

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

Afternoon Briefing - Your Preview of Today's News

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

Renewables Scientist Takes South Korea's Energy Helm

Posted July 24, 2017, 03:58 P.M. ET

By [Elaine Ramirez](#)

South Korea on July 24 inaugurated a sustainable energy scientist and scholar as minister for trade, industry and energy, a move expected to help the country meet stepped-up renewable energy goals by 2030.

Paik Un-gyu, replacing Joo Hyung-hwan to join the 2-month-old Moon Jae-in the administration's Cabinet, said the country would "lay the foundations for an energy paradigm shift" by moving away from coal and nuclear power and discovering new energy industries to replace them.

Moon has pledged to shut down 10 aging coal-fired power plants and stopped all plans for new nuclear plants and extending aging nuclear plants' life cycles in a bid to herald a "nuclear free" era. In their place, South Korea must nearly quadruple the proportion of its current renewable energy use and increase imports of liquefied natural gas.

South Korea, which signed the Paris climate accord, has vowed to reduce its greenhouse gas emissions by 37 percent of current levels by 2030. Twenty-four nuclear reactors provide about one-third of South Korea's electricity.

Paik, an energy engineering professor at Hanyang University who advised Moon on energy policy, said comparing the economic efficiency of nuclear power plants with renewable energy is a "short-sighted perspective," while vowing to harness technology to create eco-friendly industries such as environmentally friendly smart cars.

Public sentiment in South Korea over nuclear power turned negative after the 2011 Fukushima disaster in neighboring Japan. Paik told reporters on July 24 that he would be willing to promote the export of nuclear reactors to countries that don't suffer the same problem as Korea of having multiple plants in a concentrated area.

The state-owned Korea Electric Power Corp. (KEPCO) has a \$20 billion order to build four nuclear plants—the same model as Shin-Kori units 5 and 6 in southeast Korea—in the United Arab Emirates.

As a scientist and scholar, Paik developed cathode material for eco-friendly batteries, researched materials for solar cells and studied energy demand forecasting and renewable energy.

U.K. Seeking to Fill Climate Leadership Void Left by Trump

Posted July 24, 2017, 02:57 P.M. ET

By [Jessica Shankleman](#)

Britain should seek to fill the leadership void created by Donald Trump's decision to pull the U.S. out of the landmark Paris Agreement, Climate Change Minister Claire Perry said July 24.

While Prime Minister Theresa May has been criticized by some environmental groups for failing to speak out over the U.S. president's June 1 decision to step back from the 2015 Paris deal, Perry said U.K. ministers "haven't missed an opportunity" to express their disappointment over the news.

Perry said that as well as head-of-state discussions, she has also been having talks with "other players" in the U.S. who are seeking to ensure the U.S. delivers on its carbon reduction commitments. Last week the mayor of Houston visited the U.K. and discussed climate opportunities, she said.

"The U.K. is ranked third in the world in tackling climate change. I think we need to exploit and take that leadership position because we can change the world doing this and we can also generate highly productive jobs," she said while visiting a green housing project at Nottingham University, in the East Midlands of England.

Perry's department on July 24 unveiled policies designed to make it easier for homeowners to install battery systems that can store renewable energy created by solar panels or wind turbines. That includes updating a 28-year-old Electricity Act that doesn't recognize batteries as part of the power system.

Perry said the U.K.'s green economy already employs about 400,000 people and could provide a source of growth through research and exports for certain technologies as the country quits the European Union.

"I look at this and see it's the way the world is going, so it's not just about British businesses, it's about global mega-trends, so how do we seize that opportunity to decarbonize our own economy and help other countries," she said.

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White House Team Differs on Trump Support for Russia Sanctions

Posted July 24, 2017, 12:17 P.M. ET

By [Ros Krasny](#)

The Trump administration supports the current version of a bill to sanction Russia, the new White House press secretary said, although her boss, Anthony Scaramucci, wouldn't guarantee that President Donald Trump will sign it.

The legislation, which would affect energy projects abroad and may soon land on Trump's desk for a signature, wasn't the only area where Trump's hand-picked communications director differed from others in the administration on July 23, two days after taking the job.

Scaramucci and press secretary Sarah Huckabee Sanders, also named to her role on July 21, along with Jay Sekulow, one of Trump's lawyers, were the administration's collective face on Sunday's political talk shows. The interviews came days after both teams were shaken up in an effort by Trump to impose order on his White House in the face of a widening Russia probe.

