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Daily Environment Report

Afternoon Briefing - Your Preview of Today's News

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Clean Power Plan's Legal Fight Continues Amid Repeal Efforts

Posted October 11, 2017, 12:13 P.M. ET

By Abby Smith

The EPA's proposal to ax the Obama administration's plan to cut carbon emissions from the power sector hasn't silenced the legal back-and-forth over the regulation's merits.

The litigation over the Clean Power Plan has been on ice for months, but supporters and foes of the climate rule are disputing how the U.S. Court of Appeals for the District of Columbia Circuit should proceed with the case. The full court heard oral arguments in the case in September 2016.

The Environmental Protection Agency, in an Oct. 10 status report required by the court, cited its newly signed proposal to repeal the Clean Power Plan, arguing the court should continue to keep the case on hold until the agency's repeal of the regulation is final. The report also noted the EPA is considering "the scope of any potential replacement rule" to cover carbon emissions from existing power plants.

Conservative foes of the Obama regulation say they expect the EPA will ask the court to dismiss the case after it finalizes the repeal.

"I think it would be a futile gesture for the court to adjudicate the regulation that's both stayed [by the Supreme Court] and slated to be repealed," Sam Kazman, general counsel for the Competitive Enterprise Institute, told Bloomberg BNA. "I don't see what that gets anyone except billable hours."

But environmental groups and other supporters of the Clean Power Plan say now, more than ever, is the time for the D.C. Circuit to weigh in on the legality of the regulation.

"As of now, the Clean Power Plan is still on the books," Andres Restrepo, an attorney with the Sierra Club, told Bloomberg BNA.

He said many of the issues litigated in this case will come up in the forthcoming legal fight over the repeal and any potential replacement that the agency offers. The Sierra Club has received funding from Bloomberg Philanthropies, the charitable organization founded by Michael Bloomberg, founder of Bloomberg L.P., the global business, financial information and news leader. Bloomberg BNA is an affiliate of Bloomberg L.P.

“It makes sense for the court to go forward with a decision on the merits of the Clean Power Plan,” he said. “It will save resources in the long run, clarify” the legal bounds of the EPA’s authority under the air act, and “form the basis of the EPA’s current action.”

Wind and Solar’s Future Depends on Taxes, Not Clean Power Plan

Posted October 11, 2017, 8:30 A.M. ET

By Joe Ryan, Brian Eckhouse and Ari Natter

The Trump administration’s decision to end the Clean Power Plan may be deeply symbolic, but the battle that matters most for renewable energy will be over taxes.

Wind and solar have been the fastest growing sources of electricity in the U.S. since 2014 as utilities closed a record number of aging coal-fired generators. That’s largely because it’s become cheaper to build renewable plants than keep coal plants open.

Clean-energy’s fiscal advantage stems in part from two tax credits that Congress extended in 2015. Both measures are scheduled to be phased out in the 2020s, but Environmental Protection Agency administrator Scott Pruitt on Monday called for them to be eliminated. That could upend wind and solar’s edge.

“Without tax credits, those economics no longer work,” said Amy Grace, an analyst at Bloomberg New Energy Finance.

Unlike the Clean Power Plan, tax credits cannot be unilaterally scuttled by the White House. But with Republican Congressional leaders pushing to rewrite the tax code, opponents of the wind and solar tax credits, including those in the Trump Administration, are jockeying to torpedo the measures.

“I would do away with these incentives,” Pruitt said, responding to a question about the effectiveness of renewable energy at an event in the heart of Kentucky coal country. “I’d let them stand on their own and compete against coal and natural gas and other sources.“

Not Easy

It won’t be easy to kill the measures, know formally as the Production Tax Credit and Investment Tax Credit. They have broad support from both Democrats and Republicans from rural districts where wind and solar have become a key source of jobs. Plus, the overall prospects for reforming the tax code remain murky amidst congressional gridlock and Republican infighting.

After Pruitt called for ending the credits for wind and solar, Iowa Republican Senator Chuck Grassley said on Twitter that he would “remind” the EPA chief that the credit for wind farms “will stay on books until 2020, like Congress planned.”

Carlos Curbelo, a Republican Congressman from Florida, went further, invoking Jeopardy! game show Alex Trebek as he opined on the odds of a successful repeal of the tax credits.

"Alex, I'll take 'things that are not happening for $800,"' Curbelo wrote on Twitter.

Cheap Enough

Trump's move to kill the Clean Power Plan has not dimmed investor enthusiasm for clean energy. Since the president signed the order to roll back the emissions-curbing rule, almost $30 billion has been spent on solar and wind projects.

In the third quarter alone, clean energy spending in the U.S. hit the highest level in two years, totaling $14.8 billion, data compiled by Bloomberg New Energy Finance show. Renewables are now cheap enough to thrive without subsidies in some parts of the world, including Brazil and Mexico. The difference is demand for electricity is growing in those regions while it has stagnated in much of the U.S.

—With assistance from Christopher Martin.

Killing Obama's Power Plan Hasn't Stopped the Renewable Boom Yet

Posted October 11, 2017, 8:17 A.M. ET

By Mark Chediak

For a look at what the death of the Clean Power Plan means for renewable energy, consider this: Since President Donald Trump signed the order to roll back the emissions-curbing rule, almost $30 billion has been spent on solar and wind projects.

In the third quarter alone, clean energy spending in the U.S. hit the highest level in two years, totaling $14.8 billion, data compiled by Bloomberg New Energy Finance show.

