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## **Daily Environment 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. The Bloomberg BNA Daily Environment Report is brought to you by EPA Libraries. Please note, these materials may be copyrighted and should not be forwarded outside of the U.S. EPA. If you have any questions or no longer wish to receive these messages, please contact Josue Rivera-Olds at [rivera-olds.josue@epa.gov](mailto:rivera-olds.josue@epa.gov), 202-566-1558.

### **Greenhouse Gas Reporting Budget Slashed in Trump Proposal**

*Posted May 23, 2017, 03:29 P.M. ET*

*By [Dean Scott](#) and [Andrew Childers](#)*

An EPA program to track greenhouse gas emissions nationally faces an 85 percent budget cut as President Donald Trump looks to slash the agency's funding and sideline climate change efforts.

Trump and Environmental Protection Agency Administrator Scott Pruitt have vowed to downplay the agency's climate change work, instead focusing on priorities such as cleaning up Superfund sites.

The EPA in the fiscal year 2018 budget proposal released May 23 faces \$336 million in cuts to its climate work compared to estimated funding levels for 2017. The Office of Management and Budget compared its fiscal 2018 proposal to estimated funding based on the continuing resolution for 2017 rather than the recently passed omnibus funding levels for that year. International climate programs are also on the chopping block as Trump follows through on a pledge to end funding for international climate aid.

The \$336 million in cuts to the EPA's air pollution and climate work include:

- \$161 million reduction—a 34 percent cut from 2017 levels—to environmental programs and management,
- \$114 million less for science and technology programs, a 46 percent reduction, and
- \$60 million in cuts to aid to states and tribes—a nearly 18 percent cut from 2017 levels.

Within the environmental programs funding, the EPA's greenhouse gas reporting program is slated to receive only \$13.6 million, down from an estimated \$95.3 million in 2017. The [estimated savings](#) would come from eliminating a variety of voluntary programs such as Energy Star, voluntary methane reduction efforts for the oil and gas sector, and the Green Power Partnership, which encourages the use of renewable energy.

Reducing those programs is part of what the Trump administration calls its “commitment to return EPA to its core work.”

The greenhouse gas reporting program collects annual emissions data from nearly 8,000 industrial facilities across 41 sectors of the economy.

#### **International Climate Aid Eliminated**

Trump’s fiscal year 2018 budget plan also maintains his pledge to zero out billions in international climate aid.

The proposal would eliminate a total of \$1.59 billion for the United Nations Green Climate Fund, the Global Climate Change Initiative, and other international climate programs.

Zeroing out the Green Climate Fund would mean the U.S. would fall well short of the amount President Barack Obama pledged in 2014 toward the fund—\$3 billion over four years—which helps developing nations adapt to climate impacts and pursue low-carbon development. Obama used the Global Climate Change Initiative to make sure climate issues were being addressed in assistance funneled through multiple foreign assistance agencies.

#### **Cleanup Research of Contaminated Sites Gets Boost in Trump Plan**

*Posted May 23, 2017, 04:12 P.M. ET*

*By [Sylvia Carignan](#)*

Toxin-eating bacteria and other remediation research projects would get a bump in funding under President Donald Trump’s proposed budget, contrasting with agency-wide slashes in research and cleanup spending.

Trump’s administration is proposing an additional \$5 million—or a 22 percent increase—in environmental cleanup research and development under the Department of Defense.

Meanwhile, the Environmental Protection Agency’s Superfund budget would be cut by 30 percent, to \$762 million, under Trump’s proposed plan.

The proposed cut contradicts EPA Administrator Scott Pruitt’s [recent memos](#) stating that the Superfund program is “vital” and an agency priority, environmental advocates said.

But additional funding for cutting-edge research will benefit cleanup activities across the country, not just at federal facilities, said Janet Anderson, managing scientist at San Antonio-based environmental consulting firm Integral Consulting.

The White House released the numbers in a proposed budget May 23.

The proposed increase comes in sharp contrast to other agencies’ research and development budgets under Trump’s plan.

Across the Department of Defense, the president is proposing a 25 percent cut in research and development spending, from \$71.2 billion in 2017 to \$53.4 billion in 2018.

The EPA budget for research and development would be cut by almost half, from \$510 million in 2017 to \$277 million in 2018, under Trump's budget.

### **Investing in Remediation's Future**

Defense research projects currently under development include developing new varieties of anaerobic bacteria that can biodegrade contaminants and finding ways to clean up aqueous film-forming foams, used to extinguish fuel fires, on contaminated sites.

The projects focus on contaminants that are left behind by military activities, but those contaminants—like dioxins, chlorinated solvents and perfluoroalkyl substances—also affect non-federal properties.

The Defense Department's environmental research programs include the Strategic Environmental Research and Development Program and the Environmental Security Technology Certification Program. They support innovative technology that improves the characterization, remediation and management of contaminated federal sites.

Sharing that research is a built-in feature for those programs.

"It is actually an explicit requirement that any and all interested entities can benefit from the information gleaned from research funded out of SERDP/ESTCP," Anderson told Bloomberg BNA.

Sue Boyle, executive director of the New Jersey Licensed Site Remediation Professionals Association, said defense-led research in vapor intrusion and long-term monitoring have benefited civilians working on cleanup sites.

The Department of Defense also is pushing research on perfluoroalkyl substances, she told Bloomberg BNA, since the contaminant has become an expensive problem, especially for the Air Force.

### **Growing Liability**

According to the Government Accountability Office, the federal government's cleanup liability hovers around \$447 billion for contaminated sites as of fiscal year 2016.

The independent watchdog reported earlier this year that the federal government's environmental liability for its contaminated properties has been growing for the past 20 years and is likely to increase.

The U.S. Army Corps of Engineers' funding for cleaning up former federal sites, meanwhile, would see a small proposed increase under Trump's plans, from \$111 million in 2017 to \$115 million in 2018. The Corps is responsible for remediation at about 5,400 former federal sites, according to Lt. Gen. Todd Semonite, the Corps' commanding general.

### **Budget Funds Shutdown of 'Duplicative' Chemical Safety Board**

*Posted May 23, 2017, 01:07 P.M. ET*

*By Sam Pearson*

The Trump administration kept its earlier promise to eliminate the U.S. Chemical Safety Board, describing the watchdog as “largely duplicative” in its proposed budget released May 23.

