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Daily Environment Report

Afternoon Briefing - Your Preview of Today's News

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Lawsuit Claims Duke Energy Storing Ash in 'Open Dump'

Posted August 02, 2017, 03:14 P.M. ET

By [Andrew M. Ballard](#)

Duke Energy is operating an “illegal open dump” at its Roxboro, N.C., facility, an environmental group said in a lawsuit seeking to alter the utility’s coal ash storage plans.

Coal ash pits on the site in Person County are polluting groundwater and nearby Hyco Lake, according to Frank Holleman, a senior attorney with the Southern Environmental Law Center in Chapel Hill, N.C.

The utility “needs to put forward a plan to get its ash out of the groundwater, to remove the ash from the floodplain, to get rid of its dangerous dams, and to safely store its coal ash where it won’t pollute,” Holleman said in a statement.

The [lawsuit](#), filed Aug. 2, claims that Duke Energy’s closure plan violates the federal Resource Conservation and Recovery Act and associated coal ash regulations, and the ash should be removed and managed in lined landfills (Roanoke River Basin Assn. v. Duke Energy Progress, LLC, M.D.N.C., No. 1:17-cv-707, complaint 8/2/17).

Danielle Peoples, a spokeswoman for Duke Energy in Charlotte, N.C., called the lawsuit “yet another example of SELC’s extreme agenda,” adding the environmental group seeks to get courts to “upend strong state and federal policy regulating the closure of ash basins.”

‘Strong Progress’

Duke Energy is “making strong progress at the Roxboro plant” by building lined retention basins to manage water and fully convert to dry coal ash management in future disposal, Peoples said.

“Excavating all ash basins is the most extreme and disruptive approach” and federal rules not only allow for capping in place but also require decades of groundwater monitoring after they are closed,

she told Bloomberg BNA Aug. 2.

Duke Energy has 14 coal ash sites in North Carolina and has been the subject of several lawsuits by the Southern Environmental Law Center and other conservation groups over ash storage and management practices at its facilities.

Energy Department Denies Perry's Move to Homeland Security Post

Posted August 02, 2017, 11:41 A.M. ET

By [Jennifer A. Dlouhy](#) and [Jennifer Jacobs](#) (Bloomberg News)

A Department of Energy official Twitter accounted denied the Trump administration is considering Energy Secretary Rick Perry for the top position at the Department of Homeland Security.

"While [@SecretaryPerry](#) is honored to be mentioned, he is happy where he is & focused on carrying out mission POTUS gave him to lead [@ENERGY](#)," DOE Press Staff wrote on Twitter. Earlier Bloomberg reports suggested Perry, the former Texas governor, could be a possible replacement for John Kelly, who left the job when he was named White chief of staff.

Another name some administration officials are said to favor is House Homeland Security Committee Chair Michael McCaul, a Texas Republican who was previously considered for the Homeland Security job before Trump nominated Kelly.

—With assistance from Marissa Horn (Bloomberg BNA).

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GE Claims Vestas Infringes Wind Turbine Power Control Patent

Posted August 02, 2017, 01:58 P.M. ET

By [Susan Decker](#), [Christopher Martin](#) and [Anna Hirtenstein](#)

General Electric Co., which lost its top spot in wind turbine sales this year, claims new market leader Vestas Wind Systems A/S is using its technology to protect their turbines from dramatic fluctuations in power.

The dispute comes as the U.S. wind industry is gearing up for significant growth. At the end of June, more than 25.8 gigawatts of wind farms were under construction or in advanced development in the U.S., up 41 percent from a year earlier, according to a report from the American Wind Energy Association. That's on top of the 84 gigawatts already installed.

GE and Vestas dominate the market with a combined 83 percent of those projects that have contracts for turbines. Vestas has installed more wind turbines than any other firm, working in 33 countries across six continents last year. It recently surpassed GE to take the biggest market share in the U.S.

Vestas Chairman Bert Nordberg said he was concerned about maintaining this lead in an April interview, anticipating sharper competition from GE.

