**To:** Jackson, Ryan[jackson.ryan@epa.gov]
**From:** Bloomberg BNA
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**Subject:** July 6 -- Energy and Climate Report - Afternoon Briefing

# Energy and Climate Report

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

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

### G-20 Seeks to Contain Trump by Avoiding Climate Mention

*Posted July 06, 2017, 9:51 A.M. ET*

*By Peter Martin and Jessica Shankleman*

German Chancellor Angela Merkel is seeking to unite the Group of 20 nations on key environmental goals by steering clear of references to climate change wherever possible, according to a draft being circulated ahead of a summit of world leaders.

A section of the current draft seen by Bloomberg notes the decision of the U.S. to withdraw from the landmark Paris Agreement, while promising collaboration on other less controversial areas such as innovation, sustainable growth, and competitiveness.

Climate change has become one of the biggest issues at stake during the G-20 summit, after President Donald Trump last month decided to pull the U.S. out of the 2015 Paris deal that promised to keep global warming "well below" 2 degrees Celsius. Trump has questioned the scientific consensus of climate change, even once suggesting it was a hoax created by China.

"This is about trying to contain Trump and not provoke him," said Nick Mabey, who used to advise the U.K. government on climate issues and now runs E3G, a policy-research group. "This language would show that he's isolated on climate change but leave him with a bit of dignity."

**Investor Concern**

As the world's second largest emitter, the U.S.'s involvement in the Paris deal is seen as crucial to global efforts to tackle climate change. Investors are concerned that a U.S. exit could have a domino effect around the world, yet no other country has said they will follow Trump in leaving the accord.

While previous G-20 leaders' summits promised strong action on climate change, the communique currently being considered doesn't appear to mention the phrase, instead noting the opportunities for job creation "of increased investment into sustainable and clean energy technologies and infrastructure." It also promotes energy security, a key issue for Trump. The statement is not final and can still change.

As president of the G-20 this year, Germany is seeking to avoid leaving the U.S. as a footnote on the issue of climate change. Merkel wants to avoid a repeat of Group of Seven talks in Italy in May that confirmed a crack between six member states and the U.S. after environment ministers were unable to find common ground on climate measures.

Steffen Seibert, Merkel's chief spokesman, declined to comment on the G-20 draft's substance. "Nothing is decided for now," he said by email. "There are many options."

While the main communique won't affirm the group's commitment to tackling climate change, the section of the draft said the remaining 19 parties will endorse a separate climate and energy action plan, which will act as an annex.

The other heads of state and government from G-20 countries, as well as the European Union's leaders, will affirm their belief that the 2030 Agenda for Sustainable Development and the Paris Agreement are irreversible.

—With assistance from Tony Czuczka.



**G-20 Energy Efficiency, Greenhouse Gases Both Rise, Report Says**

*Posted July 06, 2017, 7:49 A.M. ET*

*By Eric J. Lyman*

The world's industrial powers are becoming more energy efficient, but greenhouse gas emissions continue to rise in those countries because of growing economies, according to an assessment of the Group of 20 nations by a climate advocacy group.

Overall, the G-20 nations saw greenhouse gas emissions increase by 34 percent between 1990 and 2014, while their economies grew 117 percent during that period, illustrating increased efficiency, the report said.

But the G-20 countries—which account for three-fourths of the world's greenhouse gas emissions—are not taking action strong enough to limit global warming to 2 degrees Celsius (3.6 degrees Fahrenheit) compared to pre-industrial levels, the central goal of the 2015 Paris Agreement, said the report, released ahead of the July 7-8 meeting of G-20 leaders in Hamburg, Germany.

Of the G-20 members, "Australia, Canada, Saudi Arabia and the United States stand out with by far the highest per capita energy-related $CO_2$ emissions," said the report from the umbrella group Climate Transparency, which wants G-20 countries to take more ambitious steps to fight climate change.

**'Underlying Message'**

The report is not a response to President Donald Trump's decision to pull the U.S. out of the Paris Agreement, said Niklas Hohne, a report co-author.