The White House first proposed closing the CSB in its skinny budget in March. Under the budget proposal released May 23, CSB would receive \$9.42 million in fiscal 2018—but only to fund its closure. The board received \$11 million in fiscal 2017.

CSB board members, industry figures and labor unions have said the CSB is not duplicative because similar agencies do not perform the same kind of work. While other agencies like the Environmental Protection Agency and the Occupational Safety and Health Administration may also investigate incidents that the CSB probes, they lack the board’s mandate to seek the root cause of an investigation. These other agencies can issue citations and fines, which may dissuade plant operators from sharing information.

In its justification for the proposal, the budget notes Congress’ intent that the agency “be an investigative arm that is wholly independent of the rulemaking, inspection, and enforcement authorities of its partner agencies in making recommendations on actions that can be taken to prevent similar accidents from occurring in the future.” However, the document argues CSB “more often than not” creates friction with other agencies. The CSB has also focused too much on “the need for greater regulation of industry, which has frustrated both regulators and industry.”

The budget mentions controversies that occurred under the tenure of former CSB Chairman Rafael Moure-Eraso, resulting in reports by the EPA Inspector General and the House Committee on Oversight and Government Reform in 2014. Moure-Eraso left the CSB more than two years ago.

“While CSB’s new leadership is making progress on the previous management challenges,” the document said, “due to the duplicative nature of its work, the Budget recommends eliminating the agency.”

#### **Members Confused**

Board members said at a meeting April 13 they did not understand why the agency was targeted. They found out about the White House plan to seek the agency’s closure March 15, the day before the release of the skinny budget.

“We haven’t been told exactly why the CSB does not perform a necessary function,” Engler said.

Under the board’s authorizing statute, it can issue its own budget request independent of the White House. CSB spokeswoman Hillary Cohen said in an email to Bloomberg BNA the board expects to do so late May 23.

#### **Hanford Nuclear Cleanup Budget Slashed in Energy Proposal**

*Posted May 23, 2017, 04:08 P.M. ET*

*By [Chuck McCutcheon](#)*

Washington state’s Hanford Nuclear Reservation, scene of a recent collapse of a tunnel containing nuclear waste, would see its funding slashed under President Donald Trump’s new budget proposal.

The May 23 release of the fiscal year 2018 budget for the Department of Energy, which follows

Trump's earlier "skinny budget," drew praise from conservative Republicans for being fiscally responsible and criticism from those who want more funding for energy research and development and other programs. Given that many of the department's programs are located in numerous areas of the country and enjoy bipartisan support, Congress is expected to restore many of the proposed cuts.

The Energy Department would sustain an overall 5.4 percent cut, or \$1.7 billion—minor compared to most other Cabinet agencies—from the estimated funding levels Congress provided in fiscal 2017, according to White House Office of Management and Budget documents. The agency's clean energy programs would bear the brunt of the cuts, with new funds funneled into the arm of the agency dealing with developing and safeguarding nuclear weapons.

"This budget delivers on the promise to reprioritize spending in order to carry out DOE's core functions effectively and efficiently while also being fiscally responsible and respectful to the American taxpayer," Energy Secretary Rick Perry said in a statement.

But Ernest Moniz, Perry's predecessor under former President Barack Obama, called the budget proposal "a retreat of American leadership on energy innovation, environmental protection and energy security."

Trump's budget blueprint calls for reducing cleanup at Hanford from \$921 million to \$716 million, a 22 percent reduction. That comes as the budget proposes to boost overall departmental defense-related environmental cleanup of materials from \$5.28 billion to \$5.54 billion.

#### **Hanford Cleanup Needed**

Washington state's congressional delegation, including Democratic Sens. Patty Murray and Maria Cantwell, long have pressed various administrations to commit to cleaning up Hanford. The site in eastern Washington has millions of gallons of highly radioactive wastes stored in 177 aging underground tanks, some of which have leaked.

"Previous administrations and Congress have repeatedly supported the legal and moral obligation of the federal government to clean up the Hanford site, and we urge you to continue this important work to protect health and safety," the two senators and Rep. Dan Newhouse (R-Wash.) said in a May 19 [letter](#) to Perry.

The Hanford tunnel, containing radioactive wastes that were byproducts of producing plutonium for nuclear weapons, partially collapsed on May 9, prompting nearby workers to evacuate. A worker's clothing also was exposed to radioactive contamination in what Washington Gov. Jay Inslee (D) [called](#) an "alarming incident."

Trump's budget also calls for steep cuts to numerous other Energy programs:

- Basic energy sciences, which supports research to advance new energy technologies, would see a proposed cut from \$1.84 billion to \$1.55 billion.
- Biological and environmental research, which studies biological, earth and environmental systems for energy and infrastructure resilience and sustainability, would see a proposed cut from \$608 million to \$349 million.
- Energy efficiency and renewable energy programs would receive a proposed \$636 million, a decline of \$1.4 billion. Subprograms dealing with weatherization of homes and state energy are proposed for

elimination “to reduce federal intervention in state-level energy policy and implementation,” according to the department.

- Sustainable transportation programs, which conduct early-stage research and development on vehicle technologies, fuel cells and other energy innovations, would see a proposed cut from \$659 million to \$336 million. Within that, solar energy would be cut from \$324 million to \$134 million; wind energy from \$145 million to \$66 million; water power from \$97 million to \$44 million. Geothermal technologies would be sliced in half to \$38 million.
- Fossil energy research, which supports research into coal, oil and other energy types that Trump has emphasized, would see a proposed cut from \$631 million to \$280 million. The budget seeks to consolidate the work for the National Energy Technology Laboratory, which does work in several states, into a single operational site.
- Cybersecurity for energy-delivery systems, which supports research on cutting-edge solutions to defend against cyber attacks, would see a proposed cut from \$62 million to \$42 million. The proposed budget adds \$43 million for cybersecurity within the defense environmental cleanup program.

#### **ARPA-E Cut Maintained**

The proposed budget maintains the administration’s earlier call for cutting the Advanced Projects Research Agency-Energy (ARPA-E) office, which invests in early-stage, high-risk energy technologies that have potential to transform the nation’s energy system.