The investments in solar and wind are a testament to the seemingly unstoppable boom in renewables that has been driven more by economics and state environmental policies than federal regulations. So far this year, U.S. utility giants including Warren Buffett's Berkshire Hathaway Inc., American Electric Power Co. and Xcel Energy Inc. have laid out plans to collectively spend billions on wind farms that'll replace aging coal-plants.

"The Clean Power Plan doesn't make a jot of difference," said Amy Grace, an analyst at Bloomberg New Energy Finance. "Utilities are installing wind and solar because it is cheaper than running existing plants, and corporations are procuring wind and solar because it's economic to do so."

To be sure, energy companies are investing in clean power while they still can. Tax credits make building wind and solar farms cheaper than running existing coal and natural gas-fired power plants, Grace said. Some of these breaks, extended through bipartisan legislation in 2015, start rolling off this year, Grace said.

—With assistance from Jennifer A. Dlouhy.

High Court Mulls Right Place for Water Rule Review

Posted October 11, 2017, 12:03 P.M. ET

By Amena H. Saiyid

U.S. Supreme Court justices pressed the government on why it insists that a federal appeals court should hear challenges to a regulation that defines what waters receive federal protection.

The issue piqued the conservative and liberal members of the court, who sought to understand the government's position and congressional intent behind the Clean Water Act. The water law limits federal appeals court reviews to specific Environmental Protection Agency actions, such as standards for industrial wastewater discharges.

"Why did they bother?" Justice Stephen Breyer asked Rachel Kovner, assistant to the U.S. Solicitor General, who argued the case.

Kovner told the justices that since the law requires federal appeals courts to review EPA-mandated water pollution permits, those same courts should have jurisdiction over the underlying regulation—the 2015 waters of the U.S. rule—that defines which waters receive those protections.

The Obama-era water jurisdiction rule is in the process of being rescinded and perhaps replaced by the Trump administration. The Supreme Court's decision could determine where challenges to the expected replacement regulation are heard. The federal government wants litigation over the water jurisdiction rule argued in the appeals court, in part to save money, time, and effort. However, most industry groups and some environmental groups prefer the district courts, where they have more time to file challenges and can introduce localized arguments.

EPA Seeks 'Single Best Way' to Work With States

Posted October 11, 2017, 9:02 A.M. ET

By Abby Smith

The EPA will review its oversight responsibilities to find the "single best way" to monitor state actions, part of Administrator Scott Pruitt's promise to "rebalance" the agency's relationship with the states.

The way the Environmental Protection Agency interacts with states "has not been re-evaluated in some time," Henry Darwin, the EPA's chief of operations, told Bloomberg BNA in an interview about the agency's draft four-year strategic plan.

States have "become more sophisticated in the execution of EPA's delegated responsibilities," Darwin said.

The agency will be looking for places to streamline implementation of environmental programs that could involve shifting enforcement and other responsibilities more fully to the states, he said.

Environmental Groups Concerned

Agency and state officials hope such a dialogue could lead to quicker approval of such things as state-crafted implementation plans and environmental permits.

But environmental groups have expressed concern that the agency is looking to pull back on enforcement, suggesting states do not have adequate resources to assume such duties without significant help from the agency.

"If they're going to be handing over some of these authorities to states, if they're not handing over money too, how are the states going to run these programs?" Albert Huang, an attorney with the Natural Resources Defense Council, said.

He also said there are some areas that make more sense to be controlled at the federal level, such as cross-state air pollution or civil rights issues, which is Huang's specialty area.

"When you leave regulations to states, it really depends on that state's view of regulation," he told Bloomberg BNA. "We're going to continue to see states that are behind the ball not get better."

But Darwin said the EPA's review is not to suggest the agency would be "derelict in carrying out our oversight duties. We simply haven't taken a close look" at the EPA-state relationship "in a long time."

Seeking Better Coordination

For regulated companies, the EPA's push could lead to better coordination of requirements and more efficient use of resources, Megan Berge, an attorney with Baker Botts LLP, which represents several utilities, told Bloomberg BNA.

"We've seen in the past instances, where states work hard and engage with industry to develop program plans, only to have them not succeed at the federal level," she said. State regulators often work closely with companies to develop plans to implement federal air quality standards, for example.

If the EPA rejects that plan and instead issues a federal plan for a state, "given the amount of resources and effort that goes into those plans, that can be a tremendous waste," Berge said.

States 'Primary Implementers'

"States are the primary implementers of the majority of environmental programs," Todd Parfitt, Wyoming's top environment official and the president of the Environmental Council of the States, told Bloomberg BNA.

He said oversight by the EPA should focus on "non-discretionary" areas, where the agency is designated by statute as the primary enforcer. And for those areas that are discretionary, the EPA should provide "that flexibility to the states to be the lead agency and make the decisions on how best to implement in their particular state."

Cooperative federalism is one of the three key tenets of the EPA's draft fiscal year 2018-2022 strategic plan, a document produced by the agency every four years that outlines its overarching priorities. Darwin, who served as Arizona's top environment official from 2011-2015, said the EPA hopes to retool its relationship with the states in collaboration with groups like the Environmental Council of States.

He said discussions already have begun among political and career staff at the agency, particularly with the regional offices, to get a better idea of how oversight responsibilities are performed "in an effort to kind of find the single best way to oversee" state actions.