"The decision of the U.S. to withdraw creates some uncertainty, and it means the other 19 members of the G-20 will have more work to do," Hohne told Bloomberg BNA. "But it doesn't change the underlying message that the world is moving in the right direction, but doing so too slowly."

Hohne noted that at a 2009 G-20 summit in Pittsburgh, leaders committed to "phase out over the medium term inefficient fossil fuel subsidies that encourage wasteful consumption."

"As our latest report shows, there is still a lot of work to do in this area, but this is an ongoing discussion that started at the G-20," Hohne said. "The G-20 can play a key role in sending a message to the world about what is important."

The G-20 is comprised of the European Union and 19 countries: Argentina, Australia, Brazil, Britain, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey and the U.S.

The report's authors came from 10 of the countries in the G-20, though none were from the U.S.

**Interior's Zinke Wants Oil and Gas Permitting Streamlined**

*Posted July 06, 2017, 02:14 P.M. ET*

*By Alan Kovski*

Oil and gas companies could get more leasing opportunities and faster permitting for work on federal onshore lands under an order announced June 6 by Interior Secretary Ryan Zinke.

Zinke told reporters he was issuing a secretarial order to simplify and streamline the leasing and permitting process and stabilize it in terms of honoring lease commitments, all without skirting the obligations of the National Environmental Policy Act.

Drilling permit processing averaged 257 days last year. Zinke said he was aiming to meet the statutory mandate for issuing drilling permits in 30 days, although he acknowledged the government might not get there.

**Southern's Clean Coal Tryout Officially Dead Upon State Order**

*Posted July 06, 2017, 12:48 P.M. ET*

*By Mark Chediak*

A seven-year, $7.5 billion effort to build a first-of-its-kind "clean coal" power plant in Mississippi is officially over.

Mississippi regulators ordered utility owner Southern Co. on July 6 to come up with a deal that'll have the Kemper plant—once hailed by the Obama administration as the future of coal—running as a natural gas-fired generator instead. The Mississippi Public Service Commission directed Southern to come up with a settlement within 90 days that has the plant burning gas and protects customers from the ballooning costs of the project.

The state's ruling only stands to seal the fate of the Kemper plant. Southern already said last week that it was pulling the plug on the coal part of the complex, and the July 6 vote only memorializes the state utility commission's call last month for the company to give up on "unproven" technologies at the plant.

The death of the clean-coal project represents a major setback for the very technologies that the Trump administration has promoted it as a way to help save mining jobs. It also marks the end of a high-profile project that was plagued by construction slowdowns, equipment failures and sliding natural gas prices. The plant's already years behind schedule and more than $4 billion over budget.

Southern warned investors that it may take a $3.4 billion second-quarter charge if the company isn't authorized to recover the costs of the project from customers.

Kemper was supposed to turn coal into gas to produce electricity—all while removing carbon dioxide emissions linked to global warming. At least that was idea as the U.S. government poured $382 million of grants into the project and then-Energy Secretary Steven Chu stressed its "national importance." Now, the project's only claim to fame is becoming quite possibly the most expensive gas plant ever built.

When the Kemper project was first conceived, America's gas resources were thought to be becoming scarcer. Southern pitched the plant as a valuable hedge against volatile commodity prices. The shale boom has since unleashed so much gas that it's glutted markets and sent prices plummeting to the lowest level since the 1990s.

#### Viable With Gas

By February, Southern was estimating that running the Kemper plant on natural gas was more economically viable than running it off coal under two of three gas price scenarios analyzed.

The company has 45 days to propose a settlement to the commission, with another 45 days afforded for public comment and discussion, Public Service Commission Chairman Brandon Presley said before the panel voted on an order Thursday. Any deal must fit the terms laid out by the commission last month, he said. A printed copy of the order wasn't immediately available.

—With assistance from Jim Polson.



### Tesla Seen Pulling Away from GM for Clear U.S. Electric Car Lead

*Posted July 06, 2017, 8:43 A.M. ET*

*By Claire Ballentine*

More than a dozen automakers are jostling to lead the U.S. electric-car race, but Bloomberg New Energy Finance sees a clear winner separating from the pack: Tesla Inc.