In addition, it maintains the “skinny budget” promise to eliminate the Advanced Technology Vehicles Manufacturing Loan Program, which provides loans to automakers to help produce advanced-technology vehicles. The program’s loan office will wind down operations in fiscal 2018 with the expectation it will shut down the following fiscal year, according to an Office of Management and Budget document.

Similarly, it continues the call for eliminating the Title 17 Innovative Technology Loan Guarantee Program, which funds high-risk technology that aims to avoid, reduce or sequester air pollutants or greenhouse gases.

Trump’s blueprint also underscores the administration’s interest in reconsidering waste storage at Nevada’s Yucca Mountain site despite widespread objections from Nevada lawmakers. It proposes restarting the Nuclear Waste Fund Fee in 2020, an indication the administration is planning to have a permanent storage site for high-level spent fuel from commercial nuclear power plants up and running by that time. The budget also separately includes a \$30 million request for the Nuclear Regulatory Commission to restart work on the site northeast of Las Vegas, which the Obama administration had mothballed.

Perry, in recent visits to several of the department’s national laboratories, has pledged to support much of their work. The proposed budget includes a boost from \$620 million to \$722 million for the Advanced Scientific Computing Research program, which supports research in applied mathematics and computer science at such labs as Oak Ridge in Tennessee, Argonne in Illinois and Lawrence Berkeley in California.

#### **Video: Advanced Energy Research Office Would Be Cut in Trump Budget**

*Posted May 23, 2017, 04:18 P.M. ET*

*By [Rebecca Kern](#)*

The Trump White House is proposing to eliminate a small Energy Department advanced energy research office under a fiscal 2018 budget proposal.

The Advanced Research Projects Agency-Energy, created in 2007 during President George W. Bush's administration, invests in early-stage, high-risk energy technologies that have potential to transform the nation's energy system, such as converting renewable energy into fuels.

Bloomberg BNA interviewed Lisa Jacobson, president of the Business Council for Sustainable Energy, about [how companies benefit from early-stage investment](#) through ARPA-E. The ARPA-E office has had support from the business community as well as bipartisan support in Congress.

The program received an estimated \$291 million in fiscal 2017, but would be phased out in the fiscal 2018 budget request. It would receive \$20 million for staff to oversee existing awards to completion and monitor a loan portfolio.

## **Renewable Energy Powers Jobs for Almost 10 Million People**

*Posted May 23, 2017, 04:12 P.M. ET*

*By [Mahmoud Habboush](#)*

Renewable energy employed 9.8 million people last year, up 1.1 percent from 2015, led by solar photovoltaic at 3.09 million jobs, according to the International Renewable Energy Agency's annual report on the industry.

Growth has slowed in the past two years while solar photovoltaic and wind categories more than doubled their number of jobs since 2012, the first year assessed, Irena said in the report.

Global renewables employment has climbed every year since 2012, with solar photovoltaic becoming the largest segment by total jobs in 2016, according to the report..

Solar photovoltaic employed 3.09 million people, followed by liquid biofuels at 1.7 million. The wind industry had 1.2 million employees, a 7 percent increase from 2015.

Employment in renewables, excluding large hydro power, increased 2.8 percent last year to 8.3 million people, with China, Brazil, the U.S., India, Japan and Germany the leading job markets. Asian countries accounted for 62 percent of total jobs in 2016 compared with 50 percent in 2013.

Renewables jobs could total 24 million in 2030, as more countries take steps to combat climate change, the agency said in the report.

—With assistance from Jessica Shankleman.

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## **Climate Spending 'Crazy Stuff' Targeted in Trump Budget**

*Posted May 23, 2017, 03:56 P.M. ET*

*By [Christopher Flavelle](#)*

President Donald Trump's first budget request to Congress would cut or eliminate a range of programs designed to reduce greenhouse gas emissions, as well those helping communities prepare for more intense flooding or hurricanes expected to result from climate change.

The scope of climate funding established under President Barack Obama is broad, and Trump's budget took aim at much of it: It would terminate a NASA program to launch satellites to measure carbon dioxide in the atmosphere and slash grants to help local communities cope with the increasing risks of a natural disaster. A \$190 million effort to map the risks of flooding also would be eliminated.

"We want to do some climate science, but we aren't going to do some of the crazy stuff that the previous administration did," Mick Mulvaney, director of the White House Office of Management and Budget, told reporters. The "pendulum went too far to one side."

Trump's proposed cuts come amid growing scientific consensus that climate change is real and accelerating—but deep skepticism about the risks from both the president and members of his administration. Trump had dubbed climate change a hoax, and Scott Pruitt, the head of the Environmental Protection Agency, said focus on combating climate change under Obama distracted the agency from other important tasks.

But there were 15 separate billion-dollar natural disasters in the U.S. alone last year, three times the average since 1980, and environmental advocates say the nation needs to prepare for the impacts both being felt today and forecast to come in the years ahead.

"This is a budget declaring war on climate change policy and solutions," said Elgie Holstein, a senior director for strategic planning at the Environmental Defense Fund and a former budget official under President Bill Clinton. "It's not a deep surprise, but it's deeply disappointing."

Presidential budget proposals typically undergo significant changes in Congress, but they provide insight into White House priorities.

The proposed cuts are most pronounced at agencies tasked under Obama with reducing emissions for carbon dioxide from power plants, automobiles and oil and natural gas production.

EPA would lose about one third of its funding, including a steep cut to the office dealing with clean air and global climate change.

At the Energy Department, funding for the agency's arm charged with renewable energy and energy efficiency research would be cut by nearly 70 percent. Research on carbon capture and storage, which could help reduce emissions from coal, would also be cut.

The budget would also reduce or end programs designed to protect Americans from the consequences of climate change.

The Federal Emergency Management Agency maps flood risks to help the National Flood Insurance Program decide how much to charge for coverage, alert homeowners if they're in danger and inform projects to reduce flood risk. The Trump administration argues that those services mainly benefit communities at risk of flooding, and so the cost should be paid locally. The \$190 million program would be eliminated under its plan.

### **'Better Target'**

A similar program at the National Oceanic and Atmospheric Administration to research how coastal communities can deal with sea-level rise would be eliminated. That cut would allow NOAA "to better target remaining resources to core missions and services," the budget document said.

