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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.

#### **Massachusetts Moves to Curb Power Plant Carbon, Methane**

*Posted August 11, 2017, 11:52 A.M. ET*

*By [Adrienne Appel](#)*

Massachusetts power generators and gas companies will be required to lower their carbon dioxide, methane, and sulfur emissions by 2020 under [new rules](#) released today.

The six new rules are designed to curb the state's contribution to climate change and require the industries to reduce their greenhouse gas emissions 25 percent from 1990 levels by 2020.

The Massachusetts Department of Environmental Protection issued the rules to bring the state into compliance with a 2008 climate change law. An environmental organization, the Conservation Law Foundation, successfully sued the state in 2016 for falling behind in meeting the emissions targets required in the law. The environmental group backs the rules, it said in a joint statement with the governor.

"These rules re-establish the Commonwealth as a national leader in developing sensible, enforceable standards to transition our economy to a low-carbon future," Conservation Law Foundation President Brad Campbell said in the statement.

#### **Troubled Georgia Nuclear Project Is Said to Seek Aid from Trump**

*Posted August 11, 2017, 7:33 A.M. ET*

*By [Ari Natter](#) and [Mark Chediak](#)*

President Donald Trump has vowed to revive America's dying nuclear industry. Backers of a troubled Georgia nuclear project want him to prove it.

They have asked the administration to come to the aid of a project to build two reactors to the Southern Co.'s Vogtle power plant, according to people familiar with the talks. That could include increasing or speeding up disbursements of \$8.3 billion in loan guarantees to the companies behind the nuclear plant, the people said. They asked not to be identified discussing ongoing negotiations.

A Georgia public service regulator was in Washington to make a case for the project, the last

nuclear plant under construction in the U.S., and Southern has hosted congressional staff members at the construction site.

“We have asked anybody that would help us achieve the best commercial outcome possible,” Southern chief executive officer Tom Fanning said in an interview Aug. 2.

With Southern set to tell regulators in Georgia by the end of this month whether it plans to continue with construction plans for the plant, federal support could be crucial. Last week, Southern said it estimated its portion of the cost to complete the reactors was at least \$11.5 billion, excluding \$1.7 billion in guaranteed payments from Toshiba. Given Southern’s 46 percent stake in the project, that would put the total cost estimate at \$25 billion.

After Energy Secretary Rick Perry turned down a request for \$3 billion in aid for Scana Corp.’s nuclear plant in South Carolina, it’s not clear how much the federal government will help. Scana abandoned its V.C. Summer nuclear projects last month after it concluded the two reactors would end up costing it more than \$20 billion to build.

“This thing is in our national security interest,” Fanning said. “That’s why we’ve preserved the option to go forward. That’s why government has been helpful.”

In general, the Trump administration has said it’s studying the nuclear issue.

“A complete review of U.S. nuclear energy policy will help us find new ways to revitalize this crucial energy resource,” Trump said during a visit to the Energy Department earlier this summer.

The Energy Department is close to issuing a study on how to help baseload power, which is primarily coal and nuclear power. Plants using those fuels are struggling as cheap natural gas and renewable energy has kept wholesale power prices largely flat.

The request for help could be in addition to, or part of, the \$8.3 billion loan guarantee provided by the Energy Department under the Obama administration. As of June 30, Southern has borrowed \$2.6 billion through the loan guarantee pact, but disbursements from that financing agreement were put on hold until it decides if construction will continue, according to a company filing.

Both the Summer and Vogtle projects hit additional delays and cost overruns after Westinghouse Electric Co., the U.S. unit of Toshiba Corp., went bankrupt in March. Westinghouse was building both plants.

Instead of giving Scana a grant, Perry suggested the company apply for a loan guarantee, according to an Energy Department official. Kevin Marsh, Scana’s CEO, told state regulators he got “no response” on the company’s grant request.

“When Scana showed up on Perry’s doorstep dragging the carcass of Westinghouse behind it, it’s understandable the administration blanched and turned away,” Peter Bradford, a former member of the Nuclear Regulatory Commission, said in an interview.

An Energy Department spokeswoman didn’t respond to a request for comment. Southern continues to talk with the administration and Congress and has found support from Washington to be “critical to the project,” spokesman Schuyler Baehman said in an emailed statement.

“On Vogtle and nukes in general the Trump administration is what the Texans call ‘Big Hat and No

Cattle,” said James Lucier, an energy analyst and managing director at Capital Alpha Partners. “They don’t have any ammo in the gun.”

#### **Good Game**

“You hear them talking such a good game about nuclear power and base load power, but the reality is there isn’t a lot they can do,” he added. Beyond rejiggering or expanding the loan guarantee, direct aid for Southern would literally require an act of Congress, and getting that done is uncertain.