Sanders' comments on sanctions followed a tentative deal reached by Republican and Democratic leaders in the House to move ahead this week on a measure that, among other things, would prevent the president from acting unilaterally to remove sanctions on Russia for its involvement in the 2016 election and other actions.

"The original piece of legislation was poorly written, but we were able to work with the House and Senate. And the administration is happy with the ability to do that and make those changes that were necessary," Sanders said on ABC's "This Week." "We support where the legislation is now."

'Decision Shortly'

Scaramucci, brought on board to reset the administration's communication's strategy as Trump enters his second six months in office with record-low approval ratings, said on CBS's "Face the Nation" that "I don't know the answer to whether the president will sign" the sanctions bill. On CNN's "State of the Union," Scaramucci suggested that Trump is "going to make that decision shortly."

If the president were to veto the bill, "we will override his veto," Sen. Ben Cardin (D-Md.), the top Democrat on the Senate Foreign Relations Committee, said on "Fox News Sunday."

Heading into a week of congressional action on the investigations into Russian election meddling, including testimony behind closed doors to two committees by his son-in-law and senior adviser Jared Kushner, Trump said on Twitter July 22 that "all agree the U.S. President has the complete power to pardon."

House to Vote Soon

Republican and Democratic leaders in the House reached a tentative deal over the weekend to fix procedural concerns, add measures against North Korea, and modify provisions that would restrict the participation of U.S. energy companies in some international projects.

A version of the bill released by House Republican leaders includes changes sought since the Senate passed legislation in June that would prohibit U.S. businesses from working on or supporting energy projects that include any participation by Russian companies, even outside Russia's borders.

The new version would also set a threshold for Russian involvement, applying that restriction to projects where sanctioned Russian entities have at least a 33 percent interest.

A separate procedural impasse would be resolved by allowing leaders from both the majority and minority parties in the Senate or House to force their respective chamber to consider an objection to White House action on sanctions. The original bill allowed any member of Congress in either chamber to force consideration of sanctions waivers. Senators can still introduce resolutions, with leadership approval.

The bill is expected to be considered in the House on July 25 using an expedited process that requires two-thirds of all members voting for passage.

The modified House bill represents a modest victory for oil companies, manufacturers and oilfield service firms that had argued the earlier, Senate-passed bill could jeopardize projects around the globe—even those that weaken Russia’s ability to use its own natural gas as a political weapon. They had warned that under the Senate measure, Russia would be empowered to elbow U.S. companies out of energy projects globally simply by making small investments in them.

The 33 percent threshold that would be established under the compromise legislation likely is high enough to avoid disruptions at the giant Shah Deniz project in Azerbaijan, a chief alternative to Russia-sourced natural gas for Turkey. That project could have been swept up by the Senate-passed bill because Russia’s Lukoil owns a 10 percent share in an ongoing expansion, even though BP Plc is the lead operator.

The White House had argued that it needs flexibility to adjust economic sanctions against Moscow. Administration officials were on Capitol Hill earlier this month asking lawmakers to reconsider the Russia provisions that the Senate added to an Iran sanctions bill and passed 98-2.

—With assistance from Terrence Dopp, Robert Schmidt, Jennifer A. Dlouhy, Billy House and Anna Edgerton.

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U.K. Braced for Record-Breaking Wet Winters, Blames Climate Shift

Posted July 24, 2017, 9:38 A.M. ET

By [Jessica Shankleman](#)

Britain faces a future of record-breaking wet winters, potentially leading to more of the widespread flooding seen in recent years, according to new modeling that incorporates changing climate patterns.

England and Wales now have a 34 percent chance of record rainfall between October and March, the study by the government’s Met Office said July 24. In 2013, heavy rain deluged parts of Cornwall and the south east. That was followed by three named storms that flooded some of Cumbria, Lancashire and Yorkshire in December 2015, while Storm Angus battered parts of Britain last November.

Changing weather patterns caused by increasing global temperatures means meteorologists can no longer rely on historical rainfall records to predict future weather events. Instead, a new supercomputer at the Met Office simulated thousands of possible scenarios using current climate patterns.

“This gave many more extreme events than have happened in the real world, helping us work out how severe things could get,” Adam Scaife, lead researcher on the study, said in a statement.

The simulations could help insurers and governments to assess risks and plan for future extreme weather events, Vikki Thompson, lead author of the report, said in a [video](#) released by the Met

Office. The Association of British Insurers estimated floods in December cost about 1.3 billion pounds (\$1.7 billion) in claims.