The patent covers a technology known as zero voltage ride through, which enables wind turbines to remain connected to the grid without damage during voltage fluctuations such as those caused by lightning strikes or short circuits. Typically the turbines were designed to disconnect from the grid.

Vestas said in a statement that it's not been able to study the complaint in detail.

"Based on our initial assessment we strongly believe that the complaint is without merit and intend to challenge it," the company said.

Earlier Dispute

The patent is the same one that GE successfully asserted in a 2010 lawsuit against Mitsubishi Heavy Industries Ltd. A federal jury awarded \$170 million to GE, though the companies later settled.

GE contends Vestas is using the technology for marketing and at wind farms in 11 U.S. states. Vestas knew of the patent because one of its engineers was subpoenaed to provide documents and testimony in the Mitsubishi Heavy case, according to the complaint GE filed Aug. 1 in federal court in Los Angeles.

Anticipated advances in windmill technology is one of the key drivers pushing down the costs of wind farms. As turbines get bigger and more efficient, developers can reduce costs and generate returns more quickly by selling greater volumes of electricity to the grid. Manufacturers keep the contents inside the turbine nacelles, the boxes covering all the power-generating components, a tightly held secret.

GE contends that it's entitled to cash compensation for the unauthorized use of its invention and will seek a court order that would block further use of the ride-through invention by Vestas.

The case is General Electric Co. v. Vestas Wind Systems A/S, 17-5653, U.S. District Court for the Central District of California (Los Angeles).

—With assistance from Christian Wienberg.

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South Carolina May Spend 60 Years Paying for Nukes Never Built

Posted August 02, 2017, 8:35 A.M. ET

By [Lynn Doan](#) and [Mark Chediak](#)

Utility customers in South Carolina may end up spending the next 60 years paying billions for two nuclear reactors that'll never get built, based on a proposal that Scana Corp. filed with regulators late Aug. 1.

Scana is seeking state approval to collect \$4.9 billion from customers to cover the costs of scrapping two half-finished reactors after construction delays and billions in cost overruns forced the utility owner to pull the plug. Scana is proposing to gradually recover abandonment expenses through customer rates over six decades. Going through with the project would've ultimately cost more than \$20 billion, based on company forecasts.

Scana's estimates land the V.C. Summer project a place among the costliest nuclear power plants that failed to be built in the U.S., underscoring the ballooning price that consumers have paid for a long-hyped nuclear renaissance that has yet to materialize. Duke Energy Corp., Dominion Resources Inc. and NextEra Energy Inc. are among the utilities that have been cleared by regulators to charge at least \$1.7 billion for reactors that exist only on paper, filings analyzed by Bloomberg last August show.

A 60-year recovery period will at least "minimize the near-term rate impact" to South Carolina customers, Paul Patterson, an analyst for Glenrock Associates LLC, said.

Scana pointed out Aug. 1 that a tax deduction could reduce the impact on ratepayers. The utility also said in its filing that "mitigating adjustments" such as guaranteed payments from Toshiba Corp.—the parent of the project's now-bankrupt contractor Westinghouse Electric Co.—will mean customers won't see cost increases "for a number of years."

According to Scana's filing, the South Carolina Public Service Commission had originally approved a forecast capital cost for the project of \$6.3 billion. The utility estimated in a recent review that the reactors would cost it about \$8.8 billion to complete. The economics of such nuclear projects have meanwhile been undermined by low natural gas prices and the onslaught of cheap, renewable power.

Scana is relying on a South Carolina law that allows for a utility to collect capital costs for an abandoned plant so long as it can prove the decision to halt construction was "prudent." And after the company's partner in the project, Santee Cooper, decided to pull out July 31, Scana said, the only prudent course of action was to stop construction.

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Pot Laced with Pesticides Forces States to Act as EPA Stays Away

Posted August 02, 2017, 8:26 A.M. ET

By [Jack Kaskey](#) (Bloomberg News)

Whenever Josh Wurzer buys legal California pot, he makes certain it was grown without pesticides.