Tim Echols, the vice chairman of the Georgia Public Service Commission, was in Washington this week to brief lawmakers about the project. If Westinghouse comes through with the payment of \$3.68 billion it has promised toward the project, it should be in good shape, he predicted.

“We are not going to throw in the towel like South Carolina,” he said in an interview.

—With assistance from Jennifer A. Dlouhy, Billy House and Jim Polson.

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#### **Week Ahead: Integrating Energy, Water Use to Be Explored at Forum**

*Posted August 11, 2017, 03:25 P.M. ET*

*By [Chuck McCutcheon](#)*

A hydropower and tidal power executive will outline the importance of assessing water and energy issues in an integrated fashion at a Tuesday forum, one of several energy and environment events—including numerous webinars—the week of Aug. 14.

Trey Taylor, president of Verdant Power International Inc. of New York, will [speak](#) at the U.S. Energy Association about the company’s research and development efforts at its Roosevelt Island Tidal Energy (RITE) Project in New York City’s East River. USEA is a group of public and private energy-related organizations, corporations, and government agencies.

The Federal Energy Regulatory Commission (FERC) in 2012 [issued](#) a pilot commercial license for the Roosevelt Island project, in which a system of underwater turbines, similar to those used for wind power, continuously make use of tidal power to generate electricity.

A 2014 Department of Energy [report](#) said several trends underscore the need to address the water and energy in an integrated and proactive way. Those trends include climate change; increasing population growth and regional migration that each complicate managing energy and water systems; and new technologies in energy and water that shift demands in those areas.

“Because energy and water are interdependent, the availability and predictability of water resources can directly affect energy systems,” then-Energy Secretary Ernest Moniz said in the report. “We cannot assume the future is like the past in terms of climate, technology, and the evolving decision landscape. These issues present important challenges to address.” [David Schultz](#) will cover the event.

#### **In Other News**

Mercury convention: A long-awaited United Nations treaty to phase out and limit mercury use becomes legally binding on Wednesday. The European Union and seven of its member countries in May ratified the Minamata Convention on Mercury, signed in 2013, taking the pact beyond a 50-country threshold for entry into force. The Minamata Convention is intended to prevent environmental contamination by highly hazardous mercury by requiring the phaseout of mercury extraction; limiting its use in products and processes; and implementing measures to reduce mercury emissions into air, soil or water. It is the first international environmental convention adopted in about a decade. Bloomberg BNA staff will monitor.

Inorganic Byproducts: The Environmental Protection Agency will hold its second meeting on Wednesday and Thursday to negotiate strategies to ease the chemical reporting burden faced by electronic equipment, metal, petroleum, power plant, and other companies when they produce inorganic chemicals—mostly metals—as byproducts of their regular manufacturing. A committee of EPA, company, state and environmental organization officials will discuss simplifying reporting requirements, expanding reporting exemptions, improving data collected and other strategies. Pat Rizzuto will cover.

Gasoline additives: EPA science advisers will meet Tuesday through Thursday to evaluate agency risk reviews for two gasoline additives. Sylvia Carignan will track.

Pipeline project: Minnesota's Commerce Department is scheduled Thursday to release its final environmental impact statement regarding a fuel pipeline replacement project proposed by Enbridge Inc. The project is expected to ship light, medium and crude oil from northern Canada to Wisconsin, transiting through Minnesota. Stephen Joyce will follow.

#### **Webinars Offered**

Lead rule: EPA's Office of Water on Thursday will host its final webinar series on its rule regarding lead in drinking water. The agency is updating its set of lead standards, known as the Lead and Copper Rule, with a goal of releasing a draft version of the update later this year.

Water emergency preparedness: The Water Research Foundation will hold a Thursday webinar discussing the findings of its recent report on preparedness and response practices. Participants will learn about practices in other sectors that could be used in the water sector.

Climate and agriculture: Agriculture is responsible for one-third of global greenhouse gas emissions. The Environmental Defense Fund's Jenny Ahlen will lead a Wednesday webinar on best practices for agriculture in reducing greenhouse gas emissions. The Food and Agriculture Organization of the United Nations will hold a separate Thursday webinar on how climate information services—the packaging and dissemination of climate information to specific users—can help with planning for climate adaptation in agriculture.

Renewable fuels: The Renewable Fuels Foundation and Pinnacle Engineering Inc. will hold the first in a series of webinars on Wednesday to educate the renewable fuels industry about oil release planning, prevention, and impact mitigation.

#### **London Solar Auctions Aim to Make City Greenest on Earth**

*Posted August 11, 2017, 01:42 P.M. ET*

*By Jessica Shankleman*

London Mayor Sadiq Khan said he wanted to try city-wide auctions as part of an environment strategy proposed to more than double the capital's solar energy generation capacity by 2030.

