

To: Jackson, Ryan[jackson.ryan@epa.gov]
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Energy and Climate Report

Afternoon Briefing - Your Preview of Today's News

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

House Panel Approves Energy Bills as Pallone Urges Climate Action

Posted June 07, 2017, 01:31 P.M. ET

By [Brian Dabbs](#)

A House panel unanimously approved a slew of energy bills June 7, including a measure to increase workforce education and training for energy and manufacturing-related fields.

That [bill](#) (H.R. 338), which authorizes no additional spending, directs the Energy Department to prioritize skill strengthening for minority and displaced workers in the fossil fuel, nuclear, utility, pipeline, renewable, petrochemical, manufacturing and electrical construction sectors.

The legislation approved the House Energy and Commerce Committee alongside 10 other energy bills, including a [mandate](#) (H.R. 627) for the Energy Department to create a clearinghouse for information on energy efficiency underwriting programs and another [measure](#) (H.R. 1109) to increase the size of a public utility merger or sale that necessitates prior Federal Energy Regulatory Commission approval. That threshold would be raised from \$50,000 to \$10 million.

The hearing marked the committee's first approval of energy bills this Congress, despite exploratory hearings on hydropower approval revamps, funding for the proposed Yucca Mountain nuclear waste repository and brownfields reauthorization.

'Think Bigger'

The committee's ranking member, Rep. Frank Pallone (D-N.J.), lauded those bills but urged more significant action.

Clean energy policy is now the responsibility of Capitol Hill following President Donald Trump's withdrawal from the Paris climate accord, and Congress needs to "think bigger," Pallone said at the hearing.

"We can't just recycle energy proposals from the last Congress which were proposed with the Paris Agreement in place," he said. "This committee should be focusing on modernizing our infrastructure by reducing vulnerabilities to climate change."

Pallone called on Republican leadership to take up a sweeping infrastructure [bill](#) that Democrats

proposed in mid-May. That legislation (H.R. 2479) would provide more than \$17 billion for school and home retrofitting, solar installations, methane pipeline replacement and other energy initiatives.

If Trump Gets His Way, World May Not Know If U.S. Emissions Rise

Posted June 07, 2017, 10:43 A.M. ET

By Christopher Flavelle

President Donald Trump's critics argue that pulling the U.S. out of the Paris climate accord will lead to an increase in greenhouse gas emissions.

If Trump has his way, the world may never know.

The president's budget request to Congress would eliminate or gut core programs across the federal government that track the heat-trapping gases. If those cuts go ahead, the government may not be able to tell if emissions are rising or falling.

"The first step in any decent regulatory program is a requirement for monitoring," David Doniger, director of the climate and clean air program at the Natural Resources Defense Council, said in an interview. "If you don't know what's there, it's harder for the public or the regulators to do anything about it."

Stephen Cole, a spokesman for NASA, which is slated under the president's proposed budget to lose money for a satellite-based carbon-measuring system, said the cut reflects budget constraints. "NASA remains committed to studying our home planet and the universe, but we are reshaping our focus within the resources available to us," he said in an email.

Whether the cuts happen will depend on Congress, and the degree to which Republicans share Trump's priorities.

Critics of government climate efforts, meanwhile, support the administration's cuts, calling emissions monitoring programs a waste of taxpayers' money. "This doesn't necessarily need to be housed within the federal government," said Nick Loris, a research fellow for the Heritage Foundation. "If the private sector wants to continue to pursue greenhouse gas monitoring, that's fine."

Tools for Tracking

The government has two basic tools for tracking emissions. The Trump administration is proposing to cut or wind down both of them.

The first approach is to measure gases at their source. Every factory or other installation that emits the equivalent of 25,000 tons or more of carbon dioxide, the primary contributor to global warming, must track and report those emissions to the Environmental Protection Agency. The agency makes those emissions public through its annual Greenhouse Gas Inventory.

That inventory makes it possible for the federal government to measure total emissions, and also to see changes in emissions by industry and by region. It also fulfills the U.S. commitment under a 1992 United Nations climate treaty, signed by President George H. W. Bush and ratified by the Senate, to publish "national inventories of anthropogenic emissions by sources."

Trump's budget request would reduce funding for the EPA's greenhouse-gas reporting program by 86 percent, to \$14 million in 2018 from \$95 million this year. It is not clear how the EPA would be able to continue the inventory with that cut, according to Janet McCabe, who was responsible for it as head of the EPA's Office of Air and Radiation under President Barack Obama.

"Sometimes we find out that certain activities emit LESS than we thought, sometimes more," McCabe said in an email. "As they say, you can't manage what you don't measure."

And rolling back the program would give tacit permission to other countries to make similar changes, according to Bob Perciasepe, deputy EPA administrator from 2009 to 2014.

