

**To:** Jackson, Ryan[jackson.ryan@epa.gov]  
**From:** Bloomberg BNA  
**Sent:** Tue 7/11/2017 7:34:38 PM  
**Subject:** July 11 -- 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.

#### **Colorado Vows Carbon Cuts in Support of Paris Climate Deal**

*Posted July 11, 2017, 02:29 P.M. ET*

*By Tripp Baltz*

Colorado vowed to slash statewide greenhouse gas emissions by a quarter from 2005 levels by 2025 as Gov. John Hickenlooper (D) announced plans to join a multi-state alliance to meet the goals of the international Paris climate change agreement.

The governor's July 11 [executive order](#) aims to reduce statewide greenhouse gas emissions more than 26 percent by 2025, cut carbon dioxide emissions from the electricity sector by 25 percent by 2025, and achieve electricity savings of two percent of total electricity sales per year by 2020.

The order includes strategies to:

- work with interested utilities and electric cooperatives on a voluntary basis to maximize use of renewable energy without increasing costs to taxpayers,
- create a statewide electric vehicle plan by Jan. 1, 2018, and
- develop a greenhouse gas emissions tracking rule through the Colorado Department of Public Health and Environment.

#### **EU Panel Backs 'Stop-the-Clock' Emissions Exemption for Airlines**

*Posted July 11, 2017, 01:29 P.M. ET*

*By Stephen Gardner*

Long-haul flights that arrive in or leave European Union airports would continue to be exempted from a requirement to participate in the bloc's greenhouse gas emissions trading system, under a legislative proposal backed by the European Parliament's environment committee July 11.

However, the exemption would run only until the end of 2020, and the possibility of re-including intercontinental flights in the EU emissions trading system should be kept open if the International Civil Aviation Organization's emissions-capping scheme falls short, according to the committee's

vote.

Aviation industry representatives criticized the environment committee's position July 11, saying that it could lead to double regulation and an overlap with the ICAO scheme, which is known as CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation).

Aage Dunhaupt, spokesman for Airlines For Europe, which represents the main European carriers including Air France-KLM and Lufthansa, told Bloomberg BNA July 11 that EU lawmakers had a skeptical view of CORSIA that "we do not share."

It was a "united position of all our airlines" that "when CORSIA kicks in, we make sure we do not have a double-charge system," Dunhaupt said.

Sylviane Lust, director general of Airlines International Representation in Europe, which represents holiday operators such as Monarch Airlines and Thomson Airways, told Bloomberg BNA July 11 that "we would like to be part of the CORSIA agreement and nothing else. We can't afford to have regional systems duplicating the global system."

Lufthansa and International Airlines Group, the holding company for Aer Lingus, British Airways and Iberia, did not respond to requests for comment July 11.

#### **Carbon-Neutral CORSIA**

Under CORSIA—which ICAO agreed to in October 2016—any emissions from aviation above the 2019–2020 level will after 2020 be compensated for by credits from projects that reduce emissions in other sectors, making growth in flights between countries theoretically carbon-neutral.

Until 2027, participation in CORSIA is voluntary, but many of the main aviation countries—including the EU countries and the United States—will take part. Some large countries, including India and Russia, will not participate in the voluntary stage, however.

Currently, because of CORSIA, intercontinental flights are exempted from the EU emissions trading system (ETS) under an arrangement known as "stop-the-clock." However, Intra-EU flights are included in the ETS.

The stop-the-clock exemption expires at the end of 2017. The European Commission, the EU's executive, proposed in February to extend the exemption at least until the details of CORSIA become clear. If CORSIA is seen to be failing to prevent rising global warming emissions from aviation, the EU could act to bring intercontinental flights into the ETS, meaning airlines' emissions would be subject to a cap, and airlines would have to buy carbon credits for any emissions above the cap.

Julie Girling, a British center-right lawmaker who is responsible for preparing the European Parliament's position on the stop-the-clock continuation, said in a statement July 11 that the exemption for intercontinental flights should be continued only through the end of 2020.

