

To: Jackson, Ryan[jackson.ryan@epa.gov]
From: POLITICO Pro Energy
Sent: Fri 7/28/2017 9:45:22 AM
Subject: Morning Energy, presented by Chevron: Fallout spreads from Zinke's Alaska arm-twist — Energy and Water title clears House — Inhofe shrugs at red team-blue team climate debate

By Anthony Adragna | 07/28/2017 05:42 AM EDT

With help from Esther Whieldon, Ben Lefebvre and Eric Wolff

ALASKA-SIZED FALLOUT FROM ZINKE CALL: Swift pushback continues after Interior Secretary Ryan Zinke threatened repercussions for Alaska's energy priorities in light of Sen. [Lisa Murkowski's](#) vote against taking up Obamacare earlier this week. Two House Democratic ranking members — Energy and Commerce's [Frank Pallone](#) and Natural Resources' [Raul Grijalva](#) — sent requests for investigations into Zinke's actions to [GAO](#) and [Interior's inspector general](#). In addition, the Western Values Project filed a [FOIA request](#) for all records related to Zinke's calls with Murkowski and Alaska Sen. [Dan Sullivan](#), promising to sue for them if they don't get the response within statutory limits.

The White House didn't deny the phone calls occurred with Press Secretary Sarah Huckabee Sanders instead declining to "speak about conversations between Cabinet members and other individuals." But as POLITICO's Elana Schor and Ben Lefebvre [report](#), Sullivan urged his senior senator and the Trump administration return to harmony. "From my perspective, the sooner we can get back to that kind of cooperation between the administration and the chairman of the [energy] committee, the better for Alaska and the better for the country," he told reporters. "I'm not telling Sen. Murkowski anything. I work super closely with Sen. Murkowski, but that's my statement."

Murkowski responds: In [an interview](#) with the Alaska Dispatch News' Erica Martinson (who broke the story), Murkowski confirmed she had a "difficult conversation" with President Donald Trump before the vote and spoke with Zinke, who "shared with me that the president was not pleased" afterwards. But she said she didn't feel pressured at all and didn't feel like her Interior priorities were at risk. "I certainly hope that those in the administration will continue to work with all of us — all of the Alaska delegation — on priorities that are not only important to Alaska, they're important to the country," she said.

Some Republicans said Zinke's pressure wasn't unusual: Sen. [Lindsey Graham](#) said lawmakers feel pressure from the administration all the time. "It won't matter one bit," he told reporters. "I think she's going to do what she likes. If you're in the Senate you get threatened all the time by everybody." And House Natural Resources Chairman [Rob Bishop](#) agreed: "That is not unprecedented, [he] has a right to do that," he told reporters in the Capitol. As Pro's Esther Whieldon [reports](#), Bishop said former Interior Secretary Sally Jewell would call him "complaining about some things that we were doing."

Why this could backfire: Murkowski chairs the Senate Energy and Natural Resources Committee, which controls among other things how quickly Zinke may get personnel in place, and also holds the gavel of the Appropriations subcommittee that oversees Interior's funding.

Also, she's tough as nails and unlikely to be intimidated by anyone. She proved it early this morning, when she joined Sens. [Susan Collins](#) and [John McCain](#) to help Democrats defeat the last-ditch, slimmed-down Obamacare repeal bill, killing the effort for now.

TGIF EVERYBODY! I'm your host Anthony Adragna, and I am officially off to Scotland for my honeymoon today. See you in two weeks! In the meantime, a merry band of very talented energy Pros will fill in for me! Be nice! Theodore M. Pomeroy had the shortest tenure as House speaker (at just a day), but your end-of-the-week trivia is who was our shortest president? Send your tips, energy gossip and comments to Alex Guillén, who returns to the ME captain's chair on Monday, at aguillen@politico.com. Or follow us on Twitter [@alexaguillen](#), [@AnthonyAdragna](#), [@Morning_Energy](#), and [@POLITICOPro](#).

ENERGY AND WATER TITLE CLEARS HOUSE: It will almost certainly be substantially reshaped by the Senate — if not ignored altogether — but House lawmakers passed \$789 billion mini-spending package, [H.R. 3219 \(115\)](#), that included energy and water infrastructure funding, Pro Budget and Appropriations Brief's Sarah Ferris [reports](#). The \$37.6 billion energy and water title includes funding for Yucca Mountain and a rider protecting the Trump administration's withdrawal of the Waters of the U.S. regulation from legal challenges, while zeroing out DOE's ARPA-E program and blocking any new loan guarantees. Senate appropriators [cleared](#) their own \$38.4 billion energy spending package on July 20 with large differences compared to the House version.