The reverse auctions would be similar to the Solarize NYC model already used in New York, where multiple buyers pool together and panel sellers compete for one single contract, according to a [draft solar action plan](#).

The plan includes a new interactive map of the city to show potential hotspots for sun power as well as a change in planning guidance to favor photovoltaics on new developments. It also envisions a grant program for community solar and pilot programs to test how batteries can be delivered alongside photovoltaics. Those steps could help double London's capacity for the technology to about 200 megawatts over the next 13 years, the mayor's office said in the strategy document.

"I've set out my plans to improve London's environment by fighting pollution, tackling waste and promoting cleaner energy so we can make London a healthier city that adapts to the impacts of climate change," Khan said in a statement.

The mayor's forecast "seems pretty trivial to achieve and may well happen anyway as a result of businesses and homeowners installing solar panels to save on electricity bills," said Jenny Chase, head of solar analysis at Bloomberg New Energy Finance. Similar reverse auctions in the Netherlands have successfully brought down costs, she said.

Khan also urged the national government to develop a solar strategy applying to the whole country, saying the step could help increase capacity to 2 gigawatts by 2050. A gigawatt is about as much as a new nuclear reactor produces.

The solar proposals were announced as part of an Environment Strategy Consultation, which includes a new 9 million-pound (\$11.66 million) Greener City Fund to boost tree planting and green infrastructure. The mayor's office said the changes could make London "one of the greenest cities on Earth."

Khan said he wanted London to become the first "National Park City" in 2019, which would protect and increase the amount of green space in the capital. Those include using planning regulations to protect undeveloped land and encouraging the installation of so-called "green roofs" that are covered with plants.

The plan could help reduce London's air pollution, which is some of the worst in Europe and causes almost 10,000 premature deaths a year, according to research by the Environmental Research Group at King's College London.

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## **Threat of Venezuelan Oil Ban Pits Oil Boss Against Refiners**

*Posted August 11, 2017, 02:40 P.M. ET*

*By [Jennifer A. Dlouhy](#), [Bill Allison](#) and [Meenal Vamburkar](#)*

The prospect of a U.S. blockade of crude oil imports from Venezuela has ignited fierce lobbying in Washington pitting domestic energy producers such as oil tycoon Harold Hamm, who favor a get-tough approach, against refiners that depend on those supplies.

Hamm said hitting Venezuelan President Nicolas Maduro where it counts would deter the socialist leader's moves to undermine democracy and consolidate power. In an interview, the Continental Resources, Inc. chief executive officer urged President Donald Trump to block the oil, a vital source of revenue for Venezuela.

"If the president wants to make an immediate impact on Venezuela to stop these human rights abuses and restore the situation, he's got the ability to," said Hamm, speaking as head of the Domestic Energy Producers Alliance, whose members include producers, oilfield service companies, and independent oil and gas associations.

Opposing the ban are refiners such as Chevron Corp., Phillips 66, and Valero Energy Corp., which have warned that choking off shipments of Venezuelan crude would starve refineries designed to process the country's heavy oil, leaving them searching for alternative supplies and driving up gasoline prices.

The stakes are high for both countries. Venezuela is the third-biggest supplier of oil imports to the U.S.—more than 270 million barrels worth about \$10 billion last year—and that trade is a major source of revenue for the South American country.

Hamm was a vocal supporter of Trump's presidential bid, eventually agreeing to advise him on energy policy. Trump, in turn, repeatedly lavished praise on Hamm, during campaign stops in front of industry-heavy audiences in North Dakota and Pennsylvania.

When it is unified, the oil industry is a lobbying powerhouse in Washington, leaning on allies in the top ranks of the Trump administration as well as on Capitol Hill to advance its policy priorities. Oil and gas interests rank fourth among industry lobbying, with \$64 million spent through the first six months of 2017, according to the not-for-profit Center for Responsive Politics, which analyzes lobbying and campaign finance data.

#### **U.S. Pressures Maduro**

Refiners have been pressing their case with the Trump administration since June, as the White House considers ways to pressure Maduro and discourage a rewrite of Venezuela's constitution. On Aug. 9, the Trump administration froze the assets of eight Venezuelans, building on previous sanctions against 13 people associated with the Maduro regime.

White House officials have prepared a menu of possible additional sanctions against Venezuela but are divided over whether—and when—to take actions that could exacerbate the country's deteriorating humanitarian and economic situation. The progressive approach envisioned by administration officials includes blocking exports of U.S. oil to Venezuela followed by limits on oilfield service firms doing business in the country and, finally, restricting imports of Venezuelan crude to the U.S. Those restrictions could be phased in gradually.