Programs designed to gather data about climate change also would be cut.

The budget proposes ending five earth-science programs at the National Aeronautics and Space Administration, including one that would measure carbon dioxide emissions and concentrations. The budget would also eliminate funding for the U.S. Geological Survey to study so-called biological carbon sequestration: when peat moss or other vegetation holds greenhouse gases, keeping them from entering the atmosphere.

Also gone would be U.S. efforts to help poor nations develop low-carbon energy or grapple with climate impacts. The administration wants to cancel funds run by the State Department aimed at encouraging clean energy. It would also stop all assistance aimed at helping other countries deal with the effects of climate change.

"America must put the energy needs of American families and businesses first," according to the section of the budget document justifying those cuts. That includes "promoting development of the nation's vast energy resources."

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### **Two Energy Professionals Chosen for Nuclear Commission**

*Posted May 22, 2017, 09:17 P.M. ET*

*By Rebecca Kern*

A former utility commission chairman and a Senate energy staffer were named by the Trump administration to fill two vacant Republican seats on the Nuclear Regulatory Commission.

David Wright, a former South Carolina Public Service Commission chairman, and Annie Caputo, a senior policy adviser for the Senate Environment and Public Works Committee, will be nominated to serve terms as Republican commissioners on the nuclear regulatory body, the administration announced May 22.

The administration also said it plans to renominate Kristine Svinicki, the current chairman, to serve another five-year term as chairman. Svinicki's current term was set to expire July 1.

The NRC has been down to three commissioners—Svinicki, a Republican; Stephen Burns, an independent; and a former chairman, Jeff Baran, a Democrat. If the nominees are confirmed, the agency would return to a full five-person panel.

Wright has been the owner of Wright Directions LLC, a strategic consulting and communications business based in South Carolina, since 2013. He served on the South Carolina Public Service Commission from March 2004 to June 2013.

From 2011-2012, he was president of National Association of Regulatory Utility Commissioners,

which represents state public service commissioners. He also was national chairman of the Nuclear Waste Strategy Coalition from 2006 to 2013, a group of state utility regulators, local governments, and tribes on nuclear waste policy issues. He has a political science degree from Clemson University.

Marc Spitzer, a former commissioner at the Federal Energy Regulatory Commission from 2006-2011 and currently a partner at Steptoe & Johnson LLC, told Bloomberg BNA he worked with Wright on a jurisdictional issues between FERC and the South Carolina commission.

Two of the four nuclear reactors being built in the U.S. are being built by SCANA Corp. in South Carolina, which likely factored into the administration's choice to nominate Wright.

### **Caputo's Bipartisan Reach**

Caputo has more than a decade of experience working as a staffer on both Senate and House energy committees. She has worked as a policy adviser on the Senate Environment and Public Works Committee since January 2015, and was a staffer from 2007-2012, specializing in nuclear energy issues. From 2012 to 2015 she worked as a staffer on the House Energy and Commerce Committee.

She was a congressional affairs manager at Exelon Corp. from 1998 to 2005. Caputo has a chemical engineering degree from Michigan Technological University and a degree in nuclear engineering from the University of Wisconsin-Madison.

"On the Hill, both Democrats and Republicans see her as a leading expert on NRC issues," Ryan Fitzpatrick, deputy director of the Clean Energy Program at Third Way, a group that advocates for clean energy and nuclear energy, told Bloomberg BNA.

Fitzpatrick said he worked with Caputo on the Nuclear Energy Information and Modernization Act (S. 512), which the Environment and Public Works Committee reported out favorably in March. The bill directs the NRC to create a regulatory framework for advanced nuclear reactor technologies, which aren't cooled by water as existing nuclear reactors are.

### **Trillions on Yearly Infrastructure Spending Would Help Climate Goals: OECD**

*Posted May 23, 2017, 03:45 P.M. ET*

*By [Rick Mitchell](#)*

The world's biggest economies have to spend about \$6.9 trillion a year on "smart" infrastructure through 2030 to be on track to keep global warming to safe levels, a new OECD report said.

Because most major economies have skimped on infrastructure since the 2008 financial crisis, an average \$6.3 trillion of yearly investment is required in the next 14 years just to meet development needs globally. And for an extra \$600 billion, the \$6.9 trillion in total annual outlays could buy infrastructure that is "modern, smart and clean infrastructure" and not "carbon-intensive," according to the report the Organization for Economic Cooperation and Development released May 23.

Because smart infrastructure is more energy-efficient, it would cut fossil fuel spending by \$1.7 trillion annually, more than offsetting the extra cost, the OECD said.

Low-emissions infrastructure investment figures at the heart of the report's recommendations for policy makers to combine strong fiscal and structural reform with coherent climate measures, rather than treat climate as a separate issue. Such an approach would significantly reduce climate change risks, while also providing near-term economic, employment and health benefits, it said.

The 314-page report forecasts "a climate-compatible policy package" that could increase economic output by up to an average 2.8 percent across the Group of 20 countries by midcentury, and that gain rises to almost 5 percent compared with a business-as-usual scenario, if positive impacts of avoiding climate damage are taken into account.

### **Today's Investment, Tomorrow's Goals**

The Paris-based economic policy body released the report at the eighth annual Petersberg Climate Dialogue, which Germany hosted in Berlin as part of its presidency of the G-20 countries, which account for about 85 percent of global economic output and about 80 percent of carbon dioxide emissions.

Infrastructure investments made to 2030 will determine whether the 2015 Paris Agreement's goal to hold global warming to 2 degrees Celsius in this century, compared with pre-industrial levels, can be achieved, the report said. Smart infrastructure includes renewable energy generation and storage, electric vehicles, advanced building insulation techniques and negative emissions technologies, and restoring degraded grasslands, among others.

Public and private financing are crucial to infrastructure investment, the OECD said in the report. Today's low-interest rates give many countries "fiscal space" to borrow, while others can optimize their tax-and-spending mix to pay for projects. Meanwhile, well-aligned climate, fiscal, and investment policies will spur increased private investment.

The OECD said the "financial system" has to do more to correctly value and incorporate climate-related risks for infrastructure investments. And development banks and finance institutions should boost available resources, while helping to develop "green finance" in partner countries.