The House package came together as centrist Republicans told leadership they would not back a massive 12-bill spending package sought by others in the caucus, POLITICO's Rachael Bade [reports](#). It comes as moderate GOPers are increasingly banding together to undermine leadership as they take from the Freedom Caucus' playbook.

YOUR MOVE, MR. PRESIDENT: The Senate passed a package of sanctions on Russia, Iran, and North Korea by an overwhelming 98-2 margin Thursday, sending it to Trump's desk, POLITICO's Elana Schor [reports](#). The White House has worked hard to avoid taking a clear position on the bill, [H.R. 3364 \(115\)](#), with communications director Anthony Scaramucci telling CNN on Thursday that Trump "may sign the sanctions exactly the way they are, or he may veto the sanctions and negotiate an even tougher deal against the Russians." But Congress has shown they can easily override a veto if Trump elects that path. Remember the sanctions only kick in for energy projects in which a Russian company owns 33 percent or a controlling stake.

A former member of Congress with detailed knowledge of the legislation pointed our colleague Daniel Lippman to a provision of the legislation that the ex-member thinks hasn't gotten enough attention: "A lot of the coverage is about what the bill forces the president to do with the sanctions but what a lot of people are missing is that there is a key discretionary provision [in Section 232] that basically allows the president to avoid meddling in the energy affairs in our European and NATO allies. He can decide to allow to not to punish and not meddle in the affairs of Europe's energy policy ... [and] he actually has discretion to do absolutely nothing. It is not all mandatory language but it does have some discretionary language. And that could be a key provision."

WHERE DO WE GO FROM HERE? White House, Treasury and congressional leaders issued a statement on tax reform Thursday, acknowledging that they were giving up on plans for a border adjustment tax. But the lack of additional details in their six-paragraph statement suggests the GOP's dream of achieving tax reform may be years from completion, POLITICO's Nancy Cook and Aaron Lorenzo [report](#) . But Edison Electric Institute President Tom Kuhn applauded the statement and said his organization would work "to find tax reform solutions that will benefit all customers and encourage much-needed investment in critical energy infrastructure by helping to keep the cost of capital as low as possible."

OIL AND GAS INDUSTRY WANTS FULL COURT REVIEW OF METHANE STAY: EPA's stay of the Obama-era methane rule may be headed to the full D.C. Circuit Court of Appeals. EPA had not filed any petition as of the midnight deadline to decide whether and how to appeal the early July ruling striking down Administrator Scott Pruitt's 90-day stay of the methane rule for new oil and gas wells. The court agreed not to order EPA to immediately resume enforcing the regulation, but the judges gave EPA limited time to seek an appeal. While EPA did not file anything on Thursday, a coalition of industry groups did, [requesting](#) an *en banc* review by all 11 judges at the D.C. Circuit. It typically takes the court months even to decide whether to grant *en banc* review, long past the point at which Pruitt's 90-day stay would expire, but the court may speed things up under the circumstances. It's unclear whether the rule will take effect in the meantime, but the three-judge panel indicated it wasn't comfortable letting EPA keep it on hold indefinitely after Pruitt's action was found to be unlawful. The groups argued that the stay should remain in place in the meantime.

INHOFE NOT WILD ABOUT RED-BLUE CLIMATE DEBATE: EPA Administrator Scott Pruitt didn't discuss his plans to hold a red team-blue team public debate on the scientific consensus on climate change with him, but one of his normal allies, Sen. [Jim Inhofe](#), thinks it isn't useful. "I don't think there's anything to be accomplished," he told ME.

HE'S GOING HOME: Energy Secretary Rick Perry will be in Waller, Texas, at 11 a.m. local time today to tour Daikin Texas Technology Park, which manufactures air conditioning equipment. He'll deliver remarks to employees and then hold a brief media availability.

Another unusual tweet: After their press shop blasted out a link to Perry's odd op-ed on Obamacare reform, DOE's official Twitter account [tweeted](#): "In the fight between [@SecretaryPerry](#) and climate scientists — He's winning."

