To: Jackson, Ryan[jackson.ryan@epa.gov]
From: Bloomberg BNA
Sent: Fri 9/29/2017 8:34:29 PM
Subject: Sep. 29 -- Energy and Climate Report - Afternoon Briefing

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.

Trump Told Iowa He'd Save Ethanol. His EPA Chief Has Other Ideas

Posted September 29, 2017, 8:57 A.M. ET

By Jennifer A. Dlouhy and Mario Parker

As he sought votes during last year's Iowa caucuses, candidate Donald Trump courted farmers with praise for ethanol and promises that he would boost the home-grown fuel.

Now those farmers and other biofuel supporters say the people President Trump has put in charge of the issue in Washington are instead boosting their fossil-fuel rivals.

"This seems like a bait-and-switch," Iowa's senior senator, Chuck Grassley (R), said on the Senate floor this week. "Big Oil and oil refineries are prevailing, despite assurances to the contrary."

The issue is politically precarious for Trump, as it pits the oil industry against Midwest voters who helped elect him. Trump repeatedly vowed to "protect" ethanol. But he loaded his cabinet with allies of the oil industry, which views the Renewable Fuel Standard that mandates biofuel use as costly and burdensome.

Ethanol producers are most vexed by Scott Pruitt, the head of the Environmental Protection Agency. His agency has pursued a series of changes that would help the oil industry at the expense of farmers.

"The White House needs to rein in the EPA before the agency tramples the president's rural base—and his promises to voters," said Brooke Coleman, executive director of the Advanced Biofuels Business Council. "I would be surprised if those in the White House realize the depth of his attacks on the Renewable Fuel Standard."

Support for Fossil Fuels

Pruitt hails from oil-rich Oklahoma, and backing refiners and oil producers could aid any future political campaign in his home state, including a possible bid for the Senate seat that would open up if Republican Jim Inhofe retires in 2020. Pruitt has not announced plans to seek that seat or any other political office. While serving as Oklahoma's attorney general, Pruitt dubbed the quotas "unworkable" and a "flawed program."

Now at the EPA, Pruitt has gone “rogue,” said Michael McAdams, president of the Advanced Biofuels Association.

“His job is to implement the vision of the president who says he supports biofuels,” he said. Pruitt’s actions don’t “support biofuels in any shape or form.“

Representatives of Pruitt declined to respond to questions about his ties to the oil industry. “EPA is currently seeking input from all stakeholders involved. Nothing has been finalized at this time,” the agency said in a statement.

Despite the president’s high-profile pledges of support, the intricate details of biofuel policy are being decided by administration officials with no allegiance to the sector, said Monte Shaw, executive director of the Iowa Renewable Fuels Association.

For instance, Trump’s Energy Secretary is Rick Perry, who as Texas governor asked the EPA to waive half of the conventional renewable fuel quota in 2008. And Trump’s Agriculture Department is led by Sonny Perdue, who previously was governor of Georgia, the nation’s top poultry producer. Livestock producers have linked arms with the oil industry to fight the biofuel mandate, arguing it drives up feed costs.

Trump also tapped billionaire refinery owner Carl Icahn, a critic of the biofuel mandate, as special adviser on regulations. Icahn has since left that role.

In the latest policy move, the EPA this week issued a notice opening the door to potential reductions in annual quotas for biodiesel and ethanol. The action followed heavy lobbying by oil industry leaders seeking lower biofuel targets.

The 14-page “notice of data availability” that set those potential changes in motion explicitly invokes arguments by refiner Valero Energy Corp. or top oil trade groups nine times, with the EPA echoing the industry’s assertions that imported biofuels jeopardize U.S. energy independence.

What’s missing? Any reference to the counter arguments from the other side—biodiesel producers or corn farmers.

The EPA had already proposed lowering the amount of advanced biofuel that would be required next year, after Pruitt forced a last-minute rewrite of the agency’s initial slate of renewable fuel quotas. EPA officials initially wanted to require 384 million gallons of cellulosic ethanol to be used next year—up 19 percent from this year’s 311 million gallon quota—according to documents released by the Office of Management and Budget.

Corn Belt

But after lobbyists for refiners raised concerns about relying on imported biofuel to meet the targets, Pruitt directed EPA staff to recalculate the figures. The resulting proposal aims to lower the cellulosic ethanol requirement for the first time—to 238 million gallons next year.