The automaker led by Chief Executive Officer Elon Musk will emerge as "the stand-out" in total cumulative deliveries through 2021, reaching nearly 709,000 vehicles, according to BNEF's Long-Term Electric Vehicle Outlook released July 7. Tesla is projected to pull away from current leader General Motors Co., which may slip behind Volkswagen AG's aggregate sales of plug-in hybrid and fully electric autos in four years' time.

The report reinforces the optimism among some analysts that Tesla will be able to distance itself from established automakers and dominate many of the world's biggest markets for battery-powered vehicles. Investors have bid the company's shares up 53 percent this year in anticipation of Musk debuting the Model 3 sedan, a more affordable car he's counting on to crack the mass market.

"If they can stick to the Model 3 timeline, they're going to be at the front edge of this for a while," BNEF analyst Colin McKerracher said of Tesla in a phone interview.

While BNEF expects Tesla, VW and GM will lead the EV charge in 2021, the research group owned by Bloomberg LP predicts at least three other automakers will have also surpassed the 200,000 cumulative sales mark in the U.S. by that year. After crossing that threshold, buyers are no longer eligible for the full federal $7,500 tax credit toward purchases of vehicles from those manufacturers.

Hitting the 200,000 unit milestone would portend more sustainable demand for electric vehicles. Though BNEF does expect some impact from the federal tax credit phase-out, industry sales could be even higher because the analysts' short-term forecasts are based only on electrified models disclosed to date.

Product introduction schedules for 2020 and 2021 are still taking shape. BNEF made its forecasts before Volvo Car Group announced plans July 5 to offer only hybrid or full-electric motors on every new model launched starting in 2019.

The prediction BNEF settled on that Volkswagen could climb to the No. 2 spot by 2021 was the "the most contentious" of the research group's projections, McKerracher said. The German automaker doesn't yet have the same presence in the U.S. market as other electric-focused automakers, though the opportunity is there for the company to rank among the leaders based on all the vehicle launches it's announced.

**Hybrid Outlook**

The expected rise in pure electric vehicle demand in the U.S. will come at the expense of some hybrid vehicle demand, BNEF said. This could pose a challenge for the likes of Toyota Motor Corp., known for gasoline-electric cars like the Prius. The company sold about 1.4 million traditional and plug-in hybrid vehicles last year and has delivered more than 10 million cumulatively since the first Prius debuted in 1997.

Battery electric cars have already surpassed plug-in electric hybrids in the U.S., with about 85,000 and 73,000 sold last year respectively, BNEF data show. The trend also holds globally, with 412,000 battery electric vehicles sold last year to 283,000 plug-in hybrids.BNEF expects Toyota's Prius Prime plug-in hybrid to be the exception and hold the title of best-selling electrified vehicle in the U.S. this year. Tesla will get off to too late of a start with its Model 3 to catch up, with Musk planning to hold a handover party for its first 30 sedan customers on July 28. The company is aiming to ramp-up production to a rate of 20,000 cars per month in December.

"In the long term, we see battery electric vehicles winning because of the battery cost curve," McKerracher said.



## Simplifying Energy Tax Code System Proving Not So Simple

*Posted July 06, 2017, 7:00 A.M. ET*

*By Laura Davison and Brian Dabbs*

Proposals to simplify energy tax credits are garnering interest from Senate Democrats and House Republicans as congressional leaders contemplate comprehensive tax reform. Lawmakers are looking at tax reform or a bill to extend nuclear production tax credits as possible vehicles to help them untangle the current energy tax system, lawmakers and industry officials told Bloomberg BNA.

One idea involves moving to a “technology-neutral” tax credit. The subsidy would apply to all forms of renewable energy, such as wind, solar, and geothermal, to prevent Congress from having to create credits for new technologies as the industry innovates. Supporters laud the proposal for simplifying a complex energy tax quilt.

“It will prevent the need to shoehorn new technologies into statutory definitions, some of which have been written decades ago,” said David K. Burton, a partner at Mayer Brown LLP who leads the firm’s renewable energy group.