**** A message from Chevron:** When an endangered butterfly was found near a Chevron refinery, we protected the habitat and still plant the only thing they eat—buckwheat. Watch the video: <http://bit.ly/2vFizh5> **

ICAHN GETS BEAT IN RFS CREDITS MARKET: Carl Icahn's CVR Refining lost \$19 million in the second quarter of 2017, and it laid the blame for the loss on spending \$106 million on credits needed to comply with the Renewable Fuel Standard, according to its [income statement](#) released Thursday. Reuters had [reported](#) that Icahn had been holding fewer credits than needed on the expectation that RIN prices would drop, a move that worked in the first part of the year. But prices have jumped from roughly 34 cents a credit to 80 cents a credit, and CVR

took it on the chin. "As I've said many, many times before, RINs continue to be an egregious tax on independent refiners and small retailers," CVR CEO Jack Lipinski said on the earnings call. "RINs prices have been extremely volatile this year, which only proves the fact that RINs market is manipulated...EPA continues to ignore this."

FRACKING RULE'S DAY IN COURT: The Trump administration may be having a hard time convincing appeals court judges to suspend the court case brought by the state of Wyoming over the BLM fracking rule. Lawyers for the administration said in court Thursday in Denver that suspension would help Interior as it works to rescind the rule, which went into place in 2015 but got caught up in a legal battle over BLM's jurisdiction before it took effect. Judges for the U.S. Court of Appeals for the 10th Circuit hearing the argument didn't seem too impressed, however, saying they were wary of ceding court process to another branch of government.

CORTEZ MASTO TO ZINKE: HANDS OFF: Nevada Democratic Sen. Catherine Cortez Masto released a video urging Zinke not to alter the boundaries of two national monuments — Gold Butte and Basin and Range — as he prepares to tour the sites next week. "Secretary Zinke, the people of Nevada have spoken," the first-term senator said. "They don't want their national monuments rescinded."

Zinke's still in New Mexico today where he'll go on a hike with local veterans and then host meetings with the Mescalero Apache, Fort Sill Tribe, and Friends of Organ Mountains Desert Peaks. All are closed press. Then, on Saturday, he'll go for a hike and horseback ride with Democratic Sens. (and outspoken public lands advocates) Tom Udall and Martin Heinrich.

MAIL CALL! OUR ADVICE ON ADVISORY PANELS: Three senior Senate EPW Republicans — John Barrasso, Shelley Moore Capito and Mike Rounds — sent a letter to Pruitt Thursday urging him to revamp past Clean Air Scientific Advisory Committee "practices to make them compliant with the statute." They write the scientific advisory panel has never detailed adverse social, economic, or energy effects stemming from the agency's National Ambient Air Quality Standards program because it has never requested that information. "CASAC must be constituted of experts who can provide independent counsel to you in all of the above areas," the senators wrote.

SECOND TIME'S THE CHARM? The American Fuel & Petrochemical Manufacturers is still worried about sanctions possibly being placed on Venezuela's crude oil exports. The trade association sent a second letter to the White House today asking it to consider the economic impact sanctions of Venezuela's heavy crude would have on U.S. refiners. The White House said earlier this week it would sanction more individuals in President Maduro's regime, but left sanctions on the South American country's oil on the table for the future. "AFPM supports the Administration's goal of bringing stability to Venezuela, but urges you to carefully consider the impact sectoral sanctions will have on U.S. businesses and consumers," the association wrote in its latest letter.

CONSERVATIVES BACK ANTI-SCC BILL: A group of 20 conservative organizations voiced support in a letter Thursday for Transparency and Honesty in Energy Regulations Act, which would halt the use of the social cost of carbon and similar figures in federal regulatory

proceedings. "The problems [with these figures] are too large to ignore, especially since they are being used to justify regulations that make energy more expensive for American families and businesses," the letter, signed by groups including the American Energy Alliance, Competitive Enterprise Institute and Heartland Institute, states.

MORE PRESSURE AGAINST GARRETT: Four senior House Democrats — [Steny Hoyer](#), [Gwen Moore](#), [Maxine Waters](#) and [Denny Heck](#) — sent a letter Thursday to Senate Banking Chairman [Mike Crapo](#) asking him to join their calls against the nomination of former Rep. Scott Garrett to lead the Export-Import Bank.

