

To: Jackson, Ryan[jackson.ryan@epa.gov]
From: Morning Energy
Sent: Fri 10/27/2017 2:03:13 PM
Subject: POLITICO's Morning Energy, presented by Chevron: Energy dominance meets market realities — Multiple congressional probes of Whitefish contract — RFS concessions fuel GOP war of words

By Anthony Adragna | 10/27/2017 10:00 AM EDT

With help from Alex Guillén and Eric Wolff

MY HEART DRILL GO ON? Interior Secretary Ryan Zinke has made opening up more areas for oil and gas drilling a key part of delivering on President Donald Trump's pledge to unleash "energy dominance" but there may not actually be that many takers, Pro's Ben Lefebvre [reports](#). Interior plans to offer 10 million onshore acres in the National Petroleum Reserve in northern Alaska in December and 77 million offshore acres across the entire Gulf of Mexico in March, but the combination of low oil prices and ample private land available for fracking may keep some away. "It's almost like having a fire sale of all the acreage," said Ken Medlock, director of the Baker Institute's Center for Energy Studies at Rice University in Houston. "Wouldn't surprise me at all if there's a lot of acreage that doesn't sell."

Short-term cash infusion: The federal government is likely to make money from the bids themselves, but many companies are likely to sit on the acreage and wait for oil prices to rise before they start drilling. Both the Gulf and Alaska have high production costs given the remoteness of both locations, making new projects in those locations a tough sell to companies. The most likely outcome of the Gulf lease sale is that a modest number of companies may buy acreage next to drilling rigs already in operation. "They're still showing up [to the lease sales], just not buying a lot," Justin Devery, a principal energy researcher at IHS Markit, told Ben.

That irks advocates: When companies leave lands idling the public gets hit twice since the lands cannot be used and they aren't generating income for taxpayers, according to Nada Culver, senior counsel and director at The Wilderness Society's BLM Action Center. "We will lose the ability to use those lands, and at the same time we're not necessarily going to see a return."

Relatedly, the Senate Energy and Natural Resources will hold a Nov. 2 [hearing](#) on the potential for oil and gas exploration in ANWR as the committee seeks to meet reconciliation instructions from the budget to raise \$1 billion in revenue over the next decade.

AND FOR YOUR RADAR TODAY: Trump huddles with Zinke in the Oval Office today 11:30 a.m. No topic specified, though ME bets Zinke's recommendations on national monument designations will pop up.

TGIF EVERYONE! I'm your host Anthony Adragna, and QEP Resources' Shane Schulz was first to identify Hawaii, Idaho, New Hampshire, Rhode Island and Maine as the five states with two House seats. For today: Which four states have the most congressional seats? Send your tips, energy gossip and comments to aadragna@politico.com, or follow us on Twitter [@AnthonyAdragna](#), [@Morning_Energy](#) and [@POLITICOPro](#).

LET THOSE WHITEFISH LETTERS FLY: Lawmakers penned three separate letters Thursday seeking information related to the \$300 million contract awarded to the tiny Whitefish Energy based in Zinke's hometown, Pro's Ben and your ME host