Deeper Conversations

Alexandra Dunn, Environmental Council of States executive director and general counsel, told Bloomberg BNA it is too early in the process to know the states' role in the EPA's review. But she said there will be an opportunity with the new administration "to have conversations go a bit more deeply into oversight of delegated programs and workload sharing."

States made progress during the Obama administration to improve collaboration between the EPA and states in such processes as management of solid waste, Dunn said. But the federal and state agencies still could more effectively divide the workload in other areas, she said.

One step the EPA can take is to allow the states to take the lead on implementation of air quality standards and other environmental protections, Clinton Woods, director of the Association of Air Pollution Control Agencies, told Bloomberg BNA. That means the agency would impose fewer federal implementation plans on states and enable more "timely approvals" of state-crafted plans.

Woods and Dunn also said the EPA's various offices need to deal with state agencies in a more consistent manner. For example, Dunn said some regions have quarterly meetings with their states to review permitting portfolios that allow for "early troubleshooting" on complex permits.

"That is an example of a habit in one region that works well, and perhaps could become intentional across the country," Dunn said.

There also needs to be more robust interaction among state agencies and the EPA's policy, enforcement, research, and other headquarters-based offices, Woods said.

Getting States Involved

David St. Pierre, executive director of the Metropolitan Water Reclamation District of Greater Chicago, told Bloomberg BNA that while he has never had problems working with the EPA, he suggested the EPA could improve integrated planning efforts and provide states greater flexibility when implementing environmental regulations.

But St. Pierre said some flexibility exists already. "It's like any organization. They have tradition. But I've really found that even in those situations, if you come up with an idea that's a better idea, they'll let you try that out."

Woods suggested Pruitt could increase the number of state experts on the EPA's advisory boards. He said his group has supported several such experts who have been nominated to serve on the EPA's Science Advisory Board and its Clean Air Scientific Advisory Committee. Pruitt is in the position to fill several open slots on both advisory panels, and Woods cited comments his group submitted to the agency late last month supporting state experts for those roles.

He said choosing state experts "could be a key element of the overall strategic plan."

More broadly, Dunn and Woods said their groups plan to review the EPA's strategic plan more closely and provide input to the agency.

The EPA is accepting comments until the end of the month, and Darwin said the agency aims to release numeric targets for each of the plan's measures in February.

—With assistance from David Schultz.

NAFTA Negotiators to Tackle Energy Issues During Friday Meeting

Posted October 11, 2017, 02:44 P.M. ET

By Catherine Traywick and Eric Martin

NAFTA negotiators are gathering in Washington for their fourth round of talks to update the trade deal, and energy is on the agenda -- if only for two hours.

U.S., Mexican and Canadian representatives will hold just one energy session late Friday during seven days of talks ranging from gender to the environment. Details haven't been released, but oil and gas companies are pushing for a rule on diluents, a light crude product typically sourced from the U.S. and added to heavy Canadian oil to help it flow through pipelines. Oil companies want a rule that allows up to 40 percent of diluent in cross-border oil shipments, according to a paper by the American Petroleum Institute, the Asociacion Mexicana de Empresas de Hidrocarburos and Canada's Oil and Natural Gas Producers.

The trade groups want to loosen NAFTA rules so that producers can more easily transport oil, gas and infrastructure across both borders. That includes simplifying the process for certifying hydrocarbons' country of origin and allowing companies to move drilling rigs, vessels and personnel across borders.

Rail Safety Targeted in Fuel Transport Study on Shale Boom

Posted October 11, 2017, 02:54 P.M. ET

By Meenal Vamburkar

Routes used to ship crude oil, natural gas, and ethanol by rail need better and more frequent inspections, according to a report by a national science group that also urged added training for local first responders.

From 2005 to 2015, there were 58 rail incidents involving ethanol shipments and 21 involving crude, according to the study by the National Academies of Sciences, Engineering and Medicine, a Washington-based nonprofit research organization. A July 2016 derailment in Oregon spilled about 40,000 gallons of oil, which ignited and led to the evacuation of about 100 people, the report said. The cause appeared to be track failure.

Pipelines and marine shipping remain the safest form of transportation, according to the study, which was initiated in 2015 and released Oct. 11. It was designed to assess whether the U.S. energy boom was putting strain on the transportation industry and sacrificing safety.

Barges have an “exemplary safety record,” even as the total volume of oil they handle has risen, according to the report. That’s the result of a federal revamping of industry safety rules following a series of spills nearly 30 years ago, the group wrote. Now, regulators should determine if improved incident- and traffic-reporting systems can help train safety.

“Preventing derailments of this traffic is imperative,” the report said, particularly since some of the tank cars in use are designed to older specifications. At the same time, emergency preparedness remains a challenge in rural communities, the report said, where local responders may not have sufficient training to deal with accidents.

DTE, Enbridge Gas Line, Energy Transfer Project OK’d by FERC

Posted October 11, 2017, 11:24 A.M. ET

By Catherine Traywick

DTE Energy and Enbridge gained approval from federal regulators to start construction of the $2 billion Nexus natural gas line in the Midwest, with certain exceptions, according to a filing posted today.

However, the Federal Energy Regulatory Commission order bars construction at two locations and at proposed horizontal directional drilling sites pending submission of additional environmental information.

The 257-mile pipeline would be able to transport 1.5 billion cubic feet per day of Appalachian gas to Ohio, Michigan, Illinois, and Ontario.

In a separate order, the energy regulator also cleared Energy Transfer Partners L.P. to resume horizontal directional drilling at four sites along Rover natural gas line.

