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## **Energy and Climate Report**

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

The following news provides a snapshot of what Bloomberg BNA is working on today. Read the full version of all the stories in the final issue, published each night.

#### **Greenhouse Gas Reporting Budget Slashed in Trump Proposal**

*Posted May 23, 2017, 03:29 P.M. ET*

*By Dean Scott and Andrew Childers*

An EPA program to track greenhouse gas emissions nationally faces an 85 percent budget cut as President Donald Trump looks to slash the agency's funding and sideline climate change efforts.

Trump and Environmental Protection Agency Administrator Scott Pruitt have vowed to downplay the agency's climate change work, instead focusing on priorities such as cleaning up Superfund sites.

The EPA in the fiscal year 2018 budget proposal released May 23 faces \$336 million in cuts to its climate work compared to estimated funding levels for 2017. The Office of Management and Budget compared its fiscal 2018 proposal to estimated funding based on the continuing resolution for 2017 rather than the recently passed omnibus funding levels for that year. International climate programs are also on the chopping block as Trump follows through on a pledge to end funding for international climate aid.

The \$336 million in cuts to the EPA's air pollution and climate work include:

- \$161 million reduction—a 34 percent cut from 2017 levels—to environmental programs and management,
- \$114 million less for science and technology programs, a 46 percent reduction, and
- \$60 million in cuts to aid to states and tribes—a nearly 18 percent cut from 2017 levels.

Within the environmental programs funding, the EPA's greenhouse gas reporting program is slated to receive only \$13.6 million, down from an estimated \$95.3 million in 2017. The estimated savings would come from eliminating a variety of voluntary programs such as Energy Star, voluntary methane reduction efforts for the oil and gas sector, and the Green Power Partnership, which encourages the use of renewable energy.

Reducing those programs is part of what the Trump administration calls its "commitment to return EPA to its core work."

The greenhouse gas reporting program collects annual emissions data from nearly 8,000 industrial facilities across 41 sectors of the economy.

### **International Climate Aid Eliminated**

Trump's fiscal year 2018 budget plan also maintains his pledge to zero out billions in international climate aid.

The proposal would eliminate a total of \$1.59 billion for the United Nations Green Climate Fund, the Global Climate Change Initiative, and other international climate programs.

Zeroing out the Green Climate Fund would mean the U.S. would fall well short of the amount President Barack Obama pledged in 2014 toward the fund—\$3 billion over four years—which helps developing nations adapt to climate impacts and pursue low-carbon development. Obama used the Global Climate Change Initiative to make sure climate issues were being addressed in assistance funneled through multiple foreign assistance agencies.

### **Hanford Nuclear Cleanup Budget Slashed in Energy Proposal**

*Posted May 23, 2017, 04:08 P.M. ET*

*By [Chuck McCutcheon](#)*

Washington state's Hanford Nuclear Reservation, scene of a recent collapse of a tunnel containing nuclear waste, would see its funding slashed under President Donald Trump's new budget proposal.

The May 23 release of the fiscal year 2018 budget for the Department of Energy, which follows Trump's earlier "skinny budget," drew praise from conservative Republicans for being fiscally responsible and criticism from those who want more funding for energy research and development and other programs. Given that many of the department's programs are located in numerous areas of the country and enjoy bipartisan support, Congress is expected to restore many of the proposed cuts.

The Energy Department would sustain an overall 5.4 percent cut, or \$1.7 billion—minor compared to most other Cabinet agencies—from the estimated funding levels Congress provided in fiscal 2017, according to White House Office of Management and Budget documents. The agency's clean energy programs would bear the brunt of the cuts, with new funds funneled into the arm of the agency dealing with developing and safeguarding nuclear weapons.

"This budget delivers on the promise to reprioritize spending in order to carry out DOE's core functions effectively and efficiently while also being fiscally responsible and respectful to the American taxpayer," Energy Secretary Rick Perry said in a statement.