“This is important research and reinforces our call for the government to prepare for and expect a significant flood event to take place somewhere in the country almost every year,” said Daniel Johns, head of adaptation at the U.K. Committee on Climate Change, which advises the government on its response to global warming.

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Conservative Party Merger Alters Landscape in Canada’s Oil Patch

Posted July 24, 2017, 9:18 A.M. ET

By [Doug Alexander](#) and [Josh Wingrove](#)

The merger of Alberta’s two main conservative parties creates a new political force in the heart of Canada’s oil patch that threatens to unseat Premier Rachel Notley and kill the province’s carbon tax.

Members of the Wildrose and Progressive Conservative parties voted July 22 to create the United Conservative Party. Combined, those parties hold 30 of 87 districts, though they received 52 percent of the vote in the last election.

In recent polls each has outpaced Notley’s New Democratic Party, which won a surprise majority in 2015 and benefited heavily from a split among right-leaning voters in the province with Canada’s highest median household income. The next election is due in 2019.

For the NDP, unification “is their worst-case scenario,” Duane Bratt, a political scientist at Mount Royal University in Calgary, said in an interview. While an improving economy or a divide over social policies could still help Notley hold power, “a unified conservative party at this stage would be tough to beat.”

Some 95.4 percent of Wildrose members who voted backed the merger, while it won 95 percent support from the PCs, according to the July 22 results.

Carbon Tax

While the merger agreement doesn’t specify a plan to repeal the carbon tax, its key figures have all campaigned against it. Notley’s carbon measures include a hard cap on emissions from Alberta’s oil sands, the world’s third-largest proven oil reserve, though the province isn’t near its self-imposed cap. Repeal of that will set up a collision course with Prime Minister Justin Trudeau, who has imposed a minimum carbon price nationally as of 2018.

Alberta is Canada’s heaviest carbon emitter, though only its fourth-most populous, and a frequent target of environmental and anti-oil campaigns.

“I’m not convinced that the carbon tax will disappear, and for evidence of that, all you have to do is look south of the border with repeal-and-replace of Obamacare,” Bratt said. “Once you bring in a program and it runs for a couple of years, it is tough to get rid of.”

The parties had also pledged to balance the budget and slash Alberta's ratio of debt to nominal gross domestic product, which has more than doubled in the past two years, to 13.8 percent from 6.1 percent, with the slump in oil prices. Alberta draws 8 percent of its revenue from oil and other non-renewable resources, down from 18 percent just three years earlier, government budget documents show.

Disapproval Rating

The unified party will pick its leader on Oct. 28, with an interim leader serving in the meantime. The leading candidates are expected to be Wildrose leader Brian Jean, a former federal lawmaker who hails from Fort McMurray, the hub of the oil sands region, and Progressive Conservative leader Jason Kenney, a former federal lawmaker and cabinet minister who largely led the unity push. Doug Schweitzer, a Calgary lawyer, announced his interest in the leadership position in June.

"If anybody other than myself is elected by the members they will have my total enthusiastic support because this unity project will only work if we are prepared to park our egos --- and I'm certainly prepared to do that," Kenney said in his July 22 speech.

Notley has one of the highest disapproval ratings among Canada's provincial leaders, though the premier's numbers remain relatively strong in each of the two major cities, where about two-thirds of electoral districts are clustered, polling from Mainstreet Research shows.

"It's going to be a tough road for Rachel Notley and the NDP if the PCs and Wildrose unite—not impossible," Mainstreet President Quito Maggi said in an interview. The merger could still spur further splintering, both among staunch conservatives and centrists. "It's not a guarantee of that unified party forming government. They're still going to have to do some work."

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EU Mulls Retaliation Against U.S. Over New Russia-Sanctions Plan

Posted July 24, 2017, 9:10 A.M. ET

By [Jonathan Stearns](#)

The European Union said it would be prepared to retaliate against the U.S. should Washington hit Russia with new sanctions that affect EU-based energy companies, risking a deeper trans-Atlantic split over economic and security policies.

The European Commission, the bloc's executive arm, made the threat as U.S. lawmakers prepare to give the green light as soon as this week to economic penalties against Russia over its meddling in last year's American presidential election. The draft U.S. measures would prohibit American businesses from being involved in energy projects that include Russian companies, including ventures outside Russia.

