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From: Bloomberg BNA
Sent: Thur 9/7/2017 8:15:03 PM
Subject: Sep. 7 -- Energy and Climate Report - Afternoon Briefing



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.

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.

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.

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.

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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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.

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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Energy and Climate Report