The organization's 35 member countries, which are mainly wealthy economies, include Group of 20 members Australia, Canada, France, Germany, Italy, Japan, Mexico, South Korea, Turkey, the U.K. and the U.S. Argentina, Brazil, China, India, Indonesia, Russia, Saudi Arabia, and South Africa are G-20 members but not in the OECD. The European Union also is a G-20 member.

### **U.S. Sues Fiat Chrysler for Diesel Emissions Test Violations**

*Posted May 23, 2017, 03:02 P.M. ET*

*By [Ryan Beene](#) and [Jamie Butters](#)*

The U.S. Justice Department sued Fiat Chrysler Automobiles NV over claims its diesel-powered pickups and SUVs were outfitted with illegal software that allowed them to pass laboratory emissions tests (U.S. v Fiat Chrysler Automobiles N.V., E.D. Mich., No. 17-cv-11633, 5/23/17).

The complaint filed May 23 alleges that nearly 104,000 vehicles with 3.0 liter EcoDiesel engines were equipped with software "defeat devices" that caused the vehicles' emission control systems to perform differently, and less effectively, during certain normal driving conditions than on laboratory emissions tests, according to a statement from the Environmental Protection Agency.

The company issued a statement saying it “is currently reviewing the complaint, but is disappointed” that the suit had been filed.

“The company intends to defend itself vigorously, particularly against any claims that the company engaged in any deliberate scheme to install defeat devices to cheat U.S. emissions tests,” according to the statement.

That could set up an intense showdown between U.S. officials and Fiat Chrysler, which has fought regulators in the past. The government is seeking civil penalties for alleged violations of the Clean Air Act, according to the EPA.

The suit comes after months of negotiations failed to bridge a divide between the company and regulators over the nature of emissions calibrations used on 2014-2016 Jeep Grand Cherokee SUVs and Ram 1500 pickups powered by diesel engines. Fiat Chrysler’s diesel emissions are also the subject of a U.S. criminal probe.

### **Fiat Chrysler Denies Allegations**

Volkswagen AG touched off the biggest scandal in modern automotive history when it admitted in 2015 that about 11 million diesel cars worldwide were outfitted with so-called defeat devices, embedded algorithms used to game emissions tests. The German automaker has committed to spending upwards of \$24.5 billion in North America to settle legal claims, including both civil and criminal cases brought last year by the U.S. government, and buy back or repair some 560,000 vehicles.

Unlike VW, Fiat Chrysler has steadfastly denied that it knowingly set out to cheat on emissions tests.

Fiat Chrysler announced May 19 that it had proposed a fix to its diesel emissions calibrations in a bid to resolve the EPA’s concerns with the vehicles. If the agency approves the proposed settings for the automaker’s 2017 diesels, the company said, the carmaker would then make the same modifications to the older vehicles under scrutiny.

In January, the EPA identified eight emissions controls in the Jeep and Ram diesels that weren’t disclosed as required in applications for clean-air certifications filed with the agency. The EPA also said it believed that one or more of those controls were defeat devices, and challenged the carmaker to prove otherwise.

An initial hearing of separate lawsuits, brought by owners of the diesel SUVs and pickups, is set for Wednesday in San Francisco federal court where VW emissions lawsuits were consolidated. The EPA said in a statement Tuesday it will try to move its case to the same court.

—With assistance from Kartikay Mehrotra and Margaret Cronin Fisk.

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### **EPA Applies Brakes on Landfill Methane Rules**

*Posted May 23, 2017, 11:31 A.M. ET*

*By Andrew Childers*

The EPA took its first step toward reconsidering methane limits for landfills set by the Obama administration by freezing implementation of the rules for 90 days.

The Environmental Protection Agency plans to rethink several aspects of the methane limits for both new and existing landfills, including whether the requirements overlap with other existing regulations, Administrator Scott Pruitt said in a May 5 [letter](#) to the National Waste & Recycling Association, Solid Waste Association of North America, Republic Services, Inc., Waste Management, Inc., and Waste Management Disposal Services of Pennsylvania, Inc.

These groups had all petitioned the agency to reconsider the rules.

The EPA announced its plan to halt implementation of the regulation for 90 days in a [notice](#) released May 23. The 90-day halt will take effect when the notice is published in the Federal Register.

### **Trump Proposes Selling Off Half the U.S. Strategic Oil Reserve**

*Posted May 23, 2017, 8:19 A.M. ET*

*By [Catherine Traywick](#) and [Jennifer A. Dlouhy](#)*

The White House plan to trim the national debt includes selling off half of the nation's emergency oil stockpile, part of a broad series of changes proposed by President Donald Trump to the federal government's role in energy markets.

Trump's first complete budget proposal, released in part May 22, would raise \$500 million in fiscal year 2018 by draining the Strategic Petroleum Reserve, and as much \$16.6 billion in oil sales over the next decade.

The proposal also seeks to boost government revenues by allowing oil drilling in the Alaska National Wildlife Refuge, ending the practice of sharing oil royalties with states along the Gulf of Mexico and selling off electricity transmission lines in the West. Like much of the budget, those moves are likely to face opposition in Congress.

Presidential budget proposals typically undergo significant changes in Congress, but provide insight into White House priorities.

The Strategic Petroleum Reserve currently holds 687.7 million barrels of oil in salt caverns and tanks at designated locations in Texas and Louisiana. That allows for quick distribution when natural disasters or unplanned accidents occur, according to the Energy Department website.

Measures passed in 2015 and 2016 call for the sale of nearly 190 million barrels of oil from the reserve between 2017 and 2025, to raise money for unrelated government programs. Those sales would cut the reserve by about 27 percent. Slashing the stockpile by half would require further sales, and would risk breaching the legally required inventory threshold. The reserve must contain a minimum of 450 million barrels.

The budget summary document doesn't indicate the scope or timing of potential oil reserve sales, or whether a \$2 billion program to modernize the stockpile's infrastructure would be affected.

## **Oil, Gas Proposals**

Trump is also seeking to raise money with two other proposed changes—one that would be cheered by the oil industry and another that would draw its ire.

