To: Jackson, Ryan[jackson.ryan@epa.gov]
From: Bloomberg BNA
Sent: Tue 9/12/2017 8:18:09 PM
Subject: Sep. 12 -- 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.

Exxon Mobil Terminal Can't Withstand Climate Impacts, Judge Told

Posted September 12, 2017, 03:27 P.M. ET

By Adrianne Appel

An Exxon Mobil terminal in Massachusetts can't withstand heavy rains and storms resulting from climate change, environmentalists argued Tuesday in federal court.

The Conservation Law Foundation filed the first-in-the-nation suit in 2016, alleging an Exxon Mobil oil and gas storage facility on the banks of the Mystic and Island End rivers in Everett, Mass., has not been sufficiently upgraded to handle climate change's impacts.

"This is about rainwater runoff" as a result of storms that could send byproducts of fuel oil, gasoline and other chemicals from Exxon's facility into the Mystic River, Allan Kanner, attorney with Kanner & Whitely, told U.S. District Judge Mark Wolf in arguing on the foundation's behalf.

Wolf said he hopes to decide whether to dismiss the case by Tuesday's close of arguments.

Exxon's lawyer, Daniel Toal of Paul|Weiss, told Wolf the foundation's claims lack merit.

"We engineer all our facilities to withstand extreme weather events, regardless of the cause," Toal said.

Energy Industries Team Up to Fight Proposed Offshore Wind Ban

Posted September 12, 2017, 02:28 P.M. ET

By Brian Dabbs

Big oil representatives are banding together to protect offshore wind leaseholders in Maryland from a proposed ban on projects off its coast.

The House Environmental Protection Agency and Interior Department spending bill, which is part of a sprawling package of spending bills, is being debated on the House floor with language to ban offshore wind projects within 25 nautical miles (27.6 miles) off the Maryland coast.

Groups that represent the oil and wind industries, including the National Ocean Industries Association and the U.S. Chamber of Commerce, are pushing back, arguing the bill would jeopardize investment and ding regulatory certainty.

The legislation poses a threat to the fledgling U.S. offshore wind industry.

"All oil members are concerned about the precedent set," Tim Charters, chief lobbyist at the National Ocean Industries Association, told Bloomberg BNA. "If you want to drive investment in the United States in our energy sectors, you have to give those investors who are putting billions of dollars on the line the confidence that they have a good partner in the U.S. government."

The Maryland Public Service Commission approved and subsidized offshore projects by U.S. Wind Inc. and Skipjack Offshore Energy LLC in May. Both projects fall within the proposed 24-mile ban. The Interior Department still has to approve the projects. The appropriations language—offered by Rep. Andy Harris (R-Md.)—would prohibit that.

Christopher Guith, a senior vice president for policy at the U.S. Chamber of Commerce's Energy Institute, told Bloomberg BNA that his group opposes the language in the ban as it restricts the development of a certain technology.

But the fate of the larger package so far is unclear. President Donald Trump has vowed to support a short-term continuing resolution, as federal funding expires at the end of the month.

Utility-Scale Solar Hits Cost Goal, Focus Turns to Reliability

Posted September 12, 2017, 02:25 P.M. ET

By Rebecca Kern

The solar industry has met the Energy Department's goal to reduce the average price of utility-scale solar to 6 cents per kilowatt-hour—three years ahead of the agency's 2020 target.

The solar industry also has made heavy gains in reducing the costs for residential and commercial solar, according to a Sept. 12 report from the Energy Department's National Renewable Energy Laboratory on its SunShot Initiative. The industry is 86 percent of the way toward the target reduction of the average cost of residential PV and 89 percent toward the cost of commercial solar PV, the report said. The Energy Department continues to aim for further price reduction while also focusing efforts on solar's reliability and resiliency, offering $82 million in funding for research and development into new technologies.

The SunShot Initiative was launched in 2011 with the aim of making solar cost-competitive with fossil fuels. It was an ambition intended to be reminiscent of President John F. Kennedy's 1961"Moon Shot" program to put a man on the moon.

Utility-scale solar dropped from 28 cents per kilowatt-hour in 2010 to 6 cents in 2017, which was the 2020 goal. Residential and commercial solar costs dropped from 52 cents and 40 cents per kilowatt-hour in 2010 to 16 and 11 cents, respectively, in 2017. The goal is to drop to 10 cents and 8 cents, respectively, by 2020.