But Ernest Moniz, Perry's predecessor under former President Barack Obama, called the budget proposal "a retreat of American leadership on energy innovation, environmental protection and energy security."

Trump's budget blueprint calls for reducing cleanup at Hanford from \$921 million to \$716 million, a 22 percent reduction. That comes as the budget proposes to boost overall departmental defense-related environmental cleanup of materials from \$5.28 billion to \$5.54 billion.

## **Hanford Cleanup Needed**

Washington state's congressional delegation, including Democratic Sens. Patty Murray and Maria Cantwell, long have pressed various administrations to commit to cleaning up Hanford. The site in eastern Washington has millions of gallons of highly radioactive wastes stored in 177 aging underground tanks, some of which have leaked.

"Previous administrations and Congress have repeatedly supported the legal and moral obligation of the federal government to clean up the Hanford site, and we urge you to continue this important work to protect health and safety," the two senators and Rep. Dan Newhouse (R-Wash.) said in a May 19 [letter](#) to Perry.

The Hanford tunnel, containing radioactive wastes that were byproducts of producing plutonium for nuclear weapons, partially collapsed on May 9, prompting nearby workers to evacuate. A worker's clothing also was exposed to radioactive contamination in what Washington Gov. Jay Inslee (D) [called](#) an "alarming incident."

Trump's budget also calls for steep cuts to numerous other Energy programs:

- Basic energy sciences, which supports research to advance new energy technologies, would see a proposed cut from \$1.84 billion to \$1.55 billion.
- Biological and environmental research, which studies biological, earth and environmental systems for energy and infrastructure resilience and sustainability, would see a proposed cut from \$608 million to \$349 million.
- Energy efficiency and renewable energy programs would receive a proposed \$636 million, a decline of \$1.4 billion. Subprograms dealing with weatherization of homes and state energy are proposed for elimination "to reduce federal intervention in state-level energy policy and implementation," according to the department.
- Sustainable transportation programs, which conduct early-stage research and development on vehicle technologies, fuel cells and other energy innovations, would see a proposed cut from \$659 million to \$336 million. Within that, solar energy would be cut from \$324 million to \$134 million; wind energy from \$145 million to \$66 million; water power from \$97 million to \$44 million. Geothermal technologies would be sliced in half to \$38 million.
- Fossil energy research, which supports research into coal, oil and other energy types that Trump has emphasized, would see a proposed cut from \$631 million to \$280 million. The budget seeks to consolidate the work for the National Energy Technology Laboratory, which does work in several states, into a single operational site.
- Cybersecurity for energy-delivery systems, which supports research on cutting-edge solutions to defend against cyber attacks, would see a proposed cut from \$62 million to \$42 million. The proposed budget adds \$43 million for cybersecurity within the defense environmental cleanup program.

## **ARPA-E Cut Maintained**

The proposed budget maintains the administration's earlier call for cutting the Advanced Projects Research Agency-Energy (ARPA-E) office, which invests in early-stage, high-risk energy technologies that have potential to transform the nation's energy system.

In addition, it maintains the "skinny budget" promise to eliminate the Advanced Technology Vehicles Manufacturing Loan Program, which provides loans to automakers to help produce advanced-

technology vehicles. The program's loan office will wind down operations in fiscal 2018 with the expectation it will shut down the following fiscal year, according to an Office of Management and Budget document.

Similarly, it continues the call for eliminating the Title 17 Innovative Technology Loan Guarantee Program, which funds high-risk technology that aims to avoid, reduce or sequester air pollutants or greenhouse gases.

Trump's blueprint also underscores the administration's interest in reconsidering waste storage at Nevada's Yucca Mountain site despite widespread objections from Nevada lawmakers. It proposes restarting the Nuclear Waste Fund Fee in 2020, an indication the administration is planning to have a permanent storage site for high-level spent fuel from commercial nuclear power plants up and running by that time. The budget also separately includes a \$30 million request for the Nuclear Regulatory Commission to restart work on the site northeast of Las Vegas, which the Obama administration had mothballed.