The effort comes as lawmakers are aiming to overhaul the tax code by year-end—an ambition that faces big hurdles, since Republicans have failed so far to agree on a framework. House Ways and Means Committee Chairman Kevin Brady (R-Texas) said he expects energy tax credits to be included in the legislation. Some lawmakers also hope technology-neutral provisions could be attached an extension of the nuclear production tax credit—a bill (S. 666) lawmakers from South Carolina and Georgia are looking to push through Congress quickly.

Sen. Ron Wyden (D-Ore.), ranking member of the Finance Committee, has been pushing the idea of streamlining the energy sections of the tax code with a technology-neutral credit for several years. His bill, Clean Energy for America Act (S. 1068), would let taxpayers choose between a production or an investment tax credit, scaled according to the amount of carbon emissions. It has 21 co-sponsors in the Senate, none of whom are Republicans.

Renewable energy groups, including the Solar Energy Industries Association and the American Council on Renewable Energy, have expressed support for the Wyden bill.

The tension between Democrats and Republicans on technology neutrality hinges on which energy sources will qualify for the credit. Wyden’s bill allows zero-emission technologies, such as wind and solar, to qualify for the maximum credits, either 2.3 cents per kilowatt hour for the production credit or an investment tax credit of up to 30 percent. Rep. Tom Reed (R-N.Y.) has been exploring ways to create a Republican-friendly alternative that doesn’t base eligibility on carbon.

“In a perfect world, you would start with a technology-neutral credit,” rather than the patchwork of incentives that exists now, a GOP aide said.

**Energy Priorities**

For now, the strongest push in the Senate is to combine expired renewable energy credits under tax code Section 48 (H.R. 1090), the nuclear credit extension that passed the House in June, with an extension of a carbon sequestration tax credit, the aide said. The sequestration measure, which is spearheaded by Sens. Heidi Heitkamp (D-N.D.) and Sheldon Whitehouse (D-R.I.), hasn’t been introduced yet this year but is expected to closely resemble legislation (S. 3179) from last Congress.

But if those don’t pass, momentum could shift to a technology-neutral approach.

Republicans, however, still need to come up with a bill. The disagreement between the right and the left stems from how they view the idea, a Democratic aide said. Democrats see a technology-neutral approach as a climate issue “at its core,” the aide said. For Republicans, this is about spurring energy innovation, a GOP aide said.

“Conservatives generally are for agnostic government policies that don’t choose winners or losers but that instead empower consumers and encourage research and development,” Rep. Carlos Curbelo (R-Fla.) said.

One idea that has been considered is to provide incentive to new technologies with a credit until they reach a certain level of power generation, a GOP aide said. That would allow the oil and gas sector to receive the credit for technologies that are more efficient than current systems. Aides of both parties said, however, that the approach could be open to litigation because it’s hard to define what processes are “innovative.”

A compromise between Democratic and Republican approaches, however, would be a delicate balancing act, and so far no real headway appears to have been made, Timothy Fox, an alternative power analyst at ClearView Energy Partners LLC, told Bloomberg BNA.

“The fact that this minimizes the tax code could generate some support for this, but tax reform is very difficult,” he said. “If a bill with this regulatory construct could be drafted in a way that more services could qualify in terms of lowering the baseline, then the prospects that it advances are greater.”

For example, plants that burn cleaner coal could benefit from a lower baseline, he said.

**Competing Factions**

Power plants that emit 35 percent less carbon than the national average would be able to qualify for the minimum credit under Wyden’s plan. Those that emit zero carbon would access the full credit.

The bill, therefore, could benefit the “fossil fuel guys” who crack down on carbon emissions, Wyden told Bloomberg BNA.

But Republicans still often lock horns over the basic merits of subsidizing energy, tax and energy specialists said. “It’s a spectrum type of thing. You’re going to have conservatives who don’t want to incentivize energy production and some that want to incentivize fossil energy and some that want to incentivize renewable energy,” Curtis Beaulieu, an energy lobbyist at Bracewell LLP, said. “I couldn’t tell you how to amend this proposal to get the maximum Republican support.”

Rep. David Schweikert (R-Ariz.), a member of the House Freedom Caucus, said the credits are likely to face resistance from some conservative members.