The approval is a major step forward for a project that’s been mired in protests and investigations since Energy Transfer razed a historic house in Ohio and disclosed massive spills of drilling fluids associated with laying the pipeline. The setbacks have delayed the project’s startup by months, with Energy Transfer saying earlier in August that it won’t bring the system fully into service until January.

The Energy Transfer authorization has no bearing on the agency’s investigation into the spills in Ohio, order says.

The agency previously allowed the company to move forward with its drilling at other sites including Captina Creek.

Clean China Skies Rely on More Ore Mined from Amazon Rainforest

Posted October 11, 2017, 9:16 A.M. ET

By R.T. Watson

A bid by China to clean up pollution in its biggest cities and industrial towns is fueling a push to mine resource riches on the other side of the globe in the Amazon rainforest—one of the most environmentally sensitive areas on Earth.

Smog-laden skies across the world's most-populated country prompted the government to impose curbs on a domestic steel industry that uses coal-fired blast furnaces to melt iron ore. That's led to increased demand for higher-grade ore from overseas that can produce more steel with fewer emissions, and profit margins on those shipments have surged.

Exports by Brazil, one of the biggest suppliers, are headed for a fourth straight record in 2017. Top producer Vale SA is shifting production from low-grade reserves in the southeast that have been mined for a century to develop more high-grade deposits in the isolated northern regions of the Amazon, where environmentalists fear further damage to the world's largest rainforest.

"It's a contradiction," said Frederico Martins, an official at the Brazilian government's Chico Mendes Institute for Biodiversity Conservation who monitored Vale's operations in the Amazon when he was managing the Carajas national forest for a decade. "China wants to clean up 20 years of pollution over there, yet impacting things more here."

The incentive for Brazil to produce more is growing, especially for Vale, which is seeking to reduce $22 billion of debt it ran up during a three-year price slump that ended in 2016.

"Brazilian iron-ore shipments will grow significantly over the next four years," as demand increases for higher-grade supplies, said Paul Robinson, director of non-ferrous metals at CRU Group, a mining-industry consultant based in London.

Brazil currently accounts for about 22 percent of global iron-ore trade, and most of the country's shipments come from Vale, according to Fitch.

Retaining Talent

China is the world's largest metals consumer and by far the biggest importer of iron ore. Only the country's coal-fired electricity generators pollute more than its steel makers, according to Greenpeace. The government is closing the dirtiest plants and increasing commitments to expanded use of solar power and electric vehicles.

Aside from reducing costs associated with pollution, China also wants cleaner cities to retain the talents of its expanding middle class, which is better educated and more mobile, according to Matthew Kahn, a professor of economics at the University of Southern California in Los Angeles. He led a study examining the careers of politicians and mayors in 100 Chinese cities over eight years.

"China's original growth model was to have its own heavy factories in steel and other industries, and this created output and pollution," Kahn said. "But now that China is transitioning to a human capital economy, smart, talented people want to live in cities with blue skies that look like San Francisco."

The risk for Brazil is that it loses more of its rain forest, which Greenpeace estimates has shrunk by about a fifth in the past four decades as farmers moved in to plant soybeans or sugar and miners began digging up minerals.

In the Carajas national forest, where S11D is being developed, Vale says it protects about 8,200 square kilometers of natural habitat, or about five times the total area where it operates. The company has developed technologies and management systems to minimize the impact on the environment, its press department said by email.

Still, satellite images of the region show a dramatic amount of deforestation around locations where mining began in the 1980s. More than 40,000 people worked on developing S11D since 2010, and the company now employs about 2,700 workers full time, plus at least 10,000 indirect jobs.

“Mining attracts a migratory flow,” said Martins at the Chico Mendes Institute for Biodiversity Conservation, adding that the impact on rural areas is significant. “When the flow settles in the region, it does so in an irregular way, and that puts pressure on the forest as land is converted into rural and urban areas.”

—With assistance from Jasmine Ng.

Merkel Faces Coal Insurrection Over Phaseout Date of Fossil Fuel

Posted October 11, 2017, 8:00 A.M. ET

By Brian Parkin

Germany’s power, mining and chemical workers warned Chancellor Angela Merkel against embracing a phaseout date for coal under a new government.

The 640,000 member IGBCE union is preparing to respond if Merkel is persuaded by a “hysterical campaign against coal,” according to Chairman Michael Vassiliadis Oct. 11. Exploratory talks to form a new government are being held between Merkel, the Free Democrats and Green Party, which has called for a firm end to coal power.

Workers are concerned “they will have to pay” for the costs of a new government said Vassiliadis in a speech to union delegates in Hanover. “Let me tell you this: whoever plans a wedding on the backs of others won’t enjoy a honeymoon.”

The union’s threat is a response to the Greens’ election campaign pledge to phase-out coal power in Germany by 2030 and immediately shutter the 20 most-polluting plants. Their suspicions were fueled by Merkel’s campaign promises that Germany would meet its 2020 carbon dioxide reduction targets.

Coal plants push emit about a third of Germany’s total greenhouse gases. The nation risks missing its pledge to cut the output by 40 percent by 2020 compared with 1990 levels and may only accomplish a 31 percent cut. Merkel has vowed to close the gap without saying how.

Her plans may become clearer Oct. 12 when she meets Vassiliadis in Hanover and later holds a speech. Prospective allies from the Greens and the Free Democrats will be in tow for a panel discussion. The Free Democrats campaigned on clamping down on the soaring costs of Germany’s transition to renewable energy and rejected setting a date to phase out coal power.