MORE THAN 2K WIND MEGAWATTS INSTALLED THIS YEAR: The American Wind Energy Association in a new report said 357 megawatts in new wind projects were brought online the second quarter of this year, bringing the annual total to 2,357 megawatts. There are now 84,405 megawatts of installed wind capacity in the US and another 25,819 megawatts under construction or in advanced development. Power purchase agreements with utilities continued to dominate the scene with more than 1,697 megawatts in new contracts in the second quarter.

SPOTTED: At a Chemistry Caucus event on non-traditional careers in chemistry in the Capitol Visitor Center yesterday, according to a PI tipster: Non-traditional chemists including Rep. [John Moolenaar](#) (R-Mich.), Tracy Caldwell Dyson of NASA, Dana Sedin of New Belgium Brewing Company and Bill Provine of Delaware Innovation Space; Tom Connelly of the American Chemical Society; and Rep. [Dan Lipinski](#) (D-Ill.) (h/t POLITICO Influence).

QUICK HITS

— Group files complaint regarding EPA Administrator Scott Pruitt's travel to Oklahoma. [Fox 25 News, Oklahoma City](#).

— Fertilizers, a Boon to Agriculture, Pose Growing Threat to U.S. Waterways. [New York Times](#).

— U.S. regulators approve VW plan to fix or buy back most emissions-cheating cars. [Los Angeles Times](#).

— Environmentalists Provoke Pipeline Workers To Speak Up. [NPR](#).

— How Climate Change Impacts Congressional Districts Over Next 80 Years. [Roll Call](#).

— Cooper signs solar energy bill despite controversial wind project moratorium. [News & Observer](#).

— Trade case opens door for Trump to upend solar industry. [Houston Chronicle](#).

HAPPENING TODAY

Nothing scheduled

THAT'S ALL FOR ME!

**** A message from Chevron:** This is a story about DOERS, butterflies, and buckwheat. In '75, the endangered El Segundo Blue butterfly was found near a Chevron refinery. We protected the habitat and planted the only thing they eat—buckwheat. We're still planting and keeping an eye on our littlest neighbor. Watch the video: <http://bit.ly/2vFizh5> **

To view online:

<https://www.politicopro.com/tipsheets/morning-energy/2017/07/fallout-spreads-from-zinke-alaskan-strong-arm-023966>

Stories from POLITICO Pro

Democrats vow investigation, lawsuit over 'political blackmail' against Murkowski [Back](#)

By Elana Schor and Ben Lefebvre | 07/27/2017 12:55 PM EDT

Democrats and their allies off the Hill pushed back hard at the Trump administration on Thursday after a report that Interior Secretary Ryan Zinke threatened projects important to Alaska in retribution for Sen. Lisa Murkowski's vote against health care legislation.

House Democrats vowed to seek an investigation into Zinke's call to Murkowski and fellow Alaska Sen. Dan Sullivan on Wednesday — a day after Murkowski voted against taking up Obamacare repeal — to warn them that the administration's support for energy projects in the state are now at risk. And a conservation group that often works with Democrats sought internal documents on Zinke's calls as well as to any others that he may have made to other GOP swing votes on health care.

The Freedom of Information Act request filed by the group, the Western Values Project, seeks records of any contact Zinke made with the Alaskan senators as well as Sens. Dean Heller (R-Nev.), Mike Lee (R-Utah), John McCain (R-Ariz.) and Susan Collins (R-Maine), according to a copy shared with POLITICO.

The group plans to sue Interior to force the release of any relevant information that it doesn't receive by the time its legal window closes, Executive Director Chris Saeger said.

Meanwhile, Democrats on the House Natural Resources Committee plan later Thursday to seek an investigation conducted by the Government Accountability Office or Interior's independent inspector general, according to a spokesman.

Murkowski confirmed to reporters Thursday that the call with Zinke took place, as well as a second call she received from President Donald Trump on Tuesday, the day she voted with Collins against taking up the GOP's Obamacare repeal bill.

She denied any suggestion that she had used her power as chairwoman of the Energy and Natural

Resources Committee, which has jurisdiction over Zinke's department, to hit back by postponing a committee meeting that would have included votes on three Interior nominees.

In addition to her energy panel gavel, Murkowski chairs the Senate Appropriations subcommittee in charge of deciding how much money Interior has to spend each year.