For instance, he projects raising \$1.8 billion over the next decade by opening up the 19-million-acre Arctic National Wildlife Refuge to oil and gas development. The idea of allowing drilling in the refuge for its estimated 12 billion barrels of crude has long been championed by Alaska Republicans, including Sen. Lisa Murkowski, who heads the appropriations subcommittee in charge of Interior spending.

But it's anathema to environmentalists, who have successfully blocked ANWR drilling plans from advancing on Capitol Hill by stoking concerns about threats to the polar bears, caribou, wolves and other animals that live in the territory.

Trump's budget request suggests ANWR leasing could begin to pay off in fiscal 2022, with \$100 billion in projected revenue that year. In addition to environmentalists' opposition, it's unclear how much appetite energy companies would have for the reserve. Monster discoveries there could yield decades of oil production, but the cost of operations in northern Alaska could discourage the activity amid modest crude prices and the domestic shale boom.

## **Offshore Royalties**

Trump's budget request also revives an Obama-era proposal to cut the payments Gulf Coast states collect from offshore drilling near their coastlines, a change that would translate to an extra \$3.56 billion in federal revenue over the next decade. Under a 2006 law, four Gulf states—Alabama, Louisiana, Mississippi and Texas—now claim 37.5 percent of the royalties that oil and gas companies send the federal government in exchange for drilling rights and production on some Gulf of Mexico leases.

Trump's move echoes Obama's attempt to divert some of those royalty payments. And his bid to quash state revenue sharing is likely to meet the same fierce resistance that Obama's plans did. Just as they did under Obama, Gulf Coast lawmakers also will vigorously fight to defend those payments, which help support restoration programs.

The budget also proposes restarting the Nuclear Waste Fund Fee in 2020, a sign that the administration is planning to have a permanent storage site for that waste up and running by that time—presumably at a site in Nevada known as Yucca Mountain. That fee would raise nearly \$3.1 billion over 10 years, it estimates.

The White House foresees \$2.4 billion in additional revenue in 2019 from the sale of federally-owned transmission lines in the West. Those power lines mostly carry electricity from government-owned dams to metro areas.

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## **Clean Car Rules Lead to Jobs From Technology, Equipment**

*Posted May 23, 2017, 02:22 P.M. ET*

*By [Ryan Beene](#)*

More than a quarter million U.S. jobs are tied to the use of technology and production of materials used to improve vehicle fuel economy, according to a report released May 23 by environmental groups.

The report by the Natural Resources Defense Council and the BlueGreen Alliance seeks to draw attention to jobs supported by auto efficiency regulations under review by the Trump administration. That review was initiated by President Donald Trump in March and directs the Environmental Protection Agency to decide by next April whether to change greenhouse gas standards for 2022-2025 that require annual increases in vehicle efficiency.

The report found that about 1,200 U.S. factories and engineering centers in 48 states produce components such as advanced transmissions or electric motors, or advanced materials such as carbon fiber or aluminum used in vehicles. Those locations employ some 288,000 workers, more than double the number recorded in a 2011 version of the report, the groups said.

“There has been a huge amount of clean vehicle innovation over the last five years,” said Luke Tonachel, director of the clean vehicles and fuels project at the Natural Resources Defense Council, a New York-based environmental group. “Clean vehicle innovations are key to both protecting the environment while also keeping the the U.S. manufacturers in a globally competitive position on technology.”

Current U.S. auto efficiency rules aim to boost average new vehicle fuel economy to more than 50 miles per gallon by 2025. An automaker-funded study released in March found that the standards would lead to higher vehicle prices and reduce auto-sector employment in the short term. The U.S. could see a net gain of about 150,000 jobs by 2031 as fuel savings at the pump outweigh higher vehicle costs, one of the report’s authors said at the time.

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## **China Joins EU, Canada in Backing Climate Deal Before Trump Plan**

*Posted May 23, 2017, 01:11 P.M. ET*

*By [Marine Strauss](#) and [Brian Parkin](#)*

China, Canada and the European Union are joining forces to advance the Paris Agreement while President Donald Trump is still deciding whether the U.S. should stick with the landmark deal on climate change.

Canada’s environment minister Catherine McKenna, EU Climate and Energy Commissioner Miguel Arias Canete and China’s special envoy for climate change Xie Zhenhua are meeting May 23 in Berlin to discuss climate leadership and how to maintain momentum if the U.S. pulls out of the Paris Agreement.

The collaboration between the three countries is another sign that Trump, and the U.S., will become isolated from the rest of the world. Almost 200 nations pledged to fight climate change when the Paris deal was signed in 2015 and since then only the U.S. has indicated it may step off that path.

“It’s very important that we continue the shared programs on climate change,” McKenna said in an interview at the Petersberg Climate Dialog hosted by Chancellor Angela Merkel. “There is a need to

bring together key players. We think that China, Canada and the EU are in a good position to bring together other countries at the ministerial level to have high-level discussions about how we're going to move forward on the Paris Agreement."

Trump has given mixed signals about the fate of the Paris deal under his administration. He's called climate change a hoax and said during his campaign last year he would scrap the deal if elected. Since then, he's said he would keep an open mind but has prioritized stimulating fossil fuels and especially coal, which conflicts with U.S. promises under the deal. Trump's advisers are divided on the issue.

Germany is assuming Trump will indicate the position the U.S. will take regarding the Paris accord at a Group of Seven summit in Sicily on May 26 and May 27, Environment Minister Barbara Hendricks said at a climate conference in Berlin May 22. Signatory states of the Paris accord won't let their agenda be derailed whatever the outcome of Trump's decision and subsequent policy, Merkel indicated May 23.

"We are often asked about our position when looking at the U.S. uncertainty," said Chinese envoy Xie. "The Paris Agreement is a hard-won achievement, and all signatories should stick to it instead of walking away. China will stick to its word."

The United Nations climate conference, which Germany is hosting this year in Bonn, is pressing ahead with its agenda, Merkel said May 23. Global warming is "something that concerns us all," she told delegates. We must "uphold the spirit of Paris."

Concerns were also raised by a number of global corporate and political leaders, including the OECD which said that bringing growth and climate-change agendas together could lift 2050 economic output by as much as 2.8 percent, a report released May 23 said. Taking into account the economic benefits of avoiding climate change impacts such as flooding, that number goes up to almost.

