 2016, Gogoro's sales comprised two-thirds of the total 20,000 electric scooters sold in Taiwan, according to government statistics.

Foreign electric automakers also see opportunities in Taiwan. In late January, U.S.-based Tesla Motors delivered its first batch of products to Taiwanese customers and opened its first supercharging station in Taipei.

Local media reported that, after the end of the waiver in 2021, drivers of a Tesla model with 700 horsepower will have to pay an annual license tax of 117,000 Taiwanese dollar (\$3,900), about four times that on some nonelectric super cars.

Tesla Taiwan declined to comment on the Cabinet's tax revision proposal.

## **PODCAST: Houston Faces Long-term Damage After Hurricane Harvey**

*Posted September 29, 2017, 9:35 A.M. ET*

By [David Schultz](#)

In some ways, things are returning to normal in Houston after Hurricane Harvey. Schools have reopened, the power is back on, and the flood water has, for the most part, receded.

But in other, very important, ways, things will never be back to normal there.

For the latest episode of our environmental policy podcast, [Parts Per Billion](#), we speak with Bloomberg BNA Houston correspondent [Nushin Hug](#), a lifelong resident of the city, about how the cleanup is going a month after the storm. We also talk with her about some of the long-term environmental problems that may trouble Houston for years to come.

Listen to the podcast [here](#).

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