That's because Wurzer, as president of cannabis-testing company [SC Labs](#), knows how prevalent the use of health-threatening chemicals are in an industry that until recently operated mostly in the shadows. Three to four of every 10 samples that SC tests reveal the presence of pesticides that shouldn't be used on cannabis, including one that turns into a poisonous gas when ignited, he said.

"I don't want some farmer with no one looking over their shoulder spraying away all kinds of pesticides that they don't really understand, that they are not really trained to use," said Wurzer, who has a doctor's prescription to buy pot. "I choose to get cannabis from people I know aren't using pesticides."

With 29 states and the District of Columbia now allowing medical or recreational cannabis use, the \$6 billion U.S. industry is expected to reach \$50 billion by 2026, according to investment bank Cowen & Co. Yet many states are just beginning to check for pesticides, while some have no testing program at all. California, where voters approved medical marijuana 20 years ago, won't begin testing for impurities until recreational sales begin Jan. 1.

Regulating pesticides for marijuana plants is a state issue because the federal government still classifies pot as an illegal drug. That's prevented the Environmental Protection Agency from evaluating the safe use of cannabis pesticides, as it does for all other crop chemicals. An attempt by Scotts Miracle-Gro Co. to register some pesticides for pot was rebuffed in June by EPA Administrator Scott Pruitt.

Colorado last year found that 49 percent of cannabis samples tested in response to complaints had residue of unapproved pesticides, according to state Department of Agriculture data. The failure rate so far this year is 13 percent, demonstrating how testing improves the safety of marijuana, according to Jan Stapleman, a spokeswoman for Colorado's Department of Public Health and Environment.

Oregon also is seeing an improvement after mandatory testing that started late last year resulted in hundreds of failures, Jonathan Modie, a spokesman for the state Health Authority, said.

The advent of state-regulated cannabis testing has gone a long way toward ensuring legal pot can "reasonably be considered safe," Whitney Cranshaw, an entomologist and pesticide expert at Colorado State University, said. "Prior to that point, we were in a Wild West period with pesticide use, since not only the federal agencies but also the state agencies avoided the issue entirely."

Testing is only now getting started because marijuana was illegal for so long, said Natalie Darves, who runs Cougar Acres Consulting and teaches at Oaksterdam University in Oakland, Calif., which bills itself as America's first cannabis college. The long prohibition and current quasi-legal status has politicized marijuana, making states hesitant to step into the federal government's regulatory role, she said.

When they do step in, states struggle with implementing a pot-testing program, said Julianne Nassif, director of environmental health at the Association of Public Health Laboratories. Lacking federal guidance, they must develop regulations, license private labs if they aren't going to test samples in state facilities and determine what types of pesticides, pathogens, fungal toxins and heavy metals to monitor. And funding is always an issue, she said.

Baked Goods

Cannabis regulation is further complicated by the dizzying number of ways pot can be consumed in recreational markets like Colorado, John Scott, pesticide section chief for the state agriculture department, said. In addition to smoking, cannabis can be ingested through baked goods, eye drops, skin lotions and even suppositories, Scott said. Smokable extracts not only concentrate marijuana's active ingredients, but also any pesticide residue, he said.

"Marijuana is unlike any other agricultural crop that we have ever dealt with," Scott said.

Three pesticides accounted for more than one-third of about 900 cannabis failures in Oregon since October, according to state testing data compiled by Bloomberg. The most common was spinosad, a relatively safe insecticide used to control caterpillars on crops such as corn, cotton and tobacco. The second leading cause of failure was piperonyl butoxide, a chemical used with other insecticides to boost effectiveness that the EPA says is a possible human carcinogen.

Myclobutanil, the third-most-common pesticide detected, can be dangerous on cannabis because heating the chemical creates hydrogen cyanide, a poisonous gas. In Canada, where medical marijuana is legal nationwide, the discovery of myclobutanil and piperonyl butoxide residue in

cannabis this year prompted product recalls and the start of a mandatory testing program.