Zinke holds ample sway over the state of Alaska, where the federal government controls 61 percent of the land in the state. Interior is reviewing a multitude of projects tied to Alaska energy development, including a possible opening of the Arctic National Wildlife Refuge for oil and gas drilling and allowing offshore oil drilling in currently off-limits Arctic waters.

Sullivan touted that potential to develop more of the state's resources in urging that his senior senator and the Trump administration return to harmony.

"[T]hat cooperation has been very useful and very important in the last six months, reversing what the previous administration did to Alaska," Sullivan told reporters. "So, from my perspective, the sooner we can get back to that kind of cooperation between the administration and the chairman of the [energy] committee, the better for Alaska and the better for the country."

Asked if he had any advice for Murkowski, Sullivan demurred: "I'm not telling Sen. Murkowski anything. I work super closely with Sen. Murkowski, but that's my statement."

Sen. Roy Blunt (R-Mo.) offered advice of his own to the Trump administration on the matter. "I've been doing this for a long time and I've seldom seen threats to be very effective," Blunt said.

Arizona's Raul Grijalva, the House Natural Resources panel's top Democrat, said Zinke had crossed the line.

"Running a department of the federal government means you serve the American people as a protector of their rights and freedoms," Grijalva said in a statement. "It doesn't mean you serve the president as a bag man for his political vendettas. Threatening to punish your rivals as political blackmail is something we'd see from the Kremlin."

Beyond its stewardship over oil and gas resources, Interior also has the final say over whether to allow a road through Alaska's Izembek National Wildlife Refuge to take residents of an isolated village reach a nearby hospital, something Murkowski has pushed for years.

"Even if this road provides health care access to hundreds, which is very much in doubt, Secretary Zinke thinks the price to build it is a vote to deny health care access to millions," Grijalva said.

Zinke's phone call, first reported by the Alaska Dispatch News, came after Trump tweeted his displeasure with Murkowski's vote. But Murkowski is unlikely to face serious political consequences in the near term. She will not be up for reelection until 2022, and she has previously proved her political mettle in the state — winning a rare write-in victory to be

reelected in 2010 after she lost the GOP primary to a Tea Party challenger.

House Natural Resources Chairman Rob Bishop on Thursday defended Zinke's call to Murkowski.

"That is not unprecedented, [he] has a right to do that," Bishop told reporters in the Capitol. Bishop said former Interior Secretary Sally Jewell would call him "complaining about some things that we were doing."

Spokespeople for the Interior Department, Murkowski and Sullivan did not respond to requests for comment.

Alaska Oil & Gas Association President Kara Moriarty called the threats "unfortunate."

"As the secretary has said, they want to have American energy dominance, and the only way to do that is through Alaska," Moriarty told POLITICO. "When the time comes when Alaskan energy projects are in front of Congress, I hope they are considered on their merits and not used as a political chits."

Environmentalists were unsparing in their assessment.

"Ryan Zinke is revealing himself as Trump's hitman. He's now threatening to hold public lands and energy policy hostage over a health care bill. This is the U.S. government, not the Corleone family," Jennifer Rokala, executive director of the Center for Western Priorities, said in a statement.

Zinke is not the first member of Trump's Cabinet without a health care portfolio to insert himself into the debate over the Senate's effort to repeal and replace Obamacare. The Energy Department earlier this week posted, then deleted, a tweet saying it was time to "discard" the law, with a link to an op-ed on the subject from DOE Secretary Rick Perry.

Energy and Commerce ranking member Frank Pallone (D-N.J.) asked GAO Wednesday to investigate whether Perry or others at DOE violated federal laws relating to lobbying and influencing the public.

Meanwhile, some Republicans back in Alaska said Murkowski's vote was stirring up trouble for her at home, with state GOP Chairman Tuckerman Babcock saying his party is in "full revolt."

"I think among Republicans it is causing tremendous damage," Babcock said in a phone interview Thursday, citing "a grass-roots swell" of comments on Facebook pages for the party, Murkowski and Sullivan. "It's evident to me that the Republicans [in Alaska] are in full revolt over the idea that these promises aren't going to be kept."

He added that Interior's ownership of so much of Alaska raises the stakes of any clash with Zinke.

"What the secretary of Interior does will have a major impact on Alaska. He's absolutely vital to moving forward with the development of the coastal plain at ANWR, National Petroleum Reserve on the Western North Slope, building the road from King Cove, the land exchange that Congressman [Don] Young has gotten through the House of Representatives," Babcock said.