“If you have none, you are treating everyone the same,” he said. “Wouldn’t the ultimate policy-neutral perspective be really low rates accomplishing the same thing rather than a subsidy for energy?”

Christopher Guith, senior vice president of the U.S. Chamber of Commerce’s Institute for 21st Century Energy, echoed that call, pointing to what he said were potential perils of the Wyden proposal or a related version.

“If you look at some of the struggles that are happening in competitive power markets right now that are pushing coal and nuclear out of the market, there’s a growing consensus that the piecemeal approach to subsidizing renewables has had unintended consequences," he told Bloomberg BNA. "There's a growing realization that federal subsidies have caused more problems than solutions."

Since the White House's "energy week," which wrapped up June 30, President Donald Trump continues to tout the value of baseload power, which refers to fossil fuels and nuclear. Environmentalists and like-minded lawmakers, however, urge an immediate transition to carbon-free energy production in order to minimize emissions that cause climate change.

**Compromise Search**

Despite the uncertainty, Reed told Bloomberg BNA he is working with a group of Senate Democrats and Republicans to find a way to move a technology-neutral bill, especially since the House passed the nuclear tax credit bill. "My hope is that as that vehicle goes forward that our technology-neutral-type provisions are recognized in the same caliber as that legislation," Reed said.

Attaching technology-neutral provisions to the nuclear bill could be difficult, especially if the nuclear legislation is fast-tracked through the Senate in a unanimous-consent process as some Republicans are hoping.

Wyden indicated he would wait to see how a Republican bill looks, before committing to compromising on his bill, but added "we are looking for opportunities to advance this."

And Sen. Debbie Stabenow (D-Mich.), Wyden's deputy on the committee, said the measure could be a Democratic position in tax reform negotiations. "We're just now hearing that we may actually have an open process on tax reform in the committee, which would be a welcome change," she told Bloomberg BNA.

The proposal, in fact, could ultimately serve as an olive branch if Republicans need a few Democratic votes to pass comprehensive tax reform. "I'm not saying the inclusion of this proposal would lead those Democrats to support tax reform, but it could entice them. This might move the needle a bit," Beaulieu said.

## China Poised to Blow Past Solar Goals Amid Push to Clear Skies

*Posted July 06, 2017, 9:18 A.M. ET*

*By Bloomberg News*

China is poised to blow past its solar targets several years ahead of schedule as the government presses ahead with efforts to fight pollution, solidifying the nation's role as the world's biggest solar market.

Based on a review of projects already announced or under construction, China could install more than 30 gigawatts of new solar capacity this year, Yvonne Liu, a Beijing-based analyst at Bloomberg New Energy Finance, said in a phone interview. That would push China past its stated goals for 2020.

In 2016, China set out a plan to have at least 105 gigawatts of solar installations in four years. The nation, the world's biggest investor in clean energy, had almost 85 gigawatts as of the end of March after adding 7.21 gigawatts during the first quarter, according to data from China's National Energy Administration.

London-based BNEF's most-optimistic forecasts for China this year see solar installations close to their peak, aided in large part by growth in the commercial solar market. China's overall solar capacity has surged 13-fold since the end of 2012.

China installed a record 34.54 gigawatts of solar last year, according to the NEA. The growth of the market has benefited top panel manufacturers led by JinkoSolar Holding Co. and Trina Solar Ltd.

**Policy Environment**

The nation could add about 20 gigawatts in the first half after a rush of project development ahead of tariff cuts, said Peng Peng, secretary-general of the China Photovoltaic Power Investment & Financing Alliance. She raised her forecast for the year to at least 28 gigawatts from a previous estimate of 25 gigawatts.

The government's goal is "a bottom line," BNEF's Liu said, adding that China could install at least another 25 gigawatts of solar capacity in 2018 if the policy environment remains stable.

Leading to 2020, China is aiming to cut production costs and improve the efficiency of solar-generated power, Xing Yiteng, vice consultant in the new energy division at the NEA, said in February, adding that expansion is secondary.