Clean Cannabis

Sold by Dow Chemical Co. as Eagle 20, myclobutanil is typically used to combat powdery mildew. But it's unnecessary for cannabis when growers can turn to safe solutions such as Regalia, a nontoxic treatment for the pest, Oaksterdam's Darves said.

Regalia is made by Marrone Bio Innovations Inc., a publicly traded producer of biopesticides. Pam Marrone, chief executive officer of Marrone Bio, said she had no plan to supply pot farmers when Regalia became a hot topic in online chat rooms. Growers flooded customer-service lines with requests for the plant-based product. So Marrone hired a distributor, Vital Garden Supply, to sell Regalia, Grandevo and other biopesticides to the cannabis market.

"They were a little nervous about going into the cannabis industry," Paul Harton, a Vital sales manager, said. "We sell a phenomenal amount of their products, and it's growing exponentially."

Some businesses are catering to customers concerned about pesticides by offering so-called clean cannabis. Amy Andriele, co-owner of L'Eagle Services, a Denver dispensary and grower, said non-toxic treatments like neem oil and garlic sprays—along with dehumidifiers and high-grade air systems—help her prevent common pot pests like powdery mildew. She also uses beneficial bugs and biological treatments to control damaging insects. Third-party tests provide proof to customers that L'Eagle weed is pesticide-free.

Finding clean-cannabis suppliers may be the best route for pot users concerned about pesticide residues in states where there is no testing regime. Arizona, for instance, has no plans to establish such a program because that wasn't part of the voter-approved referendum allowing medical marijuana, said Holly Ward, a spokeswoman for the state Department of Health Services. More than 137,000 residents are enrolled in Arizona's medical marijuana program.

Wurzer, who runs the California testing lab, said he's relieved consumers won't need to worry about hazards in their weed once the state implements its program in the new year.

"It's really a good thing for the general cannabis consumers that California is regulating now," Wurzer said. "People can assume that someone is actually looking out for them."

—With assistance from Tiffany Stecker (Bloomberg BNA).

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Jacobs Seeks Splash in Water Business With \$2.85 Billion Deal

Posted August 02, 2017, 03:15 P.M. ET

By Richard Clough, Phil Serafino and Oliver Sachgau

Jacobs Engineering Group Inc. is opening up the checkbook to capitalize on growing demand worldwide for water and other infrastructure projects.

The construction giant agreed to buy CH2M HILL Cos. Ltd. for \$2.85 billion, a deal that could give Jacobs a leading position in a potential \$100 billion market for wastewater treatment, desalination

and water supply, the companies said Aug. 2.

“One of the top priorities was the water business that we’re acquiring, which is one of the highest growth businesses in our industry,” Steve Demetriou, chief executive officer of Jacobs, said on a conference call. “That’s a business that’s been growing industrywide around 8 to 10 percent, so that is exciting for us.”

The deal, slated to close by the end of 2017, broadens the reach of one of the world’s largest engineering and construction firms at a time when President Donald Trump is calling for greater spending on U.S. infrastructure. CH2M, which makes most of its money from government contracts, has worked on high-profile projects such as the 2012 London Olympics and an expansion of the Panama Canal.

Demetriou pointed to the western and midwestern U.S.—“where aging infrastructure has been neglected for quite some time”—along with Australia and Southeast Asia as potential growth markets. In addition to Jacobs’s infrastructure operations, the aerospace and industrial businesses also stand to benefit from the combination with CH2M, he said.

Annual Sales

The combined company will have pro forma annual sales of \$15.1 billion. About 56 percent of sales will come from infrastructure and government services, an increase from Jacobs’ previous total of about 45 percent, Demetriou said.

“Our two companies are highly complementary with very little overlap,” he said.

The acquisition will boost Jacobs’ adjusted per-share earnings by 15 percent in the first full year after closing, the companies said in a statement. Adjusted cash earnings will increase 25 percent a share. The purchase values CH2M at \$3.27 billion including net debt, or about 6.9 times adjusted profit.

Apollo Global Management LLC, which has a voting stake in CH2M of about 18 percent, has agreed to vote in favor of the transaction, according to the statement.