"I'm just hitting the tip of the iceberg on how important a cooperative relationship is with that department."

Seung Min Kim, Esther Whieldon and Jake Lahut contributed to this report.

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Bishop defends Zinke pressure on Alaska senators [Back](#)

By Esther Whieldon | 07/27/2017 04:45 PM EDT

House Natural Resources Chairman [Rob Bishop](#) today defended Interior Secretary Ryan Zinke's recent call to Sen. [Lisa Murkowski](#) (R-Alaska) in which the secretary reportedly threatened to pull his support for energy and public land issues Murkowski cares about after she voted against taking up a bill to repeal Obamacare.

"That is not unprecedented, [he] has a right to do that," Bishop told reporters in the Capitol. Bishop said former Interior Secretary Sally Jewell would call him "complaining about some things that we were doing."

Bishop said President Barack Obama in 2009 had members of his Cabinet press senators over [funding for F-22s](#) in a defense authorization bill.

"When Obama sent his cabinet to lobby the Senate for a week on F-22, you don't think there was bullying and threatening that was going on with that? ... Come on, this has happened all the time," Bishop said. "There is nothing unique about this, there is nothing new about this. ... This is tradition."

Democrats are [demanding an investigation](#) into Zinke's calls to Murkowski and fellow Alaska Sen. [Dan Sullivan](#).

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Senate Appropriations approves \$38.4B energy and water spending bill [Back](#)

By Annie Snider and Darius Dixon | 07/20/2017 01:10 PM EDT

The Senate Appropriations committee sent its \$38.4 billion energy and water spending package to the floor with limited amendments.

On a 30-1 vote, the committee advanced the measure, which rebukes the Trump administration by providing \$330 million for the Advanced Research Projects Agency-Energy and increases funds for DOE's science office and delivering record funding for the Army Corps of Engineers after the president's budget recommended steep cuts. However, the bill slashes DOE's contentious loan program and includes no funding for the Yucca Mountain nuclear waste project.

The sole no vote came from Sen. Lindsey Graham, who pressed his fellow appropriators to reconsider their decision to nix funding for the troubled MOX nuclear project in his home state. The South Carolina Republican said he would withhold an amendment related to the project until the energy and water measure reaches the Senate floor.

The manager's package approved by the committee includes a provision from Sens. Dick Durbin (D-Ill.) and Tammy Baldwin (D-Wisc.) to require the Army Corps of Engineers to release within 30 days of passage a draft plan for keeping Asian carp from reaching the Great Lakes, which was stalled by the Trump administration amid worries from the navigation industry.

Another amendment, from Sens. Steve Daines (R-Mont.) and Jeff Merkley (D-Ore.) would lift restrictions on the use of water that was moved via federal water projects for industrial hemp cultivation.

WHAT'S NEXT: The energy and spending measure heads to the full Senate for consideration, where it is expected to be one of the first appropriations measures taken up.

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Pity Paul Ryan: Moderates adopt Freedom Caucus tactics [Back](#)

By Rachael Bade | 07/27/2017 05:11 AM EDT

Moderate Republicans have watched for years as conservative hard-liners tanked legislation in the House — all while dutifully falling in line with leadership and being knocked as "squishes" by some of their colleagues.

But lately, some in the centrist Tuesday Group have started to adopt the power-in-numbers strategy of the Freedom Caucus. And the get-tough approach is yielding results.

Resistance from moderates almost torpedoed the House Obamacare replacement this spring, and resulted in billions in additional funding to help people with pre-existing conditions — a

requirement for some centrists' support. Earlier this month, they banded with Democrats to sink two controversial amendments overwhelmingly supported by their GOP colleagues, including one barring the Pentagon from spending money on gender reassignment changes for troops.

Centrist Republicans have also told Speaker Paul Ryan they will not back a budget without a broader spending deal with Democrats. And this week, they helped crush a rank-and-file effort to pass a massive GOP appropriations package full of goodies for the base but that has no chance of passing the Senate. The spending bill was extremely popular with most of their Republican colleagues, infuriating those who supported the plan.