Perry, in recent visits to several of the department's national laboratories, has pledged to support much of their work. The proposed budget includes a boost from \$620 million to \$722 million for the Advanced Scientific Computing Research program, which supports research in applied mathematics and computer science at such labs as Oak Ridge in Tennessee, Argonne in Illinois and Lawrence Berkeley in California.

## **Two Energy Professionals Chosen for Nuclear Commission**

*Posted May 22, 2017, 09:17 P.M. ET*

*By [Rebecca Kern](#)*

A former utility commission chairman and a Senate energy staffer were named by the Trump administration to fill two vacant Republican seats on the Nuclear Regulatory Commission.

David Wright, a former South Carolina Public Service Commission chairman, and Annie Caputo, a senior policy adviser for the Senate Environment and Public Works Committee, will be nominated to serve terms as Republican commissioners on the nuclear regulatory body, the administration announced May 22.

The administration also said it plans to renominate Kristine Svinicki, the current chairman, to serve another five-year term as chairman. Svinicki's current term was set to expire July 1.

The NRC has been down to three commissioners—Svinicki, a Republican; Stephen Burns, an independent; and a former chairman, Jeff Baran, a Democrat. If the nominees are confirmed, the agency would return to a full five-person panel.

Wright has been the owner of Wright Directions LLC, a strategic consulting and communications business based in South Carolina, since 2013. He served on the South Carolina Public Service Commission from March 2004 to June 2013.

From 2011-2012, he was president of National Association of Regulatory Utility Commissioners, which represents state public service commissioners. He also was national chairman of the Nuclear Waste Strategy Coalition from 2006 to 2013, a group of state utility regulators, local governments, and tribes on nuclear waste policy issues. He has a political science degree from Clemson University.

Marc Spitzer, a former commissioner at the Federal Energy Regulatory Commission from 2006-2011 and currently a partner at Steptoe & Johnson LLC, told Bloomberg BNA he worked with Wright on a jurisdictional issues between FERC and the South Carolina commission.

Two of the four nuclear reactors being built in the U.S. are being built by SCANA Corp. in South Carolina, which likely factored into the administration's choice to nominate Wright.

### **Caputo's Bipartisan Reach**

Caputo has more than a decade of experience working as a staffer on both Senate and House energy committees. She has worked as a policy adviser on the Senate Environment and Public Works Committee since January 2015, and was a staffer from 2007-2012, specializing in nuclear energy issues. From 2012 to 2015 she worked as a staffer on the House Energy and Commerce Committee.

She was a congressional affairs manager at Exelon Corp. from 1998 to 2005. Caputo has a chemical engineering degree from Michigan Technological University and a degree in nuclear engineering from the University of Wisconsin-Madison.

"On the Hill, both Democrats and Republicans see her as a leading expert on NRC issues," Ryan Fitzpatrick, deputy director of the Clean Energy Program at Third Way, a group that advocates for clean energy and nuclear energy, told Bloomberg BNA.

Fitzpatrick said he worked with Caputo on the Nuclear Energy Information and Modernization Act (S. 512), which the Environment and Public Works Committee reported out favorably in March. The bill directs the NRC to create a regulatory framework for advanced nuclear reactor technologies, which aren't cooled by water as existing nuclear reactors are.

### **Trump Proposes Selling Off Half the U.S. Strategic Oil Reserve**

*Posted May 23, 2017, 8:19 A.M. ET*

*By [Catherine Traywick](#) and [Jennifer A. Dlouhy](#)*

The White House plan to trim the national debt includes selling off half of the nation's emergency oil stockpile, part of a broad series of changes proposed by President Donald Trump to the federal government's role in energy markets.

