

**To:** Jackson, Ryan[jackson.ryan@epa.gov]  
**From:** Morning Energy  
**Sent:** Tue 10/17/2017 2:05:19 PM  
**Subject:** POLITICO's Morning Energy, presented by the National Biodiesel Board: Tensions elevated as Pruitt meets corn-state senators on biofuels — BLM clears way for controversial Cadiz project — Carper bashes inadequate responses from EPA nominees

By Anthony Adragna | 10/17/2017 10:00 AM EDT

*With help from Eric Wolff, Tim Starks and Esther Whieldon*

**BIOFUEL FIGHT HEATS UP TODAY:** Iowa Sen. [Chuck Grassley](#), joined by home-state colleague [Joni Ernst](#), Nebraska's [Deb Fischer](#) and possibly others, will meet with EPA Administrator Scott Pruitt today amid growing concern that President Donald Trump is renegeing on a campaign promise and undermining the biofuels industry, Pro's Eric Wolff [reports](#). EPA's recent proposal to cut biomass-based biodiesel quotas for 2018 and 2019, as well as recent reports the agency was considering allowing the use of credits from ethanol shipped overseas, has drawn multiple Senate letters in recent weeks, including a [bipartisan letter](#) from 38 senators and [another](#) with 29 signatures.

**The recent moves have** proven a huge financial boon for the oil refiners and rattled the market for biofuel credits known as RINs. Pruitt, who had immensely close ties to the oil industry as Oklahoma attorney general, is looking for ways to help them out, according to an administration official and oil industry sources who have spoken with EPA. "The administrator wants to drive down RIN prices," said one oil refining source who recently spoke to multiple EPA career and political officials. "The reason he wants to do that, he's going to screw them on point of obligation. He's willing to [push] any crazy idea that accomplishes that goal in the short term. It doesn't matter what the litigation risk is."

**Remember Trump made his support** for the Renewable Fuel Standard a rare policy-heavy portion of his campaign in Iowa, and Grassley, in particular, took Pruitt's proposed changes personally. He recently called them a "bait and switch" from what the administrator had told him before his nomination. Separately, four Republican governors - Kim Reynolds (Iowa), Sam Brownback (Kan.), Eric Greitens (Mo.) and Dennis Daugaard (S.D.) - sent [a letter](#) to Trump Monday voicing concern over EPA's recent RFS moves. "Cutting the biomass-based diesel volume set a year ago is not only unnecessary, it's highly disruptive, unprecedented and potentially catastrophic," they wrote.

**Another refining industry source** sums up the administration's dilemma to Eric: "The administration faces a conundrum on this issue. On the one hand guys are really leaning on them and talking about how they made a promise to rural America. On the other hand, the president made a promise to protect manufacturing jobs.... Politically what they're facing is a lot of heat."

**WELCOME TO TUESDAY!** I'm your host Anthony Adragna, and NEI's Robert Powers was first out of the gate to identify Mark Neumann as the previous holder of Speaker Paul Ryan's House seat. For today: Who defeated a sitting party leader to win the Senate seat they currently hold? Send your tips, energy gossip and comments to [aadragna@politico.com](mailto:aadragna@politico.com), or follow us on

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**BRINGING INDUSTRY TO THE TABLE:** In his Monday move to end what he terms EPA's sue and settle practice, Pruitt vowed to seek the consent of the companies the agency regulates before agreeing to any deadlines for environmental action, Pro's Alex Guillén reports. "EPA shall seek to receive the concurrence of any affected states and/or regulated entities before entering into a consent decree or settlement agreement," he said. EPA noted the directive does not outright require industry consent on any agreement, while adding it applied to lawsuits from both environmental and industry groups.

**But critics argue** his action targets a non-existent problem that will empower the entities Pruitt is supposed to be regulating. "His targeting of legal settlements, especially where EPA has no defense to breaking the law, will just allow violations to persist, along with harms to Americans," NRDC's John Walke said. During the Obama administration, EPA frequently entered into settlements with environmental groups after missing statutory deadlines. But the subsequent regulations still went through the lengthy rulemaking process, and a 2014 GAO study concluded the "effect of settlements in deadline suits on EPA's rulemaking priorities is limited."

**BLM CLEARS WAY FOR CONTROVERSIAL CALIFORNIA WATER PROJECT:** Regulators cleared the biggest remaining federal obstacle for Cadiz Inc. water pipeline in California's Mojave Desert when ruled the project can move forward without additional BLM approval, Pro's Esther Whieldon reports, citing a letter released Monday. Acting Director Mike Nedd axed an Obama-era 2015 finding that the project could not use an existing railroad right of way and would need to apply for its own. Cadiz in a statement said it will begin working on final engineering designs, contracts and obtaining a conveyance agreement with the Metropolitan Water District of Southern California.