Tougher tactics from centrists will exacerbate Ryan's already-difficult job of wrangling his fractious conference. The Wisconsin Republican and his leadership team find themselves twisted in knots trying to find 218 votes to pass almost anything of consequence. Now they'll need to take more seriously the demands of vulnerable swing-district members as well as rabble-rousers on the right.

"I think there's a lot of us who are like, 'Don't put us in a position of having to vote for something that has tremendous political risk to us and, substantively, is just done for negotiation purposes,'" said Rep. Thomas Reed, one of several centrists who told leadership he would not back the 12-bill spending package.

Lacking the votes, leadership is set to pass a slimmed-down, less controversial measure that funds the Pentagon and a few other agencies.

It's quite a change for the House GOP. Tuesday Group members are typically leadership's greatest sympathizers, always more eager than their ideologically driven colleagues to show that Republicans can govern.

Take Reed for example. By all accounts, the New York Republican has always been considered a leadership ally. He helps muscle votes as a deputy whip, and he boasts a prized panel post on the powerful Ways and Means Committee.

But when Ryan and his team came up short on votes for their GOP spending package, Reed told them to look elsewhere for help. The fourth-term centrist said he's sick of taking tough votes for the team, then reeling from the political fallout back home — only to see the conservative plan die in the Senate.

"I think there is some frustration in a sense that we came here to govern," he said. "And to go through these exercises? ... I don't see a path to the finish line, and I don't see the strategy."

The Tuesday Group hasn't gone as far as the Freedom Caucus, of course. It's not churning out official positions against legislation and certainly isn't as vocal as the conservatives, who have nearly perfected their no-holds-barred tactics.

But GOP insiders said the change is notable, albeit subtler. For instance, most Republicans were shocked and furious when moderates sank the amendment on transgender troops during the

defense authorization bill in early July. Moderates knew what was coming, whispering among themselves on the floor in a loosely laid plan to bring it down.

Before President Donald Trump on Wednesday announced a ban on transgender people serving in the military, some Republicans had been trying to persuade GOP leaders to do an end run around the moderates and tuck the amendment into the bill using a procedural loophole.

Sources say Tuesday Group leaders Elise Stefanik of New York and Charlie Dent of Pennsylvania were adamant that leaders better not go there. And centrists made it clear that if a ban on gender reassignment surgery was included, moderates wouldn't hesitate to take down the entire "minibus" measure of spending increases for the Pentagon.

Moderates also recently sunk a controversial amendment on Islam from Rep. Trent Franks of Arizona. It would have instructed the Pentagon to, essentially, make a list of good and potentially bad Muslim thought leaders. Moderates, who worried about religious profiling, put their foot down, rejecting the proposal with Democrats in a defeat that stunned opponents of the text.

"I think a lot of members have learned from observing others," said centrist Republican Carlos Curbelo of Florida, referring to the Freedom Caucus.

On the GOP spending package, Curbelo continued: "Everyone knows that at the end of the day we're going to need a bipartisan deal and a bipartisan spending package, so let's get it done and focus less on messaging."

Rep. Dave Reichert, a centrist Republican from Washington, argued that moderates like him are the so-called Majority Makers. And since Republicans' hold on the House hinges entirely on them keeping their seats, they shouldn't be subject to controversial votes that could haunt them on the ballot.

That, Reichert said, is already happening too often: "I think that there are some members who feel like a certain group of people within the conference are taking some votes that they don't necessarily need to take... certain votes that might be bills that divide our constituency that we represent in our districts."

At some level, moderates have a certain amount of leverage conservatives don't — even if they've rarely used it. Leadership relies on them to support must-pass, often-controversial legislation that the far right refuses to back, including votes to avert government shutdowns.

This fall, House Republican leaders will look to these very members to help raise the debt ceiling since a majority of the GOP Conference likely won't be on board.

"They rely on us to achieve outcomes that they can't always advocate themselves, OK? And please, use that on the record," said Dent, who's often referred to as the ringleader of the GOP's centrist flank.

Moderates say they'll be ready to support GOP leaders when they take steps toward bipartisan solutions. But until then, they can expect more resistance from the center.

"I know how to push the red button," Dent warned.

To view online [click here](#).

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Tax reform: Is that all there is? [Back](#)

By Nancy Cook and Aaron Lorenzo | 07/27/2017 07:21 PM EDT

The White House, Treasury and congressional leaders [issued a six-paragraph statement](#) Thursday that tried to show off their commitment to pursuing tax reform without delving into any policy specifics.