Worker Controlled

CH2M, based in Englewood, Colo., is one of the largest employee-controlled companies in the U.S., owned by around 20,000 stockholders, including active and former employees, according to its [website](#). The company has singled out Trump’s promised infrastructure spending as a source of future revenue.

Perella Weinberg Partners LP and Morgan Stanley are advising Jacobs on the deal, while Fried, Frank, Harris, Shriver & Jacobson LLP and Wachtell, Lipton, Rosen & Katz are providing legal advice. Bankers from Bank of America Merrill Lynch and Credit Suisse are advising CH2M with Latham & Watkins LLP and Richards, Layton & Finger P.A. as legal counsel.

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Israeli-French Satellite to ‘Observe in Detail Climate Change’

Posted August 02, 2017, 5:20 A.M. ET

By Matthew Kalman

Israel and France launched an environmental observation satellite that will monitor climate, soil, water and pollution at more than 100 sites around the world.

Developed jointly by the Israel Space Agency and the Centre National d'Etudes Spatiales of France, the 265 kilogram (584 pound) satellite was launched Aug. 2 Israel-time on a Vega rocket from the Kourou Space Center in French Guiana. It will orbit the Earth on a polar trajectory 29 times every 48 hours, operated from ground facilities in Tel Aviv and Haifa in Israel, Toulouse, France, and Kiruna, Sweden.

Israel's first environmental satellite—dubbed VENUS for vegetation and environment monitoring on a new micro satellite—is equipped with a multispectral camera built by Israel's Elbit Electro-Optic Systems, Elop Ltd., that will scan the Earth on 12 wavelengths. Israel joins a handful of nations operating environmental satellites, which were first launched by the U.S. in the 1970s.

Invisible Gases

The satellite will provide some information that is currently unavailable to scientists studying climate change, said Arnon Karnieli, head of Ben-Gurion University's remote sensing laboratory at the Jacob Blaustein Institutes for Desert Research in Sede Boqer, Israel.

"We will develop new concepts for monitoring the Earth, which will be different from the common Earth observations because of the special characteristics of the satellite," Karnieli told Bloomberg BNA in a telephone interview July 30. "We will be able to give the scientists data every other day at the same angle with a very high resolution at the spectral bands that they need for monitoring the Earth's vegetation and land."

The camera's broad wavelength can detect gases invisible to the naked eye, enabling researchers to measure pollution, disease and other issues on land and sea. By analyzing and comparing the series of images of the same location, researchers will be able to assess the state of the soil, understand how vegetation is developing, and detect the spread of disease or contamination.

"Venus will allow us to observe in detail climate change," said Jean-Yves Le Gall, president of the French space agency CNES, in a recent ceremony at Israel Aircraft Industries. "It will observe vegetation with an immensely high resolution showing details up to 5 meters every two days on 110 different scientific sites."

The satellite will operate about 450 miles above the earth's surface, and the first phase of its missions is scheduled to last 2 1/2 years.

Siberian Permafrost

The Max-Planck Institute in Germany will use the satellite's imagery of permafrost in Siberia for its project to improve land cover maps and track changes in planet cover, snow cover, surface water and flood zones.

"No other sensor currently in orbit combines this kind of revisit rate and resolution for keeping track of vegetation," the French space agency said.

The launch also carried another payload, a spy satellite built by Israeli contractors for the Italian government. Israel's previous space projects have all been for defense, sponsored by the government, or commercial communication. The last attempt, the communications satellite Amos-6, was destroyed by fire two days before its planned launch by Elon Musk's SpaceX Inc. in September 2016.

Venus cost about 100 million euros (\$118 million) with 40 million euros each contributed by Israel and France, and 20 million euros by Rafael Advanced Defense Systems Ltd. and Israel Aircraft Industries, the government-owned companies that built most of the equipment.

Ikea Starts Selling Solar Batteries to U.K. Homeowners

Posted August 02, 2017, 03:21 P.M. ET

By [Jessica Shankleman](#)

Home retailer IKEA of Sweden AB will start selling batteries for rooftop solar panels in the latest sign that once-costly storage technologies are becoming mainstream.