**Opponents slammed the move:** Sen. Dianne Feinstein, a longtime opponent of the project, said Cadiz's pipeline would draw more water than the aquifer can recharge naturally and expose residents to potentially harmful levels of chemicals. "The Trump administration might be willing to let Cadiz profit by harming our public lands but California shouldn't give up," she said in a statement. "Our state can still require a stronger review of Cadiz's plans. The fight to protect our desert isn't over."

**The Bernhardt question:** A spokeswoman said Interior Deputy Secretary David Bernhardt "has absolutely no role in anything related to Cadiz." The agency's number two did legal work for Cadiz before joining the agency, and his former firm stands to benefit if it's completed.

**CARPER BASHES EPA NOMINEE RESPONSES:** Sen. Tom Carper, top Democrat on the Environment and Public Works Committee, released responses to questions from four nominees to senior EPA roles that he told ME were "shocking" in their lack of substance. He was in particular critical of the responses of the agency's chemicals pick, Michael Dourson, who didn't provide specific answers on a host of questions related to the agency's implementation of the Toxic Substances Control Act and air chief, Bill Wehrum, who provided vague answers on topics like the Paris Climate Accord and how he would approach various air regulations. But ME didn't get a sense from Carper or aides that committee Democrats were likely to boycott a

Wednesday vote on the nominations of Dourson and Wehrum, as well the picks of David Ross to head the water office, Matthew Leopold to be general counsel and Jeff Baran's re-nomination to the NRC.

**Read the responses** to Carper's questions for the record [here](#).

**EPA OFFICIAL LANDS IN PUERTO RICO :** Newly sworn in EPA Region 2 Administrator Peter Lopez landed in Puerto Rico Monday to meet with local officials "to make sure my team at the EPA continues to help lift these communities up." Army Lt. Gen. Jeffrey Buchanan, leading the administration's response to the disaster, said in a statement it would be "months" before the electric grid could be rebuilt: "FEMA asked the Army Corps of Engineers to take the lead in that, not necessarily with military power guys, but with contracts with local workers," he said. A short-term priority is getting water treatment plants back up and running through generators followed by the longer-term goal of getting other critical infrastructure back on the electric grid.

**Sign of the times:** NBC News correspondent Gabe Gutierrez tweeted [a picture](#) of a drinking water well on a Superfund site with protective fencing ripped off. "People are desperate," Lopez [told Gutierrez](#), adding people are breaking into sealed-off wells.

**Trump critical of island again:** Once again casting the island's struggles as partially self-inflicted, Trump said the military "shouldn't have to be" distributing food and water on the island, POLITICO's Cristiano Lima [reports](#). Meanwhile, the Senate is likely to take up a House-passed relief package [H.R. 2266 \(115\)](#) once it passes its budget.

**ALASKAN PICKED FOR INTERIOR ROLE:** Trump late Monday announced his intent to nominate Tara Sweeney, executive vice president of external affairs for Arctic Slope Regional Corporation, as assistant Interior secretary of for Indian Affairs. She chaired the Arctic Economic Council from 2015 to 2017. "Secretary Zinke could not have chosen a better leader to help him fulfill the federal government's trust responsibility," Senate Energy Chairman [Lisa Murkowski](#) said in a statement.

**\*\* Presented by the National Biodiesel Board:** More than 64,000 jobs are supported by clean-burning biodiesel. But the EPA is threatening to reduce biodiesel use and weaken the Renewable Fuel Standard (RFS). We must protect those biodiesel jobs with a strong RFS program. Watch the president promise to protect the RFS here: <http://bit.ly/2xn5Sgm> \*\*

**HOLD YOUR HORSES:** Senate Majority Leader [Mitch McConnell](#) used a lunch with the president Monday to stress that Steve Bannon was going after some staunch supporters of Trump's agenda, such as [John Barrasso](#) and [Deb Fischer](#), with his pledge to recruit primary challengers for sitting Republican senators, POLITICO's Matthew Nussbaum and Cristiano Lima [report](#) . That point apparently resonated with Trump, who later told reporters: "Some of the people he may be looking at, I'm going to see if we talk him out of that."

**UNITED WE STAND?** Even as Trump and McConnell projected a united front Monday, White House officials behind-the-scenes are increasingly wondering what's going on in the Senate and afraid the chamber won't be able to pass Republican tax overhaul, POLITICO's Burgess Everett

and Josh Dawsey [report](#). "You ask me if the Republican-controlled Senate is an impediment to the administration's agenda: All I can tell you is so far, the answer's yes," OMB Director Mick Mulvaney, a former member of the House Freedom Caucus, said.