The only problem? Tax overhauls live and die on details — and their absence, after months of weekly meetings aimed at achieving consensus, showed that the GOP's dream of achieving tax reform may be years from completion.

Missing from the "Big 6" leaders' statement were details such as what rates Republicans think major corporations, the wealthiest individuals and the middle class should pay. Also unresolved were the status of the estate tax and the fate of prized tax breaks, such as the ability to deduct business interest and state and local taxes.

It was even briefer and less detailed than the [one-page tax proposal](#) that the Treasury Department and White House released in April, which drew widespread criticism at the time for being too short.

The lone policy detail Thursday came in paragraph five when, after urging Congress to take the lead in writing tax legislation in the coming weeks, the group collectively killed off the so-called border adjustment tax, a pet project of House Speaker [Paul Ryan](#) and Ways and Means Chairman [Kevin Brady](#) (R-Texas).

The border tax, which would have applied to goods brought into the U.S., was one of the key ways that House tax writers had devised to pay for the lower rates that President Donald Trump covets, particularly his desire to reduce the corporate tax rate to 15 percent. Supporters had estimated that the border tax would bring in as much as \$1 trillion over the coming decade that could have offset cuts elsewhere. But it prompted fierce opposition from retailers, other import-dependent industries and conservative activists.

A House leadership aide said Ryan dropped the idea willingly.

"His top priority is getting meaningful tax reform done," the aide said. "He had no interest in

holding up reform over this one policy, no matter how right he believes it to be."

Border adjustment had to go now for the good of demonstrating consensus to constituents during August, rank-and-file Ways and Means members said.

"There is not question that this provision was controversial," said Rep. Carlos Curbelo (R-Fla.), adding that "Kevin Brady is not a my-way-or-the-highway kind of guy."

But some people who had been awaiting the statement expressed deep disappointment with the results.

"This literally started as principles yesterday and morphed into mindless pablum in 24 hours," said one tax lobbyist, disappointed by the statement's brevity.

"A few vague paragraphs isn't even a 'broad strokes' proposal — it's more like finger painting," Rep. Sander Levin (D-Mich.) said in a statement.

Among other things, the death of the border tax leaves open the question of how the administration and Congress plan to offset deep tax cuts, as well as how low they intend to bring rates.

"The big pieces are simplification and helping take off relief for the middle class," White House press secretary Sarah Huckabee Sanders said during Thursday's briefing. "Those are big places we are really focused. We will continue to do that. As you saw from the statement, the border adjustment tax was taken off the table. That's another big step forward in the process."

Besides Ryan and Brady, Treasury Secretary Steven Mnuchin, Senate Majority Leader Mitch McConnell, Senate Finance Chairman Orrin Hatch (R-Utah) and National Economic Council Director Gary Cohn signed the statement.

The joint statement gave no details as to how the leaders planned to address middle-class anxiety through the tax code.

That lack of specificity underscored the difficulties of the revenue and policy battles ahead. And Republican lawmakers know it.

"That makes the conversation more difficult because we all now — 50 out of 52 of us — have to agree on some number for short-term deficits," said Sen. Tim Scott (R-S.C.), a Finance Committee member.

He and others on the panel see rate reduction as the key to unlocking more economic growth for the U.S. But the joint statement's lack of rate targets for companies and individuals indicates that the leaders acknowledge that Trump's 15 percent business tax goal would be too expensive.

It also indicates that other options for taxes on international income remain in play, such as a minimum tax favored in the Senate. The idea hasn't proven popular in the past, but Congress is

under pressure to address corporations' motivations to shelter their money overseas instead of bringing it back to the U.S.

As part of a switch to a territorial tax system, the minimum tax would affect the profits that U.S. companies book in foreign tax havens. It's likely to face opposition from the pharmaceutical and technology industries that now enjoy low effective tax rates.

To some analysts and lobbyists, the statement also seemed to sideline the idea of letting all businesses immediately write off all new investments, known as full expensing.

In the meantime, the six principals who signed the statement will play a steering role as committee staffers begin drafting legislation over the coming recess. That coordination is meant to keep the process within the broadly agreed framework so that a unified plan emerges in September — avoiding the kind of disjointed effort that's plaguing Republican efforts to upend the Affordable Care Act.

Rachael Bade contributed to this report.

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