Some companies and industries say they’re also concerned that weak cost control over wind and solar power could erode competitiveness. Their demands—which include a tapering of clean power subsidies and rejection on enforced closures of coal plants—fall short of revamped U.S. policies that would provide aid for the fossil fuel.

The Trump administration yesterday began the process of repealing former President Barack Obama's plan to cut greenhouse gas emissions from power plants, opening a small window for a revival of coal while prolonging uncertainty over the U.S. electricity mix. The Obama administration "pushed the bounds of their authority" by forcing states to change their power mix, Environmental Protection Agency Administrator Scott Pruitt said.

With union backing, German utilities EON SE, RWE AG, Uniper SE and STEAG GmbH are counting on Merkel to avoid imposing a strict coal phaseout. Europe's biggest power market is dependent on some 140 hard coal and lignite plants, which together supplied about 40 percent of the nation's power last year.

Merkel's decision to wind down nuclear power by 2022 will underscore that dependency, say the power companies and labor unions. Germany's transportation shift to low- and zero-emission vehicles will mean the economy needs even more cheap power, Vassiliadis said.

U.K. to Boost Low-Pollution Energy Supplies as It Limits Bills

Posted October 11, 2017, 02:51 P.M. ET

By Jessica Shankleman

The U.K. government on Oct. 12 will move to boost energy supplies while ratcheting back pollution and limiting upward pressure on customer bills.

The moves will benefit developers of offshore wind farms led by Dong Energy A/S and companies like Tesla Inc., which is seeking to spread cutting-edge technologies from electric cars to home battery systems. It's also aimed at capping the charges that the Big Six utilities including Centrica Plc can charge on some consumers. And it may give a lift to fringe projects like spreading hydrogen as a transport fuel.

Britain's effort is in line with goals set out by the European Union and almost 200 countries agreed to under the Paris Agreement on limiting fossil-fuel emissions causing global warming. It contrasts the measures President Donald Trump's administration took this week to dismantle regulations in the U.S. meant to restrain coal and other polluting fuels. For Prime Minister Theresa May's government, boosting clean-energy is necessary to replace aging power plants due to finish their life in service.

"We've shown beyond doubt that renewable energy projects are an effective way to cut our emissions while creating thousands of good jobs and attracting billions of pounds worth of investment," Energy Minister Richard Harrington said Wednesday.

The Department for Business, Energy and Industrial Strategy will release details of its program in two separate statements. It will issue a clean power plan in the morning setting out policies for reducing emissions in the next decade. That will be followed by draft legislation outlining measures to protect utility customers with a cap on prices.

Government Goals

The government already has committed to slashing greenhouse gases by 80 percent by 2050, compared to 1990 levels. Following are some of the winners and loser from the government's work:

The Big Six utilities—Centrica Plc, SSE Plc, Innogy SE, EON SE,Iberdrola SA and Electricite de France—have the most to lose with the government seeking to impose a price cap on bills they charge to some customers.

Carbon capture and sequestration technologies are seen as vital to reducing emissions as they allow pollution power plants and factories to scrub emissions from their chimneys and bury them deep underground. Yet CCS is still too expensive and complex to be rolled out on a commercial scale globally.

Carbon capture and storage technology may get a boost. It has been stuck without funding since the Treasury scrapped a 1 billion-pound ($1.3 billion funding competition in 2015. Claire Perry, the government's climate minister, said last week CCS systems are "vital" to tackling the issue.

Offshore wind developers such as Dong will be at the forefront of a government auction for power-purchase contracts aimed at stimulating emerging renewables technologies. The government on Wednesday set aside 557 million pounds for the contests, which will happen in 2019.

Nuclear power will get support. After approving the first new atomic plant in more than a generation, the government wants more plants to flourish and replace the ones that are aging out of the system and is seeking to build one of the world's first small modular reactors in the 2020s. Electricite de France SA is working on the Hinkley Point plant in western England, and the government wants more nuclear to ensure steady supplies of electricity in the decades ahead.

Tidal power research projects, like the one in Swansea Bay, may have more certainty about their future. The government is working on a response to an independent review that suggested projects like the one sponsored by Tidal Lagoon Plc would create jobs and ensure power supplies. Perry said last week promoters would have to "be patient" for news on the projects, suggesting a decision may not be in Thursday's plan.

Heat and efficiency projects are likely to benefit. The government wants to stimulate use of electric cars and encourage owners of drafty buildings to invest in insulation.

Clean transport developers such as electric car makers and those promoting hydrogen as a road fuel, like Royal Dutch Shell Plc, may also find incentives in the government's program. After tilting the market toward diesel, the government now is anxious to reduce particulate pollution that caused health problems.

Green Groups: Plan Will Fall Short

Green groups such as WWF already expect the long-overdue plan to fall short of what is needed to put Britain on track to meet its greenhouse gas targets. Without new policies, the U.K. will spew about 30 percent more carbon dioxide than it has budgeted, the group says.

ClientEarth, a group of environmental lawyers, is consider taking the government to court if the latest plan fails to put the U.K. on track to meet its targets.

"The government needs to produce policies of real substance,'' said Jonathan Church, a lawyer at

ClientEarth.

Mexico Energy Skeptical Presidential Candidate Will Undo Reforms

Posted October 11, 2017, 8:53 A.M. ET

By Vanessa Dezem and Adam Williams

Mexico's power suppliers are convinced that Andres Manuel Lopez Obrador, the left-wing presidential candidate who's pledged to roll back the nation's energy reforms, won't be able to deliver on his promises.