The next challenge is to cut prices in half again, from the 2020 goal, for utility, residential, and

commercial PV systems by 2030.

"It is of tremendous significance because it really shows that, with government and with industry holding hands, they're able to make solar highly competitive with traditional fossil-fuel-based electricity generation. And not only competitive, but competitive earlier than anyone forecasted," Ben Gallagher, a solar analyst at GTM Research, told Bloomberg BNA Sept. 12.

Improved Technology, Material

Technology innovation in solar modules and increased efficiency due to better material quality and design have been the primary drivers of the dramatic cost reductions in solar photovoltaic systems.

SunShot has awarded $1 billion in funding to corporations such as General Electric Corp., academic institutions such as the Massachusetts Institute of Technology, and national laboratories. The money has been used to devise ways to lower the costs of hardware and costs associated with the integration of solar panels to the electric grid.

"The point of these goals is to further the overall focus on affordable and reliable energy," Daniel Simmons, the acting assistant secretary of the Energy Department's Office of Energy Efficiency and Renewable Energy, told Bloomberg BNA in a phone interview Sept. 11. "We want to be focused on devoting our resources to early stage research and development."

Continuing to lower the costs of PV solar systems is like facing a limbo bar and "it gets progressively more difficult to slide under that limbo bar without falling backwards," Charlie Gay, director of the Energy Department's solar energy technologies office and leader of the Sunshot Initiative, told Bloomberg BNA. But he's optimistic. "I have been working in solar for 43 years, and I continue to see a lot of opportunities that will enable us to keep moving and lowering that limbo bar."

$82 Million to Improve Reliability, Resiliency

As part of the early stage research and development push, the department is offering $82 million in new funding opportunities from the Solar Energy Technologies Office, where the SunShot Initiative is housed, according to a Sept. 12 announcement at Solar Power International in Las Vegas, the largest solar industry event in North America. The funding includes up to $62 million focused on Concentrating Solar Power technologies, which can store solar energy to be used to produce electricity when the sun isn't shining, and up to $20 million to advance power electronics technologies, which can protect against physical and cyber threats to the grid. The awardees will have to contribute 20 percent of their own funding to the overall project budget. Dan Whitten, vice president of communications for the Solar Energy Industries Association, the trade group that represents the solar industry, told Bloomberg BNA that SunShot has advanced "all manner of innovations along with industry that have improved the solar value proposition dramatically."

Technology Costs Driving Reductions

James Evans, renewable energy analyst at Bloomberg Intelligencesaid that reaching the utility-scale solar cost goal was "not entirely unexpected given the dramatic cost declines in equipment over recent years with average benchmark silicon solar panel costs declining by 35 percent just in 2016 with industrial inverter prices falling around 26 percent in the same period." However, he told Bloomberg BNA in a Sept. 11 interview, hitting the 2030 SunShot goals would be harder if the U.S. applies trade tariffs on imported solar technologies, which would increase import costs of solar panels. A petition before the U.S. International Trade Commission by Suniva and SolarWorld would apply a trade tariff on certain imported solar technologies.

Addressing 'Soft' Costs

While the hardware costs are being lowered significantly, a remaining challenge for continuing to reduce costs of solar systems are the "soft" costs, like labor, permitting, interconnection, customer acquisition, financing and grid integration. These soft costs are more associated with rooftop solar systems that occur in the residential and commerical solar sectors. SunShot Director Gay said that SunShot will continue to work with industry to help lower these costs. Efforts include helping to standardize and harmonize local building codes and funding for solar worker training. "We definitely want to reduce red tape to promote economic growth," EERE's Simmons said.

EU Said to Mull Marking U.K. Carbon Permits in Contingency Plan

Posted September 12, 2017, 12:25 P.M. ET

By Ewa Krukowska

The European Commission will propose marking carbon allowances issued by the U.K. as of January 2018 as part of Brexit-related rules to make the world's biggest emissions market resistant to potential supply turmoil.

The commission, the European Union's regulatory arm, will put forward an update to the bloc's regulation on the carbon registry to make distinguishable permits sold by the British government at auctions or given to companies for free from January 2018, according to a person with knowledge of the matter. That regulation will detail how to enact a broad law currently being drafted by EU lawmakers to put limits on the use of U.K. allowances in case Brexit talks fail and the country finds itself out of the bloc's market in 2019.