Trump's first complete budget proposal, released in part May 22, would raise \$500 million in fiscal year 2018 by draining the Strategic Petroleum Reserve, and as much \$16.6 billion in oil sales over the next decade.

The proposal also seeks to boost government revenues by allowing oil drilling in the Alaska National Wildlife Refuge, ending the practice of sharing oil royalties with states along the Gulf of Mexico and selling off electricity transmission lines in the West. Like much of the budget, those moves are likely to face opposition in Congress.

Presidential budget proposals typically undergo significant changes in Congress, but provide insight into White House priorities.

The Strategic Petroleum Reserve currently holds 687.7 million barrels of oil in salt caverns and tanks at designated locations in Texas and Louisiana. That allows for quick distribution when natural disasters or unplanned accidents occur, according to the Energy Department website.

Measures passed in 2015 and 2016 call for the sale of nearly 190 million barrels of oil from the reserve between 2017 and 2025, to raise money for unrelated government programs. Those sales would cut the reserve by about 27 percent. Slashing the stockpile by half would require further sales, and would risk breaching the legally required inventory threshold. The reserve must contain a minimum of 450 million barrels.

The budget summary document doesn't indicate the scope or timing of potential oil reserve sales, or whether a \$2 billion program to modernize the stockpile's infrastructure would be affected.

### **Oil, Gas Proposals**

Trump is also seeking to raise money with two other proposed changes—one that would be cheered by the oil industry and another that would draw its ire.

For instance, he projects raising \$1.8 billion over the next decade by opening up the 19-million-acre Arctic National Wildlife Refuge to oil and gas development. The idea of allowing drilling in the refuge for its estimated 12 billion barrels of crude has long been championed by Alaska Republicans, including Sen. Lisa Murkowski, who heads the appropriations subcommittee in charge of Interior spending.

But it's anathema to environmentalists, who have successfully blocked ANWR drilling plans from advancing on Capitol Hill by stoking concerns about threats to the polar bears, caribou, wolves and other animals that live in the territory.

Trump's budget request suggests ANWR leasing could begin to pay off in fiscal 2022, with \$100 billion in projected revenue that year. In addition to environmentalists' opposition, it's unclear how much appetite energy companies would have for the reserve. Monster discoveries there could yield decades of oil production, but the cost of operations in northern Alaska could discourage the activity amid modest crude prices and the domestic shale boom.

### **Offshore Royalties**

Trump's budget request also revives an Obama-era proposal to cut the payments Gulf Coast states collect from offshore drilling near their coastlines, a change that would translate to an extra \$3.56 billion in federal revenue over the next decade. Under a 2006 law, four Gulf states—Alabama, Louisiana, Mississippi and Texas—now claim 37.5 percent of the royalties that oil and gas companies send the federal government in exchange for drilling rights and production on some Gulf of Mexico leases.

Trump's move echoes Obama's attempt to divert some of those royalty payments. And his bid to quash state revenue sharing is likely to meet the same fierce resistance that Obama's plans did. Just as they did under Obama, Gulf Coast lawmakers also will vigorously fight to defend those payments, which help support restoration programs.

The budget also proposes restarting the Nuclear Waste Fund Fee in 2020, a sign that the administration is planning to have a permanent storage site for that waste up and running by that time—presumably at a site in Nevada known as Yucca Mountain. That fee would raise nearly \$3.1 billion over 10 years, it estimates.

The White House foresees \$2.4 billion in additional revenue in 2019 from the sale of federally-owned transmission lines in the West. Those power lines mostly carry electricity from government-owned dams to metro areas.

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## **Trillions on Yearly Infrastructure Spending Would Help Climate Goals: OECD**

*Posted May 23, 2017, 03:45 P.M. ET*

*By Rick Mitchell*

The world's biggest economies have to spend about \$6.9 trillion a year on "smart" infrastructure through 2030 to be on track to keep global warming to safe levels, a new OECD report said.