The 63-year-old former Mexico City mayor—and current leader in polling for July's election—says the 2013 reforms have failed to lower power and fuel prices for consumers and wants to hand the issue to voters with a national referendum. The shift was driven by current President Enrique Pena Nieto, who opened the country's power, natural gas and oil markets to new competition in an effort to drive down costs and spur investment in areas long dominated by state-owned enterprises.

In the power sector, electricity prices have declined since the reforms were enacted, with record low prices for renewables in the last auction. A more efficient power system is expected to drive a 14 percent decrease in industrial electricity prices to 2040, according to a report from the International Energy Agency. More than half of the nation's power generation is now owned by private investors, including Invenergy LLC and Actis LLP, according to the Mexican Wind Energy Association.

"Mexico has quickly became one of the most important power markets not only in Latin America, but globally," said Paul Abitante, Mexico country manager at Invenergy, a Chicago-based renewable-energy company. "We are confident that Mexico's government and people will recognize the reforms' value and we don't see a scenario where a candidate or a politician takes steps to unwind the reforms."

Others aren't so sure, pointing to the fact that Lopez Obrador could slow the process even if he can't win the two-thirds majority in congress needed to officially undo the reforms.

'Stop Implementing'

"There is no need to change the law," said Miriam Grunstein, chief energy counsel at Brilliant Energy Consulting and nonresident scholar at Rice University's Baker Institute Mexico Center. "They can simply say 'we will stop implementing the energy reform.' There is no obligation to implement it."

Developers are sticking to their investment strategies, confident that Lopez Obrador will be reluctant to reverse changes that are now bearing fruit.

"Companies keep investing in Mexico," said Leopoldo Rodriguez, president of the Mexican Wind Energy Association. "Companies are interested in participating in the market. There is the idea that it's not possible to easily change things."

Mexico's energy mix is shifting, with 24 percent now coming from renewable sources like wind and hydro. Deregulating the electricity market and a series of auctions for new capacity helped the country post record levels of clean-energy investment this year.

Line in the Sand

“Mexico’s energy reform was a line in the sand, ” said Hector Olea, chief executive officer of Mexico City-based Gauss Energia, which owns solar farms in the country, and president of Mexico’s solar energy association. Energy demand in Mexico is expected to increase about 20 percent up until 2040, according to the International Energy Agency. That’s attracted billions in new investments.

Polls show that Lopez Obrador would win in all nine of the most likely combinations of candidates in the July 1 election, with at least 24.9 percent of votes, according to data from Mexico City-based Consulta Mitofsky.

The most likely scenario for a Lopez Obrador presidency would be a partial review of the reform, predicts Luiza Demoro, an analyst at Bloomberg New Energy Finance in Sao Paulo.

“If he wins, Lopez Obrador wouldn’t be able to change everything, but he would be able to change energy-auction rules or renewable-energy targets, creating barriers for private companies,” Demoro said. “The next power auction in November will be interesting as its prices will show how the market is perceiving these political risks.”

Mexico’s oil industry is also concerned about what a Lopez Obrador presidency might mean for the blossoming sector. The candidate has said he would review oil contracts awarded to producers including Chevron Corp., Exxon Mobil Corp. and Royal Dutch Shell Plc since the opening of the Mexican industry to private competition in 2014.

A spike in gasoline prices in January 2017 may be one of the reasons Lopez Obrador is criticizing the energy reforms. When the government announced that gasoline prices would increase as much as 20 percent, protesters took the streets across the country to decry the failed promises of the energy overhaul.

Power producers say the long-term benefits will outweigh the short-term issues. Reforms have “prompted foreign and long-term investments and reduced power costs,” Gauss Energia’s Olea said. “It would be contradictory to reverse something that’s working. It would be counterproductive, even politically.”

BNP Paribas to Halt Shale, Oil Sands Financing

Posted October 11, 2017, 03:58 P.M. ET

By Fabio Benedetti-Valentini and Russell Ward

BNP Paribas SA pledged to stop financing shale and oil sands projects, expanding earlier commitments in support of global efforts to tackle climate change.

France’s largest bank will no longer do business with companies whose main activity stems from oil and natural gas obtained from shale or oil sands, it said in a statement on Oct. 11. The policy covers companies involved in activities ranging from exploration to marketing and trading. The bank added that it won’t fund oil or gas projects in the Arctic region.

BNP Paribas said it's committed to bringing its financing and investment activities in line with international efforts to keep global warming below 2 degrees Celsius (3.6 degrees Fahrenheit) by the end of the century. Achieving that goal relies on reducing the world's dependence on fossil fuels, starting with energy from shale and oil sands, the bank said.

The bank said the extraction of fuel from these sources emits high levels of greenhouse gases and harms the environment in other ways. BNP Paribas may be the first large bank to blacklist shale oil, which has enabled the United States to curb oil imports and pushed down energy prices.

Once a global leader in oil financing, BNP has withdrawn from funding coal mines and coal-fired power plants in recent years, along with other big European banks including Societe Generale SA, HSBC Holdings Plc and Credit Agricole SA. Energy excluding electricity represented 4 percent of BNP's total lending commitments, down from 6 percent in mid-2015, according to its filings.

"Our role is to help drive the energy transition," Chief Executive Officer Jean-Laurent Bonnafe said in the statement. "We're a long-standing partner to the energy sector and we're determined to support the transition to a more sustainable world."