"This trio is emblematic of the kind of distributed leadership we're seeing, with a diversity of countries putting their shoulders to the wheel on climate," said David Waskow, International Climate Director at the World Resources Institute. "It ranges from major emitters to many of the most vulnerable, and many in between."

The agreement is broader than any previous climate accord. It calls for reducing pollution in hopes of limiting global warming to 2 degrees Celsius (3.6 degrees Fahrenheit) above temperatures at the outset of the industrial revolution.

"The Paris Agreement was a signal to the market and now it's about how to take advantage of this opportunity and how do we make sure that every country is part of it," McKenna said. "There's a huge opportunity and now it's bigger than just one country."

—With assistance from Jessica Shankleman.

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### **Toyota, Nissan, Honda to Lead Japan's Hydrogen Station Coalition**

*Posted May 23, 2017, 12:10 P.M. ET*

By Toshio Aritake

Eleven leading Japanese companies including Toyota, Nissan and Honda said they will collaborate to build more hydrogen stations to accommodate fuel cell motor vehicles in Japan.

While the government has a target of 160 hydrogen stations serving 40,000 fuel cell vehicles by 2020, just 90 hydrogen stations are currently in operation—and slightly more than 1,000 fuel cell vehicles on Japanese roads, according to government statistics and the Japan Automobile Manufacturers Association.

The companies are Toyota Motor Corp. , Nissan Motor Co., Honda Motor Co., JXTG Nippon Oil & Energy Corp., Idemitsu Kosan Co. Ltd., Iwatani Corp., Tokyo Gas Co., Toho Gas Co. Ltd., Air Liquide Japan Ltd., Toyota Tsusho Corp., and the Development Bank of Japan Inc., they said in a May 19 announcement.

The cost of building a hydrogen filling station is more than twice the cost of building a gas station, the Japan Automobile Manufacturers Association said.

### **Daimler Raided by Prosecutors in Emission-Manipulation Probe**

*Posted May 23, 2017, 8:53 A.M. ET*

By Karin Matussek

Daimler AG offices across Germany were raided as part of a criminal investigation into diesel emission-manipulation allegations.

The Stuttgart prosecutors' office raided 11 properties in four German states, including in its home state of Baden-Wuerttemberg, their spokeswoman Melanie Rischke said in an emailed statement May 23. Daimler is fully cooperating with the authorities, Joerg Howe, a spokesman for the Stuttgart-based manufacturer, said in a statement.

Prosecutors in Stuttgart last months opened a probe into an unspecified number of current and former employees over emission-manipulation allegations. The employees are being probed for possible fraud and false advertising.

Carmakers have been under the spotlight since Volkswagen AG revealed in September 2015 that it installed software in 11 million diesel vehicles worldwide to bypass pollution rules. Authorities across Europe are focusing their attention on whether a separate technology that enables emissions controls to switch off at certain temperatures to help protect engines—widely used across the industry—violates the law.

After rising as much as 1.4 percent, Daimler shares pared gains and were up 0.3 percent at 67.95 euros at 2:37 p.m. in Frankfurt.

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### **States, Industry at Odds Over Crude By Rail Pressure Standard**

*Posted May 23, 2017, 11:59 A.M. ET*

By Sylvia Carignan

Six state attorneys general and petroleum industry groups are battling over a pressure standard for transporting crude oil by rail tank cars.

The attorneys general say the increased transportation of crude oil by rail and a suggested pressure standard under consideration by the Pipeline and Hazardous Materials Safety Administration increases the possibility of exploding or flammable trains near high-population areas.

But some industry groups say that standard would impose “unreasonable costs” on crude oil transportation, and that vapor pressure isn’t a reliable indicator of flammability. Vapor pressure is generally used as a measure of the volatility of a liquid.

PHMSA is weighing a petition from New York’s attorney general, who asked the agency to require a Reid vapor pressure limit of less than 9 pounds per square inch for crude oil transported by rail. If PHMSA grants the attorney general’s petition, the agency would need to determine whether 9 pounds per square inch is a preferable limit.

The attorneys general and industry groups, which include the American Fuel and Petrochemical Manufacturers, submitted their comments in response to an advanced notice of proposed rulemaking that asked for input on the pressure standard ([RIN:2137-AF24](#)).

#### **States See Increased Crude Movement**

The attorneys general for New York, California, Illinois, Maine, Maryland, and Washington state submitted [joint comments](#) pushing for a vapor pressure standard lower than the one PHMSA is considering for crude transported by rail tank cars.

Before 2011, crude oil wasn’t transported across Washington state by rail. But in 2013, the attorneys general said, Washington had seen about 700 million gallons of crude by rail, most on its way from North Dakota to refineries in Washington or California.

North Dakota, which has its own pressure standard, intends to defend it despite any federal rule, according to [comments](#) from the state’s Industrial Commission. Their standard is higher or more lax than PHMSA’s proposal.

Across the U.S., about 275,000 barrels of crude oil are transported by rail each day, according to the Energy Information Administration’s February 2017 estimates.

“We have seen some of the rail traffic slack off a bit, but it’s going to be upticking again,” Tyson Slocum, energy program director at Public Citizen, told Bloomberg BNA.

The fact that there have been fewer recent accidents may be a result of lower volume, he said, but a federal standard is still necessary.

“We’ve had too many accidents to sacrifice safety for oil and rail industry profits,” Slocum said.

#### **Setting a Limit**

While federally-funded research into the flammability and explosive potential of crude oil continues, the attorneys general argue a lower pressure standard is safer.

The North Dakota Petroleum Council commented that New York's petition shouldn't assume that limit is appropriate because federally-funded research has not been completed. Until an ongoing study at Sandia National Laboratories is completed, PHMSA shouldn't move ahead, the council stated.

The American Fuel and Petrochemical Manufacturers commented that instead of pressure, the presence of heat is more important when considering crude oil's flammability and explosive potential.

A rail accident including the collision of tank cars "virtually guarantees" that crude oil will ignite, and restricting vapor pressure won't make much of a difference, the association said.

The association represents companies such as AECOM, Exxon Mobil Corp, and Formosa Plastics Corp.