"I believe this exemption must be time-limited so that we can be sure that the CORSIA will deliver its objectives," Girling said.

#### **'Fair Contribution'**

Andrew Murphy, aviation manager at environment group Transport & Environment, said in a July 11 statement that aviation “must make a fair contribution to global climate efforts,” and until more detail about CORSIA is available, lawmakers’ “skepticism is well justified.”

Environment committee lawmakers backed the draft EU regulation by which the continuation of the stop-the-clock exemption would be implemented on a 57-3 vote, with 6 abstentions.

The full European Parliament will vote on the measure during a Sept. 11-14 session. To be finalized, it must then be agreed to between the parliament and the Council of the EU, which represents the governments of the bloc’s member countries.

If no agreement is reached on the extension of the stop-the-clock measure after the end of 2017, all airlines flying into and out of EU airports would be required during spring 2018 to surrender carbon allowances to cover their emissions during 2017.

### **China Likely to Extend Tax Break on Electric Cars, Auto Group Says**

*Posted July 11, 2017, 9:35 A.M. ET*

*By [Yan Zhang](#) and [Tian Ying](#)*

China is likely to extend a purchase-tax exemption on electric cars to promote the vehicles, whose sales have outpaced broader industrywide deliveries, according to the state-backed auto association.

The exemption on the 10 percent purchase tax is due to expire at the end of this year and is “highly likely” to be renewed, Xu Yanhua, deputy secretary-general of the China Association of Automobile Manufacturers, said at a briefing in Beijing July 11. An extension to a levy exemption would probably benefit electric-car manufacturers like BYD Co. and BAIC Motor Corp., which produce some models qualifying for the exemption.

Sales of passenger new-energy vehicles, including plug-in hybrids and battery-electric cars, rose 36 percent to 164,000 units in the first six months of this year. That compares with a 1.6 percent gain in overall auto sales, according to data released by CAAM. A separate set of figures from the China Passenger Car Association July 11 showed first-half retail sales of vehicles falling for the first time since 2005.

China has given subsidies for companies and consumers to promote the development and sale of electric vehicles as part of its strategy to reduce a reliance on imported oil and cut air pollution. The country is the biggest electric-car market, accounting for more than 40 percent of such cars sold in the world, according to a report by the International Energy Agency.

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### **London’s Iconic Black Cabs Go Electric; Bound for Amsterdam**

*Posted July 11, 2017, 9:32 A.M. ET*

*By [Jessica Shankleman](#)*

Hundreds of London’s black cabs will start appearing on the roads of Amsterdam next year,

powered by batteries instead of diesel fuel, marking the first international sale for Geely Automobile Holdings Ltd.'s new electric taxi.

Rotterdam Mobility Center agreed a 225-vehicle deal for the new all-electric hackney cab that will meet new pollution rules in the Dutch capital. It will be delivered from a factory near Coventry, England, in the first quarter of 2018, the companies said Tuesday.

The sale marks a new phase for London Taxi Co., which is planning to expand its reach beyond the U.K. with its new battery powered model called the TX that was designed in Barcelona and unveiled July 11.

From September, LTC will be renamed London EV Co. to reflect the 325 million-pound (\$419 million) electrification investment by its Chinese owner Geely. That's paid for new manufacturing equipment for taxis and vans that will meet pollution rules being introduced in London and other cities worldwide.

The cab's trademark turning circle and roomy interior suits the narrow streets of Amsterdam as well as requirements for wheelchair users, said Albert Donlou, director of services at RMC, in an interview.

Designers were keen to ensure the "face" of the new cab conveyed a message that the driver was reliable and serious yet friendly, and was neither too cute nor too aggressive or retro, said David Ancona, managing director of Geely Design Barcelona. The interior can fit six passengers compared to five of the current model and features a large sunroof, as well as a large touch screen for driver navigation.