Shale Surge

U.S. oil and gas output has surged over the past six years as drillers unlocked oil trapped in shale formations, partly by injecting water, sand and chemicals under high pressure to crack open reservoirs. Banned in France, the process known as hydraulic fracturing, or fracking, has been at the center of controversies about contaminating water sources and causing earthquakes.

Meanwhile, investor sentiment toward oil sands—a heavy crude that is capital intensive to extract—has soured as prices halved from above $100 a barrel over the past three years, with Royal Dutch Shell Plc selling out of its oil sands assets in Canada.

Last year, BNP decided to halt further development of its reserve-based lending business, the key avenue for financing shale companies. In 2012 the bank sold its reserve-based lending activities in the U.S. and Canada to Wells Fargo & Co., including $9.5 billion of loans.

BNP also repeated its target for 15 billion euros ($17.7 billion) in financing for renewable energy projects by 2020 and 100 million euros of investment in startups in areas such as power storage and efficiency.

—With assistance from Ben Sharples, Javier Blas and Donal Griffin.

U.K. Floats Nuclear Safeguards Bill for Post-Brexit Period

Posted October 11, 2017, 12:46 P.M. ET

By Alex Morales

The U.K. published draft legislation to create a domestic nuclear safeguards system that will replace provisions under the European Union's Euratom treaty once Britain has left the bloc.

The law aims to give certainty to the nuclear industry and sectors such as health care that Britain will maintain a stringent system of checks over radioactive materials after Brexit. The legislation became necessary after government deemed it impossible to withdraw from the EU without also leaving Euratom, putting in doubt everything from the transport of nuclear fuels to cancer treatments.

"We are bringing forward the U.K.'s first new nuclear power plants in a generation, and it is in our mutual benefit to maintain the successful working relationship we have now with Europe and the rest of the world on nuclear matters," Energy Minister Richard Harrington said in a statement. "This is what we will be looking to secure in negotiations with our partners."

Electricite de France SA has already begun work on a new nuclear plant at Hinkley Point in southwest England. Japanese utilities Hitachi Ltd. and Toshiba Corp. also plan new reactors in Britain.

No time line has yet been set for the passage of the law through Parliament, but it needs to be enacted before Britain's scheduled departure from both the EU and Euratom in March 2019. Euratom's main function is to account for nuclear material so it remains in peaceful uses.

Stops on New England Gas Orders Made Prices Rise, Group Says

Posted October 11, 2017, 01:21 P.M. ET

By Ryan Collins (Bloomberg News) and Adrianne Appel (Bloomberg BNA)

Power companies' approach to booking space on U.S. natural gas pipelines is becoming the latest flash point in the debate over whether to build more of the links in the historically constrained Northeast.

The Environmental Defense fund said in an Oct. 11 report that New England utility companies Eversource Energy and Avangrid Inc. have repeatedly reserved pipeline capacity for large gas deliveries, only to cancel their orders for the power-plant fuel at the last minute. It's a move that, the group said, amplified the run-up in electricity prices during cold snaps and cost customers $3.6 billion over three years.

The practice is permitted by regulations meant to ensure reliable gas supply, and Eversource says it didn't profit from it.

New England, where electricity prices are among the highest in the nation, has been embroiled in a debate over whether to allow companies to build new pipelines to carry more gas into the region. Many power plants use natural gas to generate electricity, and homeowners also use it for heating.

The Environmental Defense Fund said it is not anti-pipeline, but the findings are likely to be used by other environmental groups to argue that more pipelines are not needed.

Capacity Cancellations

The Environmental Defense Fund said in its report that the eleventh-hour capacity cancellations show the gas supply bottlenecks used to justify new pipelines may be less severe than they appear.

Eversource pulled out of a $3 billion New England pipeline proposal last year after a court ruling effectively blocked funding for the conduit.

“There were in some instances plenty of available capacity on the pipelines serving the populated areas of the Northeast that bore the brunt of the price increase,” N. Jonathan Peress, senior director of energy market policy at the Environmental Defense Fund, said in a phone interview.

Pipelines may not be needed and may not be the most cost-effective solution to energy needs, but as markets operate now, lack of clear price data makes it impossible to tell, Jon Coifman, a spokesman for the environmental group, said.

Caroline Pretyman, a spokeswoman for Eversource, called the group’s report misleading. A spokesman for Avangrid didn’t respond to a request for comment.

“It is well documented that New England pipeline demand greatly exceeds the supply on cold days,” Pretyman said. “Our gas distribution business is carefully regulated and the gas supply we purchase for our customers is a strict pass-through cost—meaning we don’t benefit from higher prices derived from withholding.”

Gas Reliance

Avangrid and Eversource, like many utilities, lock in the rights to purchase space on gas pipelines for the long term. In 2008, the U.S. Federal Energy Regulatory Commission amended rules to allow such companies to sell extra capacity not needed for customers to a secondary market, where power plants buy the fuel, according to the report. Because utilities are part of a regulated monopoly, most profits from the secondary market have to be given back to the ratepayers in the form of dividends.

But when utilities cancel scheduled pipeline capacity in the last hours of the trading day—too late for it to be resold—higher electricity bills can result, according to the Environmental Defense Fund report. It’s a phenomenon that may become more pronounced as the nation becomes more reliant on gas-fired generation, Peress said.