Separately, the agency is mulling a change to allow exported biofuel to count toward compliance with the annual quotas—a move that would lower compliance costs for refiners while decreasing the premium some ethanol producers collect for selling the fuel domestically.

Oil industry leaders say Pruitt is making good on his pledge to get the RFS back on track, by establishing biofuel quotas ahead of legal deadlines.

The EPA is advancing "Congress's stated purpose of bolstering America's energy independence," the American Fuel and Petrochemical Manufacturers said in an emailed statement. "American drivers shouldn't have to shoulder more costs to help foreign biofuel producers."

Biofuel boosters are reminding Trump of his promises now.

"It is my hope that your EPA has not forgotten about the pledges that were made to my constituents and to farmers across the country," Senator Joni Ernst, a Republican from Iowa, told the president in a letter this week.

Trump's 1970s-Era Oil Comes at Right Time to Feed Asia's Thirst

Posted September 29, 2017, 9:11 A.M. ET

By Robert Tuttle

When President Donald Trump's Energy Department was lining up buyers a month ago to dump 14 million barrels of crude into the market, it might have seemed like bad news.

But as all that oil from the Strategic Petroleum Reserve starts hitting the market next week, the timing turned out to be pretty good.

Here's what changed: crude got out of its funk and entered a bull market, the outlook for global consumption suddenly looks a lot brighter, compliance with OPEC-led cuts improved, the shale boom is waning and, most importantly, sales to Asia have led U.S. exports to record levels. So, America doesn't look so incurably awash in oil after all.

"You'll see a lot of it get exported right away," said Dominic Haywood, an analyst at consultant Energy Aspects Ltd. in London. "There's good demand for it."

To get an idea of the size of the sale, deliveries spread over two months will add an average 233,000 barrels a day of crude that's been stashed in salt caverns in Texas and Louisiana since the wake of the Arab oil embargo in the late 1970s. That's more than either Kuwait or the United Arab Emirates have cut so far this year under the OPEC-led accord, data compiled by Bloomberg show.

That seemed worrying when the DOE was taking bids in early September and futures in New York were stuck below $50 a barrel. Hurricane Harvey had knocked out more than a fifth of U.S. refining capacity, the summer driving season had just ended and stockpiles were rising again.

But with the global Brent benchmark nearing $60 a barrel, West Texas Intermediate seems like a steal even after it surpassed $52 for the first time since April this week.

The type of oil coming out of the caverns, sour crude, also happens to be in particularly high demand because that's the kind OPEC has cut the most. Bonito Sour, for instance, sold at a $3.75-a barrel premium to WTI on Sept. 22, the widest since May 2015, data compiled by Bloomberg show.

"Sour crude differentials are on a tear," Haywood said. "Definitely it's a good time."

For the government, getting rid of the oil hoard from another era has become a priority because maintaining the facilities is a cash drain. Trump wants to slash it by half. In recent years, Congress has ordered small sales to fill government budget holes.

At a time when U.S. fields gush increasing amounts of crude, there has been growing support for making some cash out of the reserve, or even get rid of it altogether—specially because it'll cost about $2 billion to upgrade it.

By statute, the Energy Department needs to conduct two sales of oil from the Strategic Petroleum Reserve for fiscal year 2018, according to an agency spokeswoman. The timing is based on factors including the volume of oil, the potential delivery periods for each sale and how sales integrate with maintenance and operations at storage sites. The agency doesn't try to time it based on forecast commodity prices, she said.

—With assistance from Catherine Traywick.

Senate Republicans Want to Allow Drilling in Alaska Refuge

Posted September 29, 2017, 01:07 P.M. ET

By Ari Natter and Erik Wasson

Senate Republicans set the stage for using the budget to end the 37-year ban on oil and gas drilling in Alaska's pristine Arctic National Wildlife Refuge.

A provision in the budget resolution, released Sept. 29, tells the Senate Energy and Natural Resources Committee to come up with $1 billion in savings over 10 years. That mandate is the first legislative step necessary for Congress to approve drilling in the preserve, known as ANWR, without the threat of a Democratic filibuster.

"You know me, I'm always trying to advance ANWR," Alaska Republican Senator Lisa Murkowski, the chairman of that committee, said on Sept. 26.