### **Merkel to Confront Climate-Change 'Doubters' Among G-20 Peers**

*Posted May 23, 2017, 10:07 A.M. ET*

*By Brian Parkin*

German Chancellor Angela Merkel said she won't give up trying to persuade doubters among her global peers that climate change is real, signaling her message for a Group of Seven summit starting May 26.

Merkel called on countries to uphold the Paris Agreement to combat climate change and limit the rise of global temperatures, which was brokered by nearly 200 nations in 2015 and entered into force in November. U.S. President Donald Trump, who has called global warming a hoax, may be on the verge of saying whether he'll stick to the pact.

"Today, we need to capture the same spirit that marked the completion of the climate pact in Paris, in terms of implementation in Europe, among G-7 and G-20 countries, and the United Nations," Merkel said May 23 in a speech to a conference in Berlin. "I am trying to persuade the doubters."

Merkel, a former environment minister, has consistently championed the Paris agreement, which pledged emerging countries such as China to combat global warming for the first time. The potentially divisive topic is likely to be on the agenda as well when Merkel hosts fellow Group of 20 leaders for a summit in Hamburg in July.

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### **EU Says Most European Beaches Safe for Swimming**

*Posted May 23, 2017, 12:57 P.M. ET*

*By Stephen Gardner*

Nearly all of Europe's coastal and inland recreational sites met water quality standards for swimming last year, the European Environment Agency said May 23.

Of more than 21,000 sites monitored, 96.3 percent met minimum requirements, while 85.5 percent met a higher “excellent quality” standard, according to the report.

Under the European Union’s Bathing Water Directive (76/160/EEC), beaches and inland sites are monitored for microbial contamination and must be closed for bathing if the minimum standards are not achieved.

The agency’s report said bathing sites in Europe “are much cleaner than forty years ago when large quantities of untreated or partially treated municipal and industrial wastewater were discharged into water.”

The report covers beaches and inland sites in the 28 EU countries and in non-EU nations Albania and Switzerland. The EU countries with the highest numbers of noncompliant sites were France and Italy, while the highest proportions of noncompliant sites were in Ireland and the U.K.

### **‘Gas Apocalypse’ Looms Amid Power Plant Construction Boom**

*Posted May 23, 2017, 9:30 A.M. ET*

*By Naureen S. Malik and Brian Eckhouse*

The glut of cheap natural gas from a single, gigantic, shale basin that straddles the Northeast, mid-Atlantic and Midwest has sparked a massive construction boom of power plants. Dozens have been built in the past two years alone.

There’s just one problem: There isn’t nearly enough electricity demand to support all the new capacity. And as wholesale electricity prices plunge, industry experts are anticipating a fire sale of scores of plants in the region. Many, in fact, have already been sold along the PJM Interconnection LLC grid, the nation’s largest, encompassing 13 states from Virginia to Illinois.

“Everything in fossil fuels is for sale,” said Ted Brandt, chief executive officer at Marathon Capital LLC, a mergers-and-acquisitions adviser in Chicago. “People are bleeding.”

Drawing from abundant, cheap and nearby natural gas in the country’s most prolific shale field, the new plants are adding a gigantic amount of power generation—more than 20 gigawatts—to a region that arguably has more than it needs. The new gas-fired plants are also coming online at a time of market turmoil, buffeted by Obama administration efficiency policies that have helped tamp down demand and by the Trump administration’s determination to keep old coal-fired plants going.

Spot wholesale prices at PJM’s benchmark Western hub slumped to an average of \$28.79 per megawatt-hour last year, falling by more than half since 2008 as the shale boom took hold. Many players are exiting the market. Calpine Corp.—the highly leveraged Houston-based independent power producer with a more than \$4 billion market value and 17 plants in the PJM grid—is exploring a sale of its facilities. The company has attracted interest from private-equity firms, Bloomberg reported this month. And FirstEnergy Corp. and American Electric Power Co. took more than a combined \$11 billion in 2016 charges for plants. They’re exiting production to focus on buying and distributing electricity. Dynegy Inc. has also been reported as a takeover target.

“It’s a gas-driven apocalypse in the power market,” said Toby Shea, a New York-based analyst at Moody’s Investors Service.

As prices slip, some see a buying opportunity. Blackstone Group LP and ArcLight Capital Partners LLC bought four Midwest plants from American Electric for \$2.17 billion in September. That implies an average sale price of \$417 a kilowatt, a fraction of the \$1,000 a kilowatt cost to build a new gas plant.

“It suddenly becomes a buyer’s market if the summer disappoints,” said Paul Pace, who heads KeyCorp’s energy lending team.

Contributing to the a glut is the slowdown in coal-plant closures resulting from more favorable policies under the Trump administration. Some of the country’s smartest investors, including Blackstone, are buying these facilities at discounts, betting that a few hot or cold days each year will yield enough money to justify keeping them operating.

Patches of extreme weather are also a motive for the building boom. The polar vortex sidelined a fifth of PJM’s power plants in the game-changing winter of 2014, when frigid weather forced some plants to suspend production. This resulted in a huge, if temporary, spike in electricity rates for consumers. Preventing another such shutdown is a primary focus for PJM: Now, power plants must be both efficient and reliable in extreme weather or face steep penalties.

#### **LED Bulbs**

Finally, advances in efficiency, reducing demand for electricity, are converging with the gas glut to further depress the industry. Everything from the advent of LED light bulbs to Energy Star-certified refrigerators and appliances prompted PJM to slash its long-term growth forecasts to just 0.2 percent a year from 1 percent in 2014. Add in wind and solar, which are providing ever more energy to the grid, and the demand for new power plants looks even shakier.

The industry will get a glimpse of where the market is heading May 23 when PJM is scheduled to release the results of an auction to secure its electricity supply. Prices are expected to continue to fall as another wave of new gas plants is about to come online.

Given lackluster demand for energy, it’s surprising that power-plant valuations haven’t fallen more, said Ravina Advani, a New York-based managing director at BNP Paribas SA. One reason: Developers continue to attract new investors, including from Japan and Korea. Still, it’s just a matter of time before prices break lower, said Dean Murphy, a Cambridge, Mass.-based principal at the Brattle Group.

“It’s like the housing market that is oversupplied and it takes longer to move your house,” he said. “Buyers have tons and tons of options.”

—With assistance from Christine Buurma.

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