EU carbon prices lost 6.3 percent in the past two days on concerns the draft Brexit-related law will reduce the willingness of participants to trade with U.K. entities given that the place of issue of emission permits cannot be identified under existing rules. The registry regulation revision planned by the commission would make for easy electronic identification of U.K. carbon permits issued from next year, according to the person, who declined to be identified, citing policy.

The EU carbon market imposes emission quotas on around 12,000 facilities owned by manufacturers and utilities, and forces those that exceed their caps to buy permits from businesses that emit less. It also includes airlines.

Government Auctions

Benchmark contracts in the European cap-and-trade program fell almost 70 percent over the past nine years as an economic crisis cut industrial output and imports of United Nations carbon credits aggravated a surplus of permits. Emitters must hand in allowances to match the previous year's emissions by the end of each April. Allowances are sold at government auctions throughout the year and permits given for free are handed to emitters usually around February each year.

The Brexit-related law currently under discussion in the European Parliament would prevent companies in the EU Emissions Trading System from using for compliance allowances issued by the U.K. from 2018 if the country falls out of the market. It is a contingency plan to avoid a massive sale of allowances originating in the country which would otherwise remain valid even if the nation's emission-reduction obligations under the ETS expire.

The deadline for the EU and the U.K. to iron out a Brexit deal is March 29, 2019, a date that can be extended only if there is unanimous backing by member states. In practice, an agreement would need to be in place three or four months before then to give the EU Parliament enough time to approve it.

Compliance Deadline

There are currently no provisions to safeguard the ETS in case negotiators fail to reach a deal on time and the U.K. suddenly finds itself out of the market, becoming a so-called third country to the EU. With the compliance deadline for 2018 emissions falling in April 2019, in the worst-case scenario the market could be flooded by permits issued or sold by the British government while the country's obligations lapse.

The planned proposal on marking British permits would enable market participants to choose whether they want to include or exclude U.K.-issued allowances in their contracts, according to the person with knowledge of the matter. The date of tabling the proposal is not yet known. Under the EU legal system, implementing measures are proposed after the broad law that requires them has been approved.

China Solar-Cell Maker Explores Electric Cars With World No. 2

Posted September 12, 2017, 9:21 A.M. ET

By Bloomberg News

Golden Concord Group Ltd., a Chinese energy conglomerate, said it's seeking opportunities in electric vehicles, joining investors like billionaire Li Ka-shing who are pushing into the sector as the government works on a plan to phase out internal-combustion autos.

The company plans to cooperate with Jiangling Motors Group to help reduce risks when entering the industry, President Kou Bingen told Tom Mackenzie in a Bloomberg Television interview in Nanchang, eastern China, on Sept. 9. Jiangling is ranked No. 2 in Bloomberg New Energy Finance's global index of electric vehicle manufacturers.

"New-energy vehicles will definitely be a direction for development in the future," Kou said. Golden Concord is still in discussions with Jiangling Motors and the two can bring their own advantages together for innovation, he said, without elaborating on the specifics.

China, home to the largest car market in the world, is making the most concerted push among major auto-manufacturing nations for the adoption of electric vehicles. The country this month announced it's working on a timeline to phase out combustion-engine vehicles, and is set to unveil a cap-and-trade system for vehicle emissions and fuel economy that will compel automakers to introduce cleaner and more efficient models or pay fines.

The suite of measures come seven years after the government first identified EVs as an emerging industry of strategic importance and codified its importance in the 13th Five-Year Plan in 2016. China surpassed the U.S. in 2015 to become the world's biggest market for new-energy vehicles.

The rising demand for cleaner cars has attracted a raft of startups and established companies to try their hand at auto making. Hong Kong tycoon Li Ka-shing this week agreed to buy an indirect stake

in a Japanese maker of electric cars that has plans to license its technology to manufacturers including those in China. He bought a stake in a Chinese electric-van and bus maker in 2015.

For Golden Concord, a push into new-energy vehicles represents an investment in a still-small but growing demand for electricity. The company owns 30 percent of GCL-Poly Energy Holdings Ltd., the world's biggest polysilicon maker. Unit GCL System Integration Technology Co. said in January that it plans to begin making batteries for electric vehicles.