The prospect has inspired frantic appeals by companies that spent billions optimizing at least 20 different refineries to process heavy crude from the country. The leading refining trade group, the American Fuel and Petrochemical Manufacturers, sent two letters to Trump last month warning that a blockade would destabilize crude markets, causing an increase in oil prices as refiners scramble to replace Venezuelan supplies with ill-fitting, higher-cost substitutes and leading to bigger gasoline bills for consumers.

Sanctions may not even work as intended, as Venezuela finds other outlets for its crude beyond the

U.S., said AFPM President Chet Thompson.

“We think that the United States could take this action, and it won’t have the desired effect, but it will have the unintended consequences of hurting consumers and refiners,” Thompson said in an interview. “This is more than just a passing concern.”

“Folks have spent many billions of dollars over the last several years to really optimize around Venezuelan crude, so any disruption of it could be a really big deal,” Thompson said.

### **Refiners Fear Ban**

Besides Venezuelan-owned Citgo Petroleum Corp., the refiners most dependent on Venezuelan crude are Valero, Phillips 66, Chevron and PBF Energy Inc. They are also the most active in lobbying against a crude import ban, according to accounts by four people familiar with the activity.

Last year, Valero took in roughly 54 million barrels from Venezuela while Phillips 66 and Chevron imported 46 million barrels and 33 million barrels, respectively. And while companies are already working to pare their dependence on Venezuelan crude, that is a heavier lift at some refineries. For instance, Venezuelan oil accounted for 43 percent of Chevron’s Pascagoula refinery’s capacity last month, according to U.S. Customs data compiled by Bloomberg. It represented 62 percent at Valero’s St. Charles facility.

Refiners have made direct appeals to administration officials and are courting Gulf Coast lawmakers, asking them to amplify their concerns with the White House. Those efforts paid off Aug. 10 when the U.S. senators from Texas and Louisiana sent a letter to Trump arguing crude sanctions would be self defeating.

Sanctions targeting the oil sector would increase the likelihood of a disorderly default, hastening Russian consolidation of Venezuelan and Citgo oil assets, while diverting Venezuelan crude to China, harming the global competitiveness of U.S. businesses and raising costs for consumers, they said.

Asked about Chevron’s lobbying on the issue, a spokesman said the company “engages with the administration and Congress to provide our perspectives on complex energy issues to help shape an effective and responsible U.S. energy policy.”

Phillips 66 declined to comment. Representatives of PBF and Valero didn’t respond to requests for comment.

Oilfield service providers also have been discouraging the Trump administration from imposing sanctions that limit their business in the country, including contracts with the state-owned oil company Petroleos de Venezuela SA, or PDVSA. That option had been presented by some refiners as an alternative to throttling down Venezuelan crude imports.

### **Ban Won’t Further Democracy**

Excluding U.S. companies from working in Venezuela doesn’t help further democracy there, the oilfield service firms argue; instead, it blocks their ability to recoup debt and gives competitors a chance to gain a foothold in the market.

The world’s four biggest oil service providers—Schlumberger Ltd.; GE’s Baker Hughes; Halliburton

Co., and Weatherford International Plc—have kept a presence in Venezuela in order to work for some large, integrated oil companies, James West, an analyst at Evercore-ISI, said in an email. None of the companies give specifics for how many wells they are drilling or the size of their crews there.

Hamm is advocating that the Trump administration also cut off Venezuela's access to light sweet, U.S. oil—like the kind flowing from Texas and North Dakota, where his Continental Resources is pulling crude from the Bakken formation. Venezuela blends U.S. light oil with its heavy crude before shipping the mixture to foreign refiners.

Hamm said his recommendation has been conveyed to the White House, though he did not elaborate on how.

#### **Sector-Based Sanctions a Concern**

Oil companies are still reeling from their last lobbying fight—a battle to weaken possible sanctions in legislation targeting Russia. The industry scored a partial win, when lawmakers agreed to set a threshold for Russian involvement high enough to remove the threat to some U.S. oil company projects around the world.

The threat of more sector-based regional sanctions is a disturbing trend, lobbyists said.

Citgo has made overtures to the Trump administration. It contributed \$500,000 in December to the incoming president's inaugural committee, according to Federal Election Commission records. The company didn't contribute to inaugurations in 2005, 2009 or 2013.

Citgo has hired three lobbying shops, including Avenue Strategiescq, the firm co-founded by former Trump campaign manager Corey Lewandowski, paying it \$80,000 from April to June. Lewandowski, who was not a registered lobbyist for Citgo, left Avenue Strategies in May. Two other veterans of the Trump campaign, senior adviser Barry Bennett and Arkansas state chairman Bud Cummins, represent the company.

They list the potential impact of "energy and foreign policy restrictions" on its client as a specific issue, and are lobbying the Treasury Department and the White House. Neither Bennett nor Cummins returned phone calls seeking comment.

—With assistance from David Wethe.

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