Murkowski and fellow Alaska Republican Senator Dan Sullivan have previously backed legislation that would allow oil and gas development on as much as 2,000 acres (809 hectares) of the refuge, and pressed to get this provision included in the budget.

Fossil fuel development in the 19-million-acre wilderness area has been prohibited since 1980.

If the budget is adopted by both the House and the Senate, a bill conforming to the instruction can be brought up in the Senate and could pass with 50 votes plus Vice President Mike Pence's tie-breaker, rather than the usual 60 votes need to end debate.

Royalties to Flow

Republicans plan to use the budget resolution to allow fast-track consideration of a tax overhaul plan.

Royalties from oil and gas production in the wildlife reserve would be a revenue-raiser that could help offset some of the tax cuts Republicans are proposing. President Donald Trump earlier this year proposed raising $1.8 billion over the next decade by opening up parts of the refuge for oil and gas development, a change that would require congressional action.

Energy production in the wildlife refuge, which is estimated to contain as much as 12 billion barrels of oil, has been debated for more than 50 years, with major oil companies such as ConocoPhillips, Alaska's biggest oil producer, interested in exploring for oil in the area. Environmentalists, meanwhile, have argued for making the refuge's coastal plain permanently off -limit to drilling, noting the area's fragile ecosystem is home to polar bears, caribou, musk oxen and more than 200 species of migratory birds.

"It would be a sin against the environment," Senator Ed Markey, a Massachusetts Democrat, said in an interview. "We should not be doing that for the oil industry. We don't need to set up a gas station on top of the ANWR."

Fuel Prices

Proponents of opening up the area to energy development argue it's needed to help keep domestic fuel prices low and generate government revenue, including funds for Alaska, which has seen its economy and state government coffers hit hard by a decline in oil prices.

In addition to Democrats, Republicans Senators such as Susan Collins of Maine and John McCain of Arizona have in the past voted against efforts to open the refuge to drilling. Asked how she might vote this time around, Collins said she was open to reconsidering.

"I am told that there is a new kind of horizontal drilling that is far safer, but I don't know enough about it to have looked into yet," Collins said in an interview. Still, she added, "I voted against it consistently in the past."

Southern's Nuclear Plant Gets $3.7 Billion More in U.S. Aid

Posted September 29, 2017, 12:55 P.M. ET

By Ari Natter and Mark Chediak

Southern Co.'s troubled nuclear reactor project in Georgia is in line to get additional government support after the Energy Department announced Sept. 29 it offered $3.7 billion in additional loan guarantees.

Georgia Power Co. and its partners constructing the Vogtle plant—the only new nuclear power project in the U.S.—were already recipients of $8.3 billion in federally-backed loan guarantees, but asked the Trump administration to come to their aid amid ballooning costs and delays.

The project represents the last, best hope for a much-hyped nuclear renaissance that has failed to materialize in the U.S. following Japan's Fukushima accident and persistently weak wholesale electricity prices.

"I believe the future of nuclear energy in the United States is bright and look forward to expanding

American leadership in innovative nuclear technologies," Energy Secretary Rick Perry said in a statement announcing the additional aid.

The proposed aid comes after the Trump administration proposed ending the loan guarantee program, which has been under fire from conservative critics since it famously backed a half-billion-dollar loan guarantee to failed solar-panel maker Solyndra LLC.

Project Costs Soar

The new federal financing comes as Southern seeks Georgia regulators' approval to continue building two reactors at its Vogtle nuclear facility. Costs for the project have soared to more than $25 billion amid construction delays, caused in part by the bankruptcy of contractor Westinghouse Electric Co.

The Energy Department announced conditional loan guarantees of $1.67 billion to Georgia Power, a subsidiary of Southern; $1.6 billion to Oglethorpe Power Corporation; and $415 million to three subsidiaries of Municipal Electric Authority of Georgia.

Securing the additional money will help the Atlanta-based company make its case to Georgia regulators who must now weigh Southern's recommendation to continue against concerns from environmental groups and consumer advocates.

The additional loan "will help us continue to reduce our financing costs," said Paul Bowers, president of Georgia Power. With more than $5 billion in loan guarantees promised to Southern, the utility owner says its customers will get $500 million in "benefits" for its customers.

Georgia's public service commission will likely give its OK to the Vogtle project if Southern and its partners receive about $3.7 billion in payments from Westinghouse's parent Toshiba Corp., Tim Echols, a member of the Georgia Public Service Commission, said last week.