Calls to representatives at Nanchang-based Jiangling Motors weren't answered.

German Coastal States Urge Merkel to Raise Offshore Wind Targets

Posted September 12, 2017, 8:34 A.M. ET

By Brian Parkin

Germany's coastal states and cities urged Chancellor Angela Merkel to raise the nation's offshore wind power target to take advantage of the technology's plummeting costs.

Officials from states and cities including Lower Saxony and Hamburg called on Merkel to raise offshore wind capacity in 2030 by at least a third over the 15-gigawatt government cap set in 2014, according to the Cuxhavener Declaration, issued Sept. 11 from the North Sea port located about 380 kilometers (236 miles) northwest of Berlin.

"We are calling for an expansion goal of at least 20 gigawatts in the North Sea and Baltic Sea by 2030 and at least 30 gigawatts by 2035," read the declaration. "In order to avoid impairing further expansion of renewable energy, grid development planning and grid connection capacities have to be adapted accordingly."

Falling offshore wind prices were on display Monday in the U.K., when the government announced winning bids dropped below the cost of building new nuclear power plants. Germany's maiden offshore wind auction in April, in which Dong Energy A/S and EnBW AG bid to build 1.45 gigawatts of capacity without subsidies, underlined how competitive the technology has become, according to the the declaration.

Germany is auctioning just 3 gigawatts of offshore to 2020. Just 1 percent of the North Sea's offshore potential has been tapped to date, Siemens Gamesa Renewable Energy said earlier this year.

North Sea nations need to add the equivalent of one turbine a day in the sea to achieve cost savings from economies of scale and to foster turbine efficiency gains, Siemens Gamesa's Chief Executive Markus Tacke said that month.

The U.K. leads Europe in offshore capacity, installing over 5 gigawatts to date. Germany had installed about 4.1 gigawatts of offshore power by the end of last year and expects the capacity to grow to about 7 gigawatts by 2020. Capacity auctioned this year and in 2018 won't be built before 2025, the Bnetza power regulator said.

Evian Aims to Deflect Water Criticism by Going Carbon Neutral

Posted September 12, 2017, 8:33 A.M. ET

By Corinne Gretler

Evian aims to become the first major spring water brand to go carbon neutral amid criticism that packaging water from the French Alps and transporting it around the world in plastic bottles causes unnecessary environmental damage.

Danone, the brand's owner, is spending 280 million euros ($336 million) on the project, according to Chief Executive Officer Emmanuel Faber, who reinaugurated the Evian factory Sept. 12. The site itself is now carbon neutral and is fully powered by renewable sources. Danone aims to offset the pollution caused by transporting Evian water by 2020 as it expands rail transport and promotes biogas.

"I'm aware, and more and more consumers are aware, that transporting water is not ideally what you'd like to do," Faber said in a telephone interview. "If you want to build a model that's sustainable, you need to deal with this reality."

Danone plans to start advertising the carbon-neutral efforts on Evian bottles in the U.S. next year, according to the brand's head, Veronique Penchienati. A few smaller producers such as Icelandic Glacial and Norway's Isklar have claimed the distinction years ago, though they're tiny compared with Evian, which sold 1.8 billion bottles last year.

While so-called sustainable products are increasingly popular, Consumers International, a federation of consumer groups, has criticized the water industry's initiatives, saying they do nothing to provide safe and affordable water to millions of people in developing countries that lack it. Environmental groups say bottling spring water wastes precious resources and creates disincentives for governments to improve tap water.

Faber countered that Evian doesn't do any harm because it's taking water that flows naturally from the mountains near Lake Geneva, rather than underground aquifers. "When it comes to Evian and the water, I don't think there's anything to redeem," he said.

Danone has annual sales of 4.6 billion euros from bottled water, a fifth of its total. Evian is its biggest brand in the product category and its revenue is increasing by a mid- to high-single-digit percentage each year, Faber said. The Evian site has reduced the amount of energy needed to produce 1 liter of water by 23 percent over the past eight years.

The move toward carbon-neutral certification in bottled water follows industry shifts in other products such as chocolate, where Nestle SA, Cadbury and Mars raced each other to switch to sustainably sourced cocoa and damp concerns of child labor in their products.

Danone's move will put pressure on other water brands to follow suit, according to Mathis Wackernagel, CEO of Global Footprint Network, an Oakland, California-based think tank. Still, he questioned whether companies should be emitting carbon to package and ship the product in the first place.