**RALLYING AGAINST ANWR LANGUAGE:** Six Senate Democrats - [Ed Markey](#), [Michael Bennet](#), [Tom Udall](#), [Maria Cantwell](#), [Al Franken](#) and [Jeff Merkley](#) - are joining environmental groups at 11:15 a.m. in the Senate swamp to urge the removal of language opening ANWR to drilling from the fiscal 2018 budget resolution.

**DOE WATCHDOG: CLOSE, BUT NOT QUITE:** The Department of Energy needs to [improve](#) control over who can access systems, the security of its web applications and mitigation of vulnerabilities, according to a recently released inspector general report. The IG had pointed out those flaws and others in a prior report. "The weaknesses identified occurred, in part, because department officials had not fully developed and/or implemented policies and procedures related to the issues identified in our report," the IG concluded. "Without improvements to its cybersecurity program in areas such as enhanced controls over vulnerability management and access controls, the department's systems and information may be at a higher-than-necessary risk of compromise, loss, and/or modification." Overall, however, DOE had addressed 13 of the 16 weaknesses the IG previously identified.

**TAKE A GLANCE! NUTRIENT CREDIT PROGRAM USE LIMITED:** Despite 11 states having 19 nutrient credit trading programs meant to help hit discharge limits, use has been limited, according to [a report](#) released by GAO Monday. Programs in Connecticut, Pennsylvania and Virginia saw the bulk of credit trading.

**GTM: HIGHER TARIFFS MEAN LESS SOLAR:** A 40 cents per watt tariff would cut solar demand in half, GTM Research says in [a study](#) out today. The research group found that lower tariffs had less of an impact: For example, adding 10 cents per watt would drive down sales 9 percent. The study also found that utility scale solar would be hardest hit, as utilities are more sensitive to cost than the residential market.

**REPORT: LET'S COMMISSION A COASTAL COMMISSION:** The Regional Plan Association released [a report](#) Monday calling for New York, New Jersey and Connecticut to form a new coastal commission as the region prepares for the impacts of climate change over the next decades.

**HOT DOC:** The Environmental Defense Fund released a new document called "[Pruitt's Playbook](#)" chronicling what it says is Pruitt's assault on EPA's mission.

**WINTER IS COMING:** The American Gas Association today predicts cooler temperatures this winter will mean a five percent increase, on average, on heating bills as consumers are likely to use three percent more natural gas.

**MAIL CALL! MORE CRITICISM OF MONUMENT REVIEW:** More than 350 National Park Service employees sent Zinke [a letter](#) today saying they are "extremely disappointed" in his review of national monuments designated under the Antiquities Act.

- Separately, more than 350 companies largely from the outdoor recreation retail industry in a Monday [letter](#) to Trump urged the president to "embrace the conservation ethic of your predecessors and keep current protections in place for our public lands and waters." The letter also asks Trump not to roll back protections on monuments. The Commerce Department has until Oct. 25 to send the White House a report on marine monuments and Trump is mulling Interior Secretary Ryan Zinke's recommendations to shrink and/or allow mining, commercial fishing and logging in 10 existing monuments.

**MOVER, SHAKER:** Bryan Rice, an Interior veteran and member of the Cherokee Nation of Oklahoma, started as director of the Bureau of Indian Affairs on Monday. He most recently led the agency's Office of Wildland Fire as the latest stop on a federal career spanning more than 20 years.

### QUICK HITS

- Joe Manchin backs Rick Perry's plan to subsidize coal, nuclear plants. [Washington Examiner](#).
- EPA Says Higher Radiation Levels Pose 'No Harmful Health Effect'. [Bloomberg](#).
- Get ready to see a plan for billions of dollars in parks and water improvements on California's 2018 ballot. [Los Angeles Times](#).
- Officials ID person missing after Lake Pontchartrain oil platform explosion. [Times-Picayune](#).
- Iraq's Kurdistan shuts 350,000 bpd of oil output due to security: sources. [Reuters](#).
- World petrol demand 'likely to peak by 2030 as electric car sales rise'. [The Guardian](#).

### THAT'S ALL FOR ME!

**\*\* Presented by the National Biodiesel Board:** Made from an increasingly diverse mix of resources such as recycled cooking oil, soybean oil and animal fats, biodiesel is a renewable, clean-burning diesel replacement that can be used in existing diesel engines without modification. EPA wants to reduce biodiesel volumes in the Renewable Fuel Standard (RFS), which would kill jobs, thwart economic growth and potentially bankrupt farmers. We must support U.S. workers and grow the economy with more biodiesel in a growing RFS. Make your voice heard with the EPA: <http://bit.ly/2ghDL03> \*\*

*To view online:*

<http://www.politico.com/tipsheets/morning-energy/2017/10/17/tensions-elevated-as-pruitt-meets-grassley-on-biofuels-222837>

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