## France Seeks Carbon Price More Than 19 Times Market Level

*Posted July 06, 2017, 10:42 A.M. ET*

*By Helene Fouquet, Mathew Carr and Mark Deen*

French Environment Minister Nicolas Hulot said he wants to increase the government's target price for carbon emissions to more than 100 euros ($114) a ton by 2030 to meet the nation's climate-change goals.

"The objective is to accelerate the implementation of the Paris climate accord," Hulot said July 6 at a news conference in which he set out a wide-ranging environmental strategy. A Hulot adviser said an earlier report in Le Figaro newspaper that said the 2030 target would be 140 euros a ton was wrong, and that a precise figure would be given in September.

At 100 euros, a French permit to release a ton of the greenhouse gas still would be more than 19 times the current level of European Union carbon allowances.

Companies from Engie to Electricite de France SA have lobbied for a minimum price of at least 30 euros a ton, arguing it would boost the use of cleaner natural gas-fired power stations and carbon-free nuclear generation.

European Union carbon allowances dropped about 22 percent so far this year after the bloc has spent most of the past decade seeking to deal with an accumulated glut in its market that's the equivalent of a full year of supply. Nations, the region's parliament and the European Commission are seeking to finalize plans this year to establish a reserve in 2019 to mop up the program's glut.

The EU may have to consider pursuing a carbon-floor price or a tax in the next decade if the deal on the reserve fails to adequately revive EU allowances, a German government official said in March.



**South African Farmers Wary of Fracking as Licensing Looms**

*Posted July 06, 2017, 8:57 A.M. ET*

*By Paul Burkhardt*

Farmers in South Africa say they need more assurances that shale-gas drilling is safe for their industry as exploration licenses for companies including Royal Dutch Shell Plc are expected in months.

After emerging from the worst drought on record, farmers still aren't clear about where explorers will get the water they need to inject chemicals as part of a drilling technique known as fracking, Johannes Moller, the president of growers' body Agri SA, said July 5 at a press conference. There's also uncertainty about how land will be rehabilitated after drilling and how land owners will be compensated, he said.

The development of gas in the semi-desert Karoo region, which is estimated by regulators to hold as much as 201 trillion cubic feet of the resource, has been slowed by legislative delays. Momentum has increased following the introduction of a program to diversify South Africa's fuel mix by using natural gas, and Mineral Resources Minister Mosebenzi Zwane has said he favors the exploitation of shale resources.

"We can't support the government's view on progressing shale gas" until there are answers, Moller said. South Africa's Academy of Science in November also recommended further research before moving ahead with exploration.

Representatives of Shell, the Department of Minerals and the Department of the Environment didn't immediately return emails seeking comment.

The minister will decide on five applications in the third quarter, according to Petroleum Agency South Africa. If permits are issued, Agri SA will appeal immediately, said Janse Rabie, the group's head of natural resources.

One of the least-populous areas of the country, the Karoo produces most of South Africa's wool and accounts for the bulk of the country's mohair output, as well as sheep and ostrich meat.





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**Energy and Climate Report**

**To:** Jackson, Ryan[jackson.ryan@epa.gov]
**From:** EPA Press Office
**Sent:** Thur 11/9/2017 6:01:35 PM
**Subject:** Senate Confirms William Wehrum to Lead EPA Air Office

## Senate Confirms William Wehrum to Lead EPA Air Office

**WASHINGTON** (November 9, 2017) – Today, U.S. Environmental Protection Agency (EPA) Administrator Scott Pruitt praised the U.S. Senate vote to confirm William (Bill) Wehrum to serve as the Assistant Administrator for EPA's Office of Air and Radiation.

"I want to thank Leader McConnell and Chairman Barrasso for their continued partnership and outstanding leadership with getting Bill confirmed to such an important role at the agency. Bill Wehrum has a long history of public service, including over 30 years working in the environmental field. I look forward to him joining EPA to help us implement our positive environmental agenda and administer programs that ensure that Americans have access to clean air," **said EPA Administrator Scott Pruitt.**

On October 25, 2017, the U.S. Senate Committee on Environment and Public Works, led by U.S. Senator John Barrasso (R-WY) advanced William Wehrum's nomination out of committee.

Visit The EPA's Newsroom