"Often it is environmentally absurd to sell bottled water when tap water is cheaper, better, and far

less energy-intensive," Wackernagel said.

To offset transport, one of the biggest issues for the bottled-water business, Danone is switching from roads to rails, operating its own private terminal with trains departing every four hours. Some 60 percent of Evian's production is shipped by train, with Danone seeking to increase that to 80 percent because it reduces carbon emissions by 75 percent, according to Faber.

The yogurt maker also aims to offset carbon emissions by working with farmers in the region of Evian to collect waste for biogas energy. Evian's biggest markets by sales are France, the U.K. and the U.S. To get to its farthest markets, it ships by sea, which Faber said pollutes less than by land.

Solar Developers Hoard Panels as U.S. Tariff Threat Looms

Posted September 12, 2017, 04:12 P.M. ET

By Joe Ryan and Christopher Martin

Solar developers are suspending construction as the looming threat of U.S. import tariffs has driven up prices and spurred hoarding, crimping panel supplies.

"We've had roughly $500 million worth of work that we've had to put on hold," said Scott Canada, who oversees renewable energy projects for McCarthy Building Cos. of St. Louis. "The supply of panels has just evaporated as everybody is grabbing what they can."

The disruptions date to about May, after bankrupt panel manufacturer Suniva Inc. filed a trade complaint asking for protection from cheap imports. As the case gained steam, developers rushed to stockpile every available panel. The case is currently before the U.S. International Trade Commission and may eventually reach the Oval Office, where President Donald Trump has the authority to impose tariffs.

The crunch is an abrupt reversal for the U.S solar industry, which six months ago was awash in inexpensive panels. Developers say prices have swelled by about 40 percent in the past four months, making some projects uneconomical to build. And that's if they're lucky enough to have a supplier at all.

"If you don't have panels lined up for '17 than you aren't going to get them," said Laura Stern, president and co-founder of Nautilus Solar Energy LLC in Summit, New Jersey. "The market is really tight."

Solar manufacturing is dominated by companies in China and elsewhere in Asia, where intense competition and booming output helped drag down global prices more than 50 percent in five years. While those declines have been a boon for companies that build solar farms, they've squeezed panel makers in markets with higher labor costs, including the U.S.

Georgia-based Suniva, which filed its trade case in April, is asking for tariffs that may double the price of panels in the U.S. The trade commission has until Sept. 22 to investigate the case and send its findings to Trump, who gets final say.

"We've got our fingers crossed that smarter minds will prevail and we won't wind up with tariffs,"

said Andrew Giraldo, president of engineering, procurement and construction at National Renewable Energy Corp. of Charlotte, North Carolina.

Chinese Demand

Panels account for about 40 percent of the cost of solar farms, and even modest price swings can drag a project underwater. Before the Suniva complaint, panels were selling for about 32 cents a watt in the U.S. Now developers say they are paying as much as 45 cents. That drove up the global average price last month by the most in more than two years.

Suniva's trade case isn't the only reason for the shortage. China, the world's largest solar market, caught analysts by surprise this year by announcing plans to more than double the nation's total solar capacity by the end of 2020. That's boosted demand in the backyard of the largest panels makers, including JinkoSolar Holding Co., JA Solar Holdings Co. and Trina Solar Ltd.

Supplies are so thin in the U.S. that companies are reselling panel contracts on the secondary market, said Duncan Frederick of Rosendin Electric Inc., a San Jose, California-based solar contractor that's built more than 2.2 gigawatts.

Project Delays

Still, the current shortage is apt to be short lived, analysts said. U.S. installations are forecast to decline next year, and manufacturers aren't cutting production capacity. Once the Suniva case is resolved, no matter the outcome, panel prices will stabilize.

"This should be behind the industry by the end of the year," said Credit Suisse Group AG analyst Maheep Mandloi.

But for now, the case has roiled the industry and even long-term supply agreements are no guarantee that developers can get panels. Borrego Solar Systems Inc. has been forced to delay projects for months because its suppliers can't deliver equipment on time, said its president, Aaron Hall. In other cases, panel makers have pushed to renegotiate contracts to secure higher prices.

"We are struggling hard," Hall said. "We are having to take fewer panels than promised and at higher prices."