Because most major economies have skimped on infrastructure since the 2008 financial crisis, an average \$6.3 trillion of yearly investment is required in the next 14 years just to meet development needs globally. And for an extra \$600 billion, the \$6.9 trillion in total annual outlays could buy infrastructure that is "modern, smart and clean infrastructure" and not "carbon-intensive," according to the report the Organization for Economic Cooperation and Development released May 23.

Because smart infrastructure is more energy-efficient, it would cut fossil fuel spending by \$1.7 trillion annually, more than offsetting the extra cost, the OECD said.

Low-emissions infrastructure investment figures at the heart of the report's recommendations for policy makers to combine strong fiscal and structural reform with coherent climate measures, rather than treat climate as a separate issue. Such an approach would significantly reduce climate change risks, while also providing near-term economic, employment and health benefits, it said.

The 314-page report forecasts "a climate-compatible policy package" that could increase economic output by up to an average 2.8 percent across the Group of 20 countries by midcentury, and that gain rises to almost 5 percent compared with a business-as-usual scenario, if positive impacts of avoiding climate damage are taken into account.

### **Today's Investment, Tomorrow's Goals**

The Paris-based economic policy body released the report at the eighth annual Petersberg Climate Dialogue, which Germany hosted in Berlin as part of its presidency of the G-20 countries, which account for about 85 percent of global economic output and about 80 percent of carbon dioxide emissions.

Infrastructure investments made to 2030 will determine whether the 2015 Paris Agreement's goal to hold global warming to 2 degrees Celsius in this century, compared with pre-industrial levels, can be achieved, the report said. Smart infrastructure includes renewable energy generation and storage, electric vehicles, advanced building insulation techniques and negative emissions technologies, and restoring degraded grasslands, among others.

Public and private financing are crucial to infrastructure investment, the OECD said in the report. Today's low-interest rates give many countries "fiscal space" to borrow, while others can optimize their tax-and-spending mix to pay for projects. Meanwhile, well-aligned climate, fiscal, and

investment policies will spur increased private investment.

The OECD said the “financial system” has to do more to correctly value and incorporate climate-related risks for infrastructure investments. And development banks and finance institutions should boost available resources, while helping to develop “green finance” in partner countries.

The organization’s 35 member countries, which are mainly wealthy economies, include Group of 20 members Australia, Canada, France, Germany, Italy, Japan, Mexico, South Korea, Turkey, the U.K. and the U.S. Argentina, Brazil, China, India, Indonesia, Russia, Saudi Arabia, and South Africa are G-20 members but not in the OECD. The European Union also is a G-20 member.

### **Merkel to Confront Climate-Change ‘Doubters’ Among G-20 Peers**

*Posted May 23, 2017, 10:07 A.M. ET*

*By [Brian Parkin](#)*

German Chancellor Angela Merkel said she won’t give up trying to persuade doubters among her global peers that climate change is real, signaling her message for a Group of Seven summit starting May 26.

Merkel called on countries to uphold the Paris Agreement to combat climate change and limit the rise of global temperatures, which was brokered by nearly 200 nations in 2015 and entered into force in November. U.S. President Donald Trump, who has called global warming a hoax, may be on the verge of saying whether he’ll stick to the pact.

“Today, we need to capture the same spirit that marked the completion of the climate pact in Paris, in terms of implementation in Europe, among G-7 and G-20 countries, and the United Nations,” Merkel said May 23 in a speech to a conference in Berlin. “I am trying to persuade the doubters.”

Merkel, a former environment minister, has consistently championed the Paris agreement, which pledged emerging countries such as China to combat global warming for the first time. The potentially divisive topic is likely to be on the agenda as well when Merkel hosts fellow Group of 20 leaders for a summit in Hamburg in July.