"The EU is always ready to respond adequately and imminently should the case be needed," Margaritis Schinas, the commission's chief spokesman, told reporters on July 24 in Brussels. "I will not speculate on any retaliation."

The latest trans-Atlantic tensions follow sharp disagreements over U.S. President Donald Trump's "America First" agenda, including his anti-trade stance, his withdrawal from an international treaty to fight climate change and his criticism of European nations for failing to spend more on defense. The

fresh friction also contrasts with close cooperation between the EU and former U.S. President Barack Obama over sanctions against Russia for its encroachment in Ukraine.

Expanded Sanctions

The commission, led by President Jean-Claude Juncker, is echoing concerns expressed by German Chancellor Angela Merkel, whose spokesman said in June that the U.S. Congress's plan for expanded sanctions against Russia posed a threat to European economic interests. One casualty could be the planned \$10 billion Nord Stream 2 natural-gas pipeline between Russia and Germany, a project that to some extent would compete with U.S. exports of liquefied natural gas to Europe.

Schinus said the adequacy of energy supplies for the EU is at stake and the commission is engaged in a diplomatic offensive to limit the impact of any U.S. measures on the bloc, expressing "hope" that no European countersteps will be necessary.

"We are activating all diplomatic channels to address these concerns—from these U.S. measures—with our U.S. counterparts," he said. "We expect" Europe's "interests to be addressed by the ongoing, pre-legislative process."

The Financial Times and Politico reported on July 24 that Juncker planned to put retaliation against the U.S. on the agenda of a regular meeting of EU commissioners on July 26, citing an internal commission note. Both reports said the goal is for the 28-nation bloc to be able to react "within days."

Separately, the commission is preparing for possible retaliation against the U.S. over a threat by Trump to curb steel imports on national security grounds. In June, EU Trade Commissioner Cecilia Malmstrom said she was "extremely worried" about the possibility of such American trade restrictions, saying they could trigger protectionist reactions around the globe.

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Photos of Melted Fuel at Japan's Fukushima to Help Cleanup

Posted July 24, 2017, 8:58 A.M. ET

By Stephen Stapczynski

Japan's likely discovery of melted fuel inside the wrecked Fukushima nuclear power plant is seen as a critical step in hastening the \$72 billion, 40-year cleanup of one of the worst atomic disasters in history.

Images released on July 22 by Tokyo Electric Power Co. Holdings Inc.—Japan's biggest utility and owner of the plant—showed for the first time what is likely melted fuel at the bottom of the containment vessel of the No. 3 reactor at Fukushima. Pictures released July 21 showed fuel possibly hanging from the top of the pressure vessel inside the same reactor.

"The recent investigation results are significant early signs of progress on the long road ahead to safely decontaminate and decommission the Fukushima Dai-ichi facility," said Lake Barrett, a former official at the U.S. Nuclear Regulatory Commission who was involved with the cleanup at the Three Mile Island nuclear power plant in the U.S.

While TEPCO, as the utility is known, said some of the debris captured on film is “highly likely” to contain melted fuel, the company noted that definitive confirmation will take time.

For Tokyo Electric, which bears most of the cleanup costs, the discovery could help the utility design a way to remove the highly radioactive material, according to Takahiro Kimoto, an official at the company.

Melted Fuel Removal

The company aims to decide on the procedure to remove the melted fuel from each unit as soon as this summer, with fuel removal slated to begin in 2021.

“This is a continuous step-wise program of gathering unit-specific engineering data so that engineers can develop the various engineering approaches and specific remote-controlled equipment to remove the melted fuel and other highly radioactive materials,” Barrett, the former U.S. nuclear official, said by email.

With only a handful of nuclear meltdowns ever occurring around the world, TEPCO must come up with new technology for its cleanup. New tools, such as long-handled devices guided by a television monitor system, were developed for removing fuel core debris at Three Mile Island after its meltdown in 1979. In Chernobyl, a concrete sarcophagus was used to entomb the wrecked plant with no attempt to remove its fuel.

Decommissioning the reactors in Japan will cost 8 trillion yen (\$72 billion), according to an estimate in December from the Ministry of Economy, Trade and Industry. Removing the fuel is one of the most important steps in a cleanup that may take as long as 40 years.

The pictures taken over the weekend were made possible with the help of a Toshiba Corp.-designed robot sent to explore the inside of the reactor for the first time. The 30-centimeter (12 inches) long swimming robot was tasked with surveying the damage and finding the location of corium—a mixture of the atomic fuel rods and other structural materials formed after the meltdown.