"The additional loan guarantee money, monetizing the Toshiba payment, and tax credit extension are music to my ears," Echols said. "Without these it will be difficult to finish our Vogtle reactors and I hope the U.S. Senate knows that."

—With assistance from Brian Eckhouse.

Perry Moves to Aid Coal, Nuclear Generators with Pricing Rule

Posted September 29, 2017, 9:58 A.M. ET

By Catherine Traywick

U.S. Energy Secretary Rick Perry is doubling down on coal and nuclear power.

The Energy Department proposed a rule Sept. 29 aimed at helping coal and nuclear power plants compete within wholesale power markets by allowing them to recover their costs at "a fair rate of return," according to the agency's website. Generators with a 90-day supply of fuel on site are eligible.

While they provide reliable, base-load power, coal, and nuclear plants are costly to run, so grid operators usually don't call on them until after all renewable and natural gas resources have been exhausted. Meanwhile, low cost gas, wind and solar power have lowered electricity prices to the point that coal plants, when needed, often aren't paid enough to cover operating costs.

"Ensuring a reliable and resilient electric supply and corresponding supply chain are vital to national security," Perry said in a letter to the Federal Energy Regulatory Commission, which will consider the proposal. The letter touts the agency's recent grid study, which made the case for preserving base-load power, a term typically used to describe coal and nuclear plants that can run all the time.

Perry's proposal may have a friend in Neil Chatterjee, who was tapped by President Donald Trump to temporarily lead the energy commission. Chatterjee has repeatedly argued that coal-fired plants are a crucial part of America's energy mix that needed to be "properly compensated to recognize the value they provide."

But grid operators may find implementing such a rule to be "difficult or problematic," Christi Tezak, managing director at ClearView Energy Partners in Washington, wrote in a research note. Still, a pricing rule of some kind may be formalized by as soon as spring 2018, she said.

'Major Retreat'

Rob Gramlich, founder of the clean energy consultancy Grid Strategies LLC, characterized the proposal as "a major retreat from competition."

The Federal Energy Regulatory Commission, an independent agency under the Energy Department, has authority over power markets, though the energy secretary may propose rules to the commission. Perry is seeking final action within 60 days.

The proposal follows the agency's controversial grid study, which argued that base-load power is critical to grid resilience and called for changes to how wholesale electricity is traded. The report cautioned that "market designs may be inadequate" to keep "traditional" power generation online.

—With assistance from Jim Polson and Ari Natter.

Pennsylvania Nuns to Appeal Transco Pipeline Decision

Posted September 29, 2017, 04:01 P.M. ET

By Leslie A. Pappas

Nuns who sued on religious grounds to stop a pipeline from traversing their property in Pennsylvania say they will appeal a judge's decision to dismiss the case.

The sisters of the Adorers of the Blood of Christ in July sued the Federal Energy Regulatory Commission (FERC) and Transcontinental Gas Pipe Line Co. LLC (Transco) to stop construction of the Atlantic Sunrise pipeline on land they own in Lancaster County.

The group said the pipeline would violate their freedom of religion under the Religious Freedom Restoration Act (RFRA), echoing religious arguments made by the Standing Rock Sioux Tribe and others in their quest to stop the Dakota Access Pipeline in North and South Dakota.

Judge Jeffrey L. Schmehl denied the nuns' motion for a preliminary injunction to stop the pipeline, and granted the company and FERC's motions to dismiss the case, in an order filed Sept. 28 in U.S. District Court for the Eastern District of Pennsylvania (Adorers of the Blood of Christ v. FERC, E.D. Pa., No. 5:17-cv-03163-JLS, 9/28/17). Schmehl said that the nuns needed to challenge the pipeline under procedures laid out in the Natural Gas Act (NGA).

"No matter how sweeping RFRA may be, plaintiffs simply may not bypass the specific procedure established by Congress in the NGA by bringing a RFRA suit against FERC in this Court," Schmehl wrote in his opinion.

Chris Stockton, a spokesman for Williams Companies, Inc., which owns the Transco pipeline system, said the company was "pleased with the court's well-reasoned decision to dismiss" and said the company remains "open to constructive dialogue with the landowner to find an amicable resolution of our differences."

'Sacredness of Earth'

The nuns maintain that the 42-inch pipeline, which would be used to transport natural gas from hydraulic fracturing operations, violates their belief in "the sacredness of Earth."