"Weakening U.S. capacity to report accurately will undermine our ability to push the rest of the world to be transparent," Perciasepe said in an email. "One of the core strengths of the Paris agreement is extending similar requirements to China and other developing countries so they're more accountable to the international community."

The EPA said it can do more with less. "While many in Washington insist on greater spending, EPA is focused on greater value and results," the agency said in an emailed statement.

Satellite Measurement

The second way to measure greenhouse gas emissions is in the atmosphere.

In 2010, NASA created the Global Carbon Monitoring program, which uses satellites to detect the concentration of those gases. Trump's budget request would eliminate that program entirely.

The NASA program provides "long-term, reliable, continuous data series" that can't be matched by other countries, said Gretchen Goldman, research director for the Center for Science and Democracy at the Union of Concerned Scientists. "Without such vital monitoring efforts, we can't understand and prepare for climate change as well."

Democrats say they will try to maintain funding for the programs.

"We know that the Earth is warming, sea ice is disappearing, the glaciers are receding, the oceans are acidifying, and sea levels are rising," Representative Eddie Bernice Johnson, the top Democrat on the House Committee on Science, Space and Technology, said in an email. "We know all of this from climate research and monitoring."

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Electric Car Market Goes Zero to 2 Million in Five Years

Posted June 07, 2017, 8:41 A.M. ET

By Jessica Shankleman

The number of electric vehicles on the road rocketed to 2 million in 2016 after being virtually non-existent just five years ago, according to the International Energy Agency.

Registered plug-in and battery-powered vehicles on roads worldwide rose 60 percent from the year before, according to [the Global EV Outlook 2017 report](#) from the Paris-based IEA. Despite the rapid

growth, electric vehicles still represent just 0.2 percent of total light-duty vehicles.

“China was by far the largest electric car market, accounting for more than 40 percent of the electric cars sold in the world and more than double the amount sold in the United States,” the IEA wrote in the report published June 7. “It is undeniable that the current electric car market uptake is largely influenced by the policy environment.”

A multi government program called the Electric Vehicle Initiative on June 8 will set a goal for 30 percent market share for battery power cars, buses, trucks and vans by 2030, according to IEA. The 10 governments in the initiative include China, France, Germany, the U.K. and U.S.

India, which isn't part of the group, said last month that it plans to sell only electric cars by the end of the next decade. Countries and cities are looking to electric vehicles to help tackle their air pollution problems.

In order to limit global warming to below 2 degrees Celsius (3.6 degrees Fahrenheit), the target set by the landmark Paris Agreement on climate change, the world will need 600 million electric vehicles by 2040, according to the IEA.

After struggling for consumer acceptance, Tesla Inc. has made electric vehicles cool and trendy, and is pushing into the mass market with the new Model 3 sedan.

Consumer interest and charging infrastructure, as well as declining demand for diesel cars in the wake of Volkswagen AG's emissions scandal, has spurred massive investments in plug-in cars. An electrical vehicle “cool factor” could spur sales to 450 million by 2035, according to BP Chief Economist Spencer Dale.

Volkswagen, the world's largest automaker, plans to roll out four affordable electric vehicles in the coming years as part of a goal to sell more than 2 million battery-powered vehicles a year by 2025. Mercedes-Benz accelerated the introduction of 10 new electric vehicles by three years to 2022 to take on Tesla as the dominance of the combustion engine gradually fades.

--With assistance from Chris Reiter.

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Top German Court Blocks Nuclear Fuel Tax

Posted June 07, 2017, 02:45 P.M. ET

By [Tino Andresen](#) and [Karin Matussek](#)

Germany's Constitutional Court said June 7 the federal government overstepped its powers when introducing the national nuclear-fuel tax in 2011.

The judges rejected arguments from lawmakers that the levy was a consumption tax, for which the government would have had legislative powers. Reactor operators had to pay 145 euros per gram of nuclear fuel when they exchanged a fuel rod, cutting their profit.

Germany's biggest power producers are set to recover about 6 billion euros (\$6.7 billion) after the ruling.

The verdict means RWE AG shareholders could be in line for a special dividend, while EON SE may be able to forgo a sale of hybrid bonds, according to analysts at RBC Europe Ltd. and Independent Research GmbH.

EON expects that it will get 2.85 billion euros plus about 450 million euros in interest, which the company will use to strengthen its balance sheet, the Essen-based utility said after the ruling. RWE had paid about 1.7 billion euros toward the tax, the company said in a statement. The utility hasn't yet decided how it will use the funds.

"RWE has no need for the cash so any payment received may be given back to shareholders in some form of special dividend or enhanced regular dividend," John Musk, an analyst at RBC Europe Ltd., said June 7 in a note to clients.

Hybrid Bonds

The reimbursement would help EON repair a balance sheet hurt by a deal with Chancellor Angela Merkel's government on funding the nation's exit from nuclear power by 2022 as well as the billions of euros it wrote down related to the spinoff of its fossil-fuel generation business Uniper SE. The utility was considering as recently as last month a sale of hybrid bonds, securities that combine elements of equity and debt.