TEPCO must still confirm the location of melted fuel inside the No. 1 and 2 reactors at Fukushima.

In January, the company took photographs of what appeared to be black residue covering a grate under the Fukushima Dai-Ichi No. 2 reactor, which was speculated to have been melted fuel. A follow-up survey by another Toshiba-designed robot in February failed to confirm the location of any melted fuel in the reactor after it got stuck in debris.

A robot designed by Hitachi-GE Nuclear Energy Ltd. also failed to find any melted fuel during its probe of the No. 1 reactor in March.

“This could be a very early step, with many more hard steps to go, on the path to eventual decommissioning,” M.V. Ramana, a professor at the Liu Institute for Global Issues at the University of British Columbia, said by email. “In the more short term, if some of these fragments can be brought out of the reactor and studied, it would allow nuclear engineers and scientists to better model what happened during the accident.”

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Flood Risks Prompt Massachusetts Review of Enbridge Gas Facility

Posted July 24, 2017, 7:51 A.M. ET

By [Adrienne Appel](#)

Massachusetts Gov. Charlie Baker (R) bowed to public pressure and ordered his administration to scrutinize a natural gas facility planned by Enbridge for its Pennsylvania to Canada pipeline.

Enbridge Inc. wants to build a 7,700-horsepower natural gas compressor station in Weymouth, Mass., as part of an expansion to its 60-year-old Algonquin Gas Transmission pipeline. The expansion, called Atlantic Bridge, will deliver natural gas from Pennsylvania up to Maine and Eastern Canada.

Enbridge received permission (a Certificate of Public Convenience and Necessity) from the Federal Energy Regulatory Commission Jan. 25 for the expansion, including the compressor station, following years of protests by local residents who say the plant would pose health and safety risks.

The plant still needs local and state permits before it begins operating, and those permits could be stymied depending on the outcome of studies ordered by Baker July 14.

“Although the siting of compressor stations is primarily regulated by the Federal Energy Regulatory Commission, the Commonwealth need not and will not remain silent during this process,” Baker said in a July 14 [letter](#) to Weymouth Mayor Robert Hedlund.

Air, Storm Safety

The compressor facility would be built directly on the coast south of Boston, near Quincy, and therefore is subject to review by the state Office of Coastal Zone Management.

Baker ordered the coastal zone office to obtain more information from Enbridge “in an effort to achieve a conclusive and definitive understanding of what the specific flooding and inundation risks are,” as sea level rises and storms increase in the future due to climate change.

The plant site “is susceptible to flooding and waves during storm events under present and future conditions,” Baker said. Enbridge must show that it will mitigate any potential climate change impacts, Baker said.

Public Health

Baker also directed the Massachusetts Department of Environmental Protection and Department of Public Health to prepare an assessment of any impact the facility would have on air quality. The assessment will be completed and potential air quality considered before any air permits are issued by the DEP, Baker said.

Baker instructed his secretary of public safety and secretary of energy and environmental affairs to help bring the concerns of the public about the plant’s safety to the federal Department of Transportation’s Pipeline and Hazardous Materials Safety Administration.

FERC granted the certificate to Enbridge after a comprehensive, 23-month review, Marylee Hanley, an Enbridge spokeswoman, said in a July 21 email to Bloomberg BNA. More than 600 public comments were considered.

“The Atlantic Bridge facilities are designed and will be constructed, operated and maintained to meet or exceed federal safety standards and regulations,” she said.

Visited Baker’s Office 76 Days

Public opposition to the compressor facility has been fierce for years, and Baker is a relative latecomer to the debate.

Baker is “committed to ensuring the community’s concerns are heard fully,” Baker spokesman Brendan Moss told Bloomberg BNA July 21 in an email.

Local groups, Hedlund and U.S. Sens. Elizabeth Warren (D) and Edward Markey (D) have expressed opposition to the planned compressor station. One Weymouth resident, Andrea Honore, visited the governor’s office for 76 straight days about her concern about the Weymouth plant before Baker agreed to visit the plant site and meet with her. Days later, Baker issued his directives about the plant.

Baker, a popular moderate Republican in a state that mostly votes Democratic, is up for re-election in 2018. Democratic gubernatorial candidates Setti Warren and Jay Gonzalez both issued statements against the plant before Baker took action.

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