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### **Toyota, Nissan, Honda to Lead Japan’s Hydrogen Station Coalition**

*Posted May 23, 2017, 12:10 P.M. ET*

*By [Toshio Aritake](#)*

Eleven leading Japanese companies including Toyota, Nissan and Honda said they will collaborate to build more hydrogen stations to accommodate fuel cell motor vehicles in Japan.

While the government has a target of 160 hydrogen stations serving 40,000 fuel cell vehicles by 2020, just 90 hydrogen stations are currently in operation—and slightly more than 1,000 fuel cell vehicles on Japanese roads, according to government statistics and the Japan Automobile Manufacturers Association.

The companies are Toyota Motor Corp. , Nissan Motor Co., Honda Motor Co., JXTG Nippon Oil & Energy Corp., Idemitsu Kosan Co. Ltd., Iwatani Corp., Tokyo Gas Co., Toho Gas Co. Ltd., Air Liquide Japan Ltd., Toyota Tsusho Corp., and the Development Bank of Japan Inc., they said in a May 19 announcement.

The cost of building a hydrogen filling station is more than twice the cost of building a gas station, the Japan Automobile Manufacturers Association said.

### **Clean Car Rules Lead to Jobs From Technology, Equipment**

*Posted May 23, 2017, 02:22 P.M. ET*

By [Ryan Beene](#)

More than a quarter million U.S. jobs are tied to the use of technology and production of materials used to improve vehicle fuel economy, according to a report released May 23 by environmental groups.

The report by the Natural Resources Defense Council and the BlueGreen Alliance seeks to draw attention to jobs supported by auto efficiency regulations under review by the Trump administration. That review was initiated by President Donald Trump in March and directs the Environmental Protection Agency to decide by next April whether to change greenhouse gas standards for 2022-2025 that require annual increases in vehicle efficiency.

The report found that about 1,200 U.S. factories and engineering centers in 48 states produce components such as advanced transmissions or electric motors, or advanced materials such as carbon fiber or aluminum used in vehicles. Those locations employ some 288,000 workers, more than double the number recorded in a 2011 version of the report, the groups said.

“There has been a huge amount of clean vehicle innovation over the last five years,” said Luke Tonachel, director of the clean vehicles and fuels project at the Natural Resources Defense Council, a New York-based environmental group. “Clean vehicle innovations are key to both protecting the environment while also keeping the the U.S. manufacturers in a globally competitive position on technology.”

Current U.S. auto efficiency rules aim to boost average new vehicle fuel economy to more than 50 miles per gallon by 2025. An automaker-funded study released in March found that the standards would lead to higher vehicle prices and reduce auto-sector employment in the short term. The U.S. could see a net gain of about 150,000 jobs by 2031 as fuel savings at the pump outweigh higher vehicle costs, one of the report’s authors said at the time.

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### **Renewable Energy Powers Jobs for Almost 10 Million People**

*Posted May 23, 2017, 04:12 P.M. ET*

By [Mahmoud Habboush](#)

Renewable energy employed 9.8 million people last year, up 1.1 percent from 2015, led by solar photovoltaic at 3.09 million jobs, according to the International Renewable Energy Agency’s annual

report on the industry.

Growth has slowed in the past two years while solar photovoltaic and wind categories more than doubled their number of jobs since 2012, the first year assessed, Irena said in the report.

Global renewables employment has climbed every year since 2012, with solar photovoltaic becoming the largest segment by total jobs in 2016, according to the report..

Solar photovoltaic employed 3.09 million people, followed by liquid biofuels at 1.7 million. The wind industry had 1.2 million employees, a 7 percent increase from 2015.

Employment in renewables, excluding large hydro power, increased 2.8 percent last year to 8.3 million people, with China, Brazil, the U.S., India, Japan and Germany the leading job markets. Asian countries accounted for 62 percent of total jobs in 2016 compared with 50 percent in 2013.

Renewables jobs could total 24 million in 2030, as more countries take steps to combat climate change, the agency said in the report.

—With assistance from Jessica Shankleman.

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