Christian Drepper, a spokesman at EON, declined to comment on the utility's bond plans.

The windfall may reduce how much of the hybrid debt EON sells, according to Sven Diermeier, an analyst at Independent Research.

The fuel-tax rebate would also ease EON's need for asset disposals and capital expenditure cuts in its plans to reduce net debt by about 24 percent to 20 billion euros, said RBC's Musk. "More importantly, it may allow EON to move to a more appropriate payout ratio on dividends" from 40 percent to 60 percent of adjusted net income, he said.

The constitutional court issued its ruling as guidance in a case in Hamburg. As the ruling is "clear cut," finance authorities will most likely reimburse the funds, ending the case, said Matthias Tiemann, spokesman for the lower court. The tax had expired in 2016.

"We have taken note of the judgment of the Federal Constitutional Court on the nuclear fuel tax," Finance Ministry spokesman Juerg Weissgerber told reporters at a regular government press conference in Berlin. "We would have expected the Federal Constitutional Court to endorse our argument that the nuclear fuel tax is constitutional."

Germany's switch to renewables forced traditional utilities to reinvent themselves through reorganizations as power prices slid to a decade-low. The ruling is the second time in six months, however, that the companies have won some relief from the top court as judges in December said they should be compensated for power-production rights lost related to nuclear power.

--With assistance from Rainer Buergin and Rob Verdonck.

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Dark Clouds Hang Over Nuclear Town Torpedoed by Green Energy

Posted June 07, 2017, 10:45 A.M. ET

By Jesper Starn

In an eerily quiet nuclear reactor hall in southern Sweden, new copper and steel machinery stretching 50 meters and weighing hundreds of tons is just sitting idle.

Bought from France and Germany as part of a \$450 million upgrade at the now defunct Oskarshamn-2 facility, the turbines, steam pipes and feed-water pumps were supposed to help supply cheap electricity to the Nordic market for decades to come. Instead, they will probably be sold as scrap metal. The junk pile may grow even bigger as another reactor at the site will produce its last megawatt by the end of June.

The plant is yet another victim of an unprecedented surge in renewable energy that has sent margins at traditional power stations plunging, leaving thousands of old-school energy workers across Europe unemployed. Oskarshamn also houses a third reactor and its fate will be decided later this year by owners Uniper SE and Fortum Oyj, a decision seen as a bellwether for future investment in other Swedish atomic stations.

For the town of Oskarshamn, the utilities' decision later this year on whether to pour another one-billion kronor (\$114 million) into the region's biggest reactor to keep it humming until 2045 couldn't be more significant.

With job cuts also looming at other local factories from a nuclear subcontractor to truck maker Scania AB, halting power production permanently would be another big knock to the town after the shipyard closed in the 1970s, its largest employer at the time.

"It's a scenario I do not even dare to fully consider," Peter Wretlund, Oskarshamn's mayor, said in his office overlooking the town's port on the Baltic Sea. "It would have grave consequences for the population."

While governments in Germany, France and Switzerland are deciding on when to shut down reactors, Sweden will let market conditions be the judge on the life of its remaining six units. Even after a nuclear tax was abolished, conditions remain harsh for operators as they compete with subsidized renewable energy flowing across the European grids.

Local politicians are worried about the town's future. One of the main obstacles for growth is its remote location on the southeast coast, far from any of Sweden's major cities. The closest large international airport is in Copenhagen, another flight or a 4.5-hour train ride away.

"So many highly skilled workers are leaving the city," Eva-Marie Hansson, a local politician for the opposition Moderate Party, said in an interview. "People here do not have the opportunity to stay and easily commute to other big cities."

To combat the brain drain, Oskarshamn bid to host a 4 billion-euro (\$4.5 billion) large-scale battery factory earlier this year for Northvolt AB. The plan was to build the factory on the nuclear site, with existing security and access to high-voltage grid connections as main selling points.

The project didn't make the short-list, said Wretlund. Northvolt listed good transport links as one of the main criteria for its location.

For now, the nuclear plant's biggest challenge is to cut its operating costs. It plans to cut staff by 32 percent to 600 by 2019 compared with last year.

Uniper had sold half of its 2019 Swedish production in advance at between 19 euros and 23 euros per megawatt-hour in May, a level that also includes the company's hydro power production. That compares with plant costs of 40 euros before tax cuts in 2014, the latest available figure.

Attracting new tenants in the mode of Northvolt seem logical and others have done it before. Google Inc. bought the Summa paper mill in Finland from Stora Enso Oyj in 2009 and converted it to a data center using existing grid connections. The project employed 2,000 people during construction.

"Our assessment is that we can reach long-term profitability," Johan Svenningsson, Uniper's chief executive officer, said in a phone interview. "But we still need to see that costs can be brought down to the levels we require before making a decision."

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