Geely wants to tap into the global market for low emissions vehicles. More than half of new cars sold globally will come with a plug by 2040, led by cities in Europe, China and the U.S., according to Bloomberg New Energy Finance.

"The launch of LEVC marks Britain's leadership as a first mover in creating the world's only dedicated electric vehicle company for the urban commercial market," Chief Executive Officer Chris Gubbey said a statement July 11.

LEVC unveiled the first version of the new cab, named TX. It retains key elements of the classic model, including doors that open backwards to 90 degree angles and will be powered by a battery and a small gasoline generator, known as a range extender. That will allow drivers to travel from London to Edinburgh, or even Paris, without needing to refuel, according to the statement.

The price tag of the new TX model will be announced on Aug. 1, when order books open for individual drivers, a spokesman for LEVC said by email. The new taxi will go on sale in London in the fourth quarter, and in the first quarter of 2018 in the rest of the world. Steep declines in the cost of batteries, that account for about a third of the cost of the vehicle, stopped the company from determining the price earlier.

London's Mayor Sadiq Khan decreed that all new taxis in the city need to be capable of operating with zero emissions from 2018, either by pure electric or hybrid motors. As well as targeting London's 23,000 diesel-powered taxis, Geely has toured European cities from Paris to Berlin, seeking to drum up interest for a potential export market.

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## Tesla's Australian Battery Fix Comes at 'Big Price,' Analyst Says

Posted July 11, 2017, 8:59 A.M. ET

By [Perry Williams](#)

Billionaire Elon Musk's plan to install a giant battery to help fix a power crisis in South Australia will come at a "big price" with installation costing 60 percent more than alternative open cycle gas plants, according to Wood Mackenzie Ltd.

Musk's Tesla Inc. won a tender July 7 to build what the entrepreneur said is the world's largest lithium-ion battery system capable of providing enough power for more than 30,000 homes. Little guidance or estimates were given on the cost of supplying the unit, sparking debate over the appropriate mix of power generation in the mainland state with the highest levels of clean energy.

Given current costs "the reality is South Australians are paying a big price to stabilise their energy supply, after a rapid build-up in solar and wind power generation," Wood Mackenzie analyst Saul Kavonic said in an email. Solar and wind account for about 40 percent of the state's power generation.

A spokesman from Tesla's Australian office declined to comment.

Batteries will be cost-competitive around 2025, according to Wood Mackenzie. The consultancy estimates the fixed cost of batteries in 2017 at \$81 a megawatt-hour compared with fixed costs of \$9 a megawatt-hour for an open-cycle gas plant. The charging cost for batteries is estimated at \$57 a megawatt-hour compared with the cheapest gas seen at about \$59 a megawatt-hour. By 2025 gas could be more expensive than batteries given the rising cost of the fuel.

### More Diesel Generation

Tesla's battery plan will still leave the state's blackout-plagued power grid vulnerable, Bloomberg New Energy Finance analysts led by Kobad Bhavnagri said in a July 10 report. While the 100 megawatt battery storage project would reduce its import dependency at peak energy use to 126 megawatts, the resulting shortfall will still need to be met by electricity interconnectors with neighboring Victoria, BNEF said.

A plan by the South Australian government to procure 200 megawatts of diesel generators for the 2018 summer and a 250-megawatt gas-fired generator will ultimately be needed to shore up supply, BNEF said.

Tesla's battery plan "is a lot of sizzle for very little sausage," Federal Resources Minister Josh Frydenberg said in an interview with Sky News July 11. "Let's focus not necessarily on celebrity. Let's focus on what is needed to stabilize South Australia's system which unfortunately today has not had a very good record."

The state's search for new forms of energy storage started after a severe thunderstorm triggered a state-wide blackout last September raising questions over the stability of its electricity supply. South Australia's power market disconnected from Victoria with transmission towers and lines badly damaged, sparking calls for a second interconnector to be built with the state of New South Wales.

Musk has promised to build the battery and get it working within 100 days of a contract being signed or the California-based company would provide it for free.

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Energy and Climate Report