The Solar Battery Storage system was announced Aug. 2 in partnership with U.K. panel provider Solarcentury Holdings Ltd., providing potential savings on electricity bills by enabling users to use stored solar power when the sun is down and power grid costs are high.

The news came after the U.K. government set out last month to help energy consumers and industries save as much as 40 billion pounds (\$52 billion) on their electricity bills by opening the grid to battery storage devices. The cost of lithium-ion cells used in batteries has already fallen 73 percent since 2010 and more price declines are expected.

A solar panel and battery storage kit from IKEA would cost from 6,925 pounds (\$9,155), which would be returned over 12 years, according to the statement by IKEA on its website.

"With energy bills already going up 15 percent this year, there's never been a better time for customers to take back control of their electricity bills and maximize their savings by switching to solar and solar storage," Hege Saebjornsen, sustainability manager for IKEA U.K. & Ireland, said in a statement.

Centrica Plc on Aug. 1 hit U.K. households with a 12.5 percent rise in electricity prices, defying a government pledge to lower costs. SSE Plc, Innogy SE's Npower unit, Iberdrola SA's ScottishPower business and EON SE have all announced price increases since the start of the year.

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Coal Giant to Australia: Focus on Economy Before Paris Pact

Posted August 02, 2017, 9:05 A.M. ET

By [Perry Williams](#)

Australia may need to consider delaying its goals to combat global climate change in order to prioritize energy security and economic prosperity, according to a senior executive at Glencore Plc.

The country's emerging energy crisis, in conjunction with government-imposed clean-energy targets, has undermined investor confidence and may force businesses to shut or move offshore, the commodity giant's global coal head, Peter Freyberg, said in a speech Aug. 2 in Sydney.

"If that means Australia needs to consider a possible delay in meeting its emission reduction targets under the Paris Agreement in order to prioritize energy security and economic prosperity, then its worthy of further discussion," he said, adding that Swiss-based Glencore has invested \$20 billion in its Australian assets and last year contributed more than \$12 billion to the economy.

Australia, one of the world's biggest coal and natural gas exporters, was among more than 150 signatories to the November deal in Paris, aimed at lowering carbon dioxide emissions to limit a rise in global temperatures. Meanwhile, rising power and gas prices in the past year, as well as occasional blackouts, have put the nation's energy security under scrutiny, a situation Freyberg said stemmed from "a decade of poorly designed and uncoordinated energy policy."

"Renewable energy has a role to play in Australia's energy mix, but not at any cost and not at the expense of grid stability, reliability or other energy options," he said in his speech.

Falling Demand

Global coal consumption dropped 1.7 percent last year compared with an average 1.9 percent yearly rise from 2005 to 2015, BP Plc said in its annual review of global energy trends. Use is falling as the world's biggest energy companies promote cleaner-burning natural gas and as China, which accounted for about half of all coal burned, evolves to focus more on services than heavy manufacturing, while renewable energy like wind and solar becomes cheaper, according to BP's analysis, published in June.

Freyberg's defense of coal in Australia contrasts with comments last month by Andy Vesey, head of the nation's largest power generator, AGL Energy Ltd., who urged the government to exclude coal from its planned clean energy target and said there's no appetite among private investors to fund new coal-fired plants.

Outside of Australia, coal provides secure and reliable baseload energy for Asia's developing economies, Freyberg said Aug. 2, which in turn provides Glencore with investment opportunities. That explains the company's \$1.1 billion deal with Chinese miner Yancoal Australia Ltd. last week for Rio Tinto Group's Australian coal assets, he said.

Next-generation coal technology in a growing economy like India—including high-efficiency, low-emission plants and carbon capture and storage—can do more to reduce emissions than building new wind turbines in Europe or solar farms in Australia, Freyberg said.

Peter Grauer, the chairman of Bloomberg LP, is a senior independent non-executive director at Glencore.

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