The pipeline would go through several Pennsylvania counties, carrying gas to markets like the Cove Point liquefied natural gas export terminal on the Chesapeake Bay.

"While the Adorers respect the District Court's conclusion that the Adorers could only raise their religious freedom claims during FERC's administrative proceedings, the issues and rights involved in this case are so important that the Adorers believe additional judicial review is warranted," the nuns said in a statement emailed to Bloomberg BNA Sept. 29. "The Sisters believe that God calls humans to treasure land as a gift of beauty and sustenance that should not be used in an excessive or harmful way."

Transco applied in March for authorization to construct the pipeline, and on Feb. 3, FERC gave the company the right to take private property along the pipeline route by eminent domain, the ruling says.

After the nuns refused to allow the pipeline onto their property, the company sued for access, and on Aug. 23, the court granted a portion of the nun's property to Transco.

The nuns said they plan to appeal the decision to the Third Circuit Court of Appeals in Philadelphia.

Electric Scooter Taxes to Drop as Taiwan Boosts Green Vehicles

Posted September 29, 2017, 01:41 P.M. ET

By Yu-Tzu Chiu

Electric scooter owners in Taiwan could see a tax break as the country aims to boost clean transportation and its domestic electric vehicle industry by extending licensing incentives through 2021.

Only 929 car buyers have taken advantage of the existing automobiles license tax waiver for electric cars, and Taiwan hopes dropping the fees for electric scooters will encourage more buyers to consider eco-friendly vehicles. The proposal Taiwan approved Sept. 28, which still must be approved by the legislature, would extend the existing waiver on the license tax for electric vehicles through the end of 2021. The tax break was set to expire Jan. 5, 2018.

Currently, the vehicle license tax rate in Taiwan for electric scooters under 12 horsepower is zero; electric scooters with 45 horsepower or more pay a vehicle license tax of 1,620 Taiwanese dollar ($53) annually.

Deputy Finance Minister Tzu-hsin Wu said at a news conference that revising tax codes is one of the government's strategies to encourage the development of domestic electric vehicle industries. As European countries such as Norway consider banning gasoline and diesel cars, Wu said it's important for Taiwan to catch up.

Taiwan projects that the extended tax breaks eventually will put 5,795 electric cars on the road by 2021and more than double the number of electric scooters to 171,000. The extended tax incentives would help the government gain an additional 800 million Taiwan dollars in revenue, Wu said.

During a recent meeting discussing the tax exemption proposal, Premier Lai Ching-te said the incentives are designed to both encourage green consumption and help boost the development of domestic electric vehicle industries, according to Kuo-yung Hsu, a spokesman for the Taiwan Cabinet.

Industry Hopes for Boost

Taiwan's automakers praised the tax incentives but suggested cash rebates, such as those used in the U.S., could encourage even more buyers to consider an electric vehicle. In Taiwan, cash incentives are offered to buyers of electric scooters as one of the government's pollution control measures. Taiwan wants to ban smoky two-stroke scooters by 2020.

Wen-yi Lo, a spokesman for Taiwan-based Yulon Motor Co Ltd., said the company has invested more than 3 billion Taiwanese dollars ($99 million) in the past decade to develop electric cars. Taiwan's electric vehicle charging network has expanded with the support of government policies, and by late 2017 three kinds of electric cars produced by Yulon will be available in Taiwan, he said.

Yen-yang Chen, marketing manager of Gogoro, a Taiwan-based company selling electric scooters, said it's encouraging that the electric vehicle license tax exemption would expand to electric scooters.

"More buyers will choose electric scooters because supportive policies have been seen here," Chen told Bloomberg BNA.

Gogoro started selling its electric scooters in Taiwan in 2015. By 2016, Gogoro's sales comprised two-thirds of the total 20,000 electric scooters sold in Taiwan, according to government statistics.

Foreign electric automakers also see opportunities in Taiwan. In late January, U.S.-based Tesla Motors delivered its first batch of products to Taiwanese customers and opened its first supercharging station in Taipei.

Local media reported that, after the end of the waiver in 2021, drivers of a Tesla model with 700 horsepower will have to pay an annual license tax of 117,000 Taiwanese dollar ($3,900), about four times that on some nonelectric super cars.

Tesla Taiwan declined to comment on the Cabinet's tax revision proposal.