“New England is probably the leading example in the country of what the implications of increased gas use and increased reliance on gas fired generators” are for consumers, he said.

Pipeline Construction Fight

“The allegations raised in the report are concerning,” a spokeswoman for Attorney General Maura Healey (D) told Bloomberg BNA Oct. 10 in an email.

Healey’s anti-pipeline stance is well known in Massachusetts: In November 2015, her office issued a report concluding that any additional energy needs of the next 15 years could be met through energy efficiency and demand response.

The fight over natural gas pipeline construction in New England came to a head in Massachusetts in August 2016, when the Supreme Judicial Court ruled that an Eversource and industry pipeline plan backed by Gov. Charlie Baker (R) could not go forward.

The Access Northeast Pipeline was proposed by Eversource, Spectra Energy and National Grid to bring more natural gas from New York starting in 2022. Massachusetts uses 42 percent of the natural gas in New England, according to Eversource, and most of it fuels electricity plants.

Eversource Energy executive vice president Lee Oliver told investors in February the company was pursuing legislation in Massachusetts to give it permission to build the pipeline that was blocked by a Supreme Judicial Court ruling. Massachusetts lawmakers, however, say they have moved on from even considering a bill and instead are debating scores of bills this year that would strengthen the state's renewable energy portfolio.

"I hope [the study] puts a nail in the coffin of the idea that we have a problem with natural gas capacity and need another pipeline to solve it," David Ismay, an attorney with the Conservation Law Foundation, an environmental organization, told Bloomberg BNA Oct. 10.

10,000 Electric Cars Highlight Steep Path to India's Ambitions

Posted October 11, 2017, 8:42 A.M. ET

By P R Sanjai and Rajesh Kumar Singh

Prime Minister Narendra Modi has kicked off India's race to turn all new passenger car sales electric by 2030. The largest order has gone to a company that hasn't commercially started producing the vehicles.

Tata Motors Ltd. hasn't sold a single electric car yet, though Chief Executive Officer Guenter Butschek says its late-mover status is an advantage at a time when technology advances are leading to a fall in costs. Tata along with Mahindra and Mahindra Ltd.—India's sole electric carmaker that plans to boost its vehicle manufacturing capacity to 5,000 units a month—underscore the distance to be covered when compared to China and the U.S.

Ramping up production of electric vehicles in a country where carmakers sell 2.5 million fossil fuel powered units annually is just one part of the problem, finding uninterrupted power supply is another. In addition, non-existent charging infrastructure further widens the gap between India and China, the current global leader. It had 336,000 new registrations in 2016, more than double of 160,000 in the U.S., while India had just 450 cars hitting the roads, according to the International Energy Agency.

"The government needs to set up charging infrastructure to make this electric business model sustainable," said Ram Kidambi, partner at consultancy firm A.T. Kearney. "Indian automotive companies may be able to supply electric vehicles meeting the deadline. But the problem is what do the car owners do without the charging infrastructure?"

Falling Prices

The pursuit for all electric new car sales in less than a decade-and-a-half is part of Modi's plan to champion the cause of combating climate change. Bloomberg New Energy Finance predicts the target will be "incredibly difficult" in the absence of a clearly defined policy and without subsidies. Chinese firms have benefited from generous funding offered by various regional governments.

India currently has about 350 charging points while China had about 215,000 installed at the end of 2016, according to the BNEF report. It will take about 15 years in India for total cost of ownership for electric vehicles to reach parity with conventional vehicles, around the time the south Asian nation plans to end sale of fossil fueled cars.

India's EV target appears a little too ambitious, said Pawan Goenka, managing director at automaker Mahindra & Mahindra. "It would be little more moderate, though lot more aggressive growth path than what we have seen in other countries, but more moderate than being 100 percent electric vehicles by 2030."

Modi's administration is hoping to fast-track change by leading from the front. The government-backed Energy Efficiency Services Ltd. (EESL), which is tasked with helping the nation reduce emissions and curb fuel imports, is buying 10,000 battery-powered cars from Tata Motors and Mahindra & Mahindra to replace petrol and diesel cars used by the federal government in about four years.

Revenue Source

Electric vehicles open up a new source of revenue for India's money-losing power retailers and could attract their enthusiasm in building the charging infrastructure, according to Shantanu Jaiswal, head of India research at Bloomberg New Energy Finance in New Delhi.

"In areas where the traffic volumes are high, it makes good business sense for distribution utilities," Jaiswal said. "In rural areas though, where concentration of electric cars may not be very high, getting investments may still be a challenge, as we have seen in household electrification."

Automobile ownership in India remains low, with only 18 cars per 1,000 citizens compared to nearly 69 in China and 786 for the U.S., a study by Niti Aayog, a policy planning body, and Colorado-based Rocky Mountain Institute. The scarcity of privately owned four-wheel vehicles and a large number of two-wheelers will enable Indians to leap frog into electric cars space as higher demand could lead to lower prices.

That's what Tata and Mahindra are betting on. Tata is running trials of its electric buses after developing the plug-in versions of its Bolt and Tiago hatchback models. Mahindra has plans to expand its capacity to make electric vehicles almost 10-fold to 5,000 units a month in two to three years.

Tata Motors has a two part strategy—one which includes selling cars to the government—and then rolling out electric buses and trucks to cater to the mass transportation segment. Plans for both are ready, Tata's Butschek said in an interview.

"We have invested a lot in electric vehicle business although we may not be outspoken about the same," he said.

—With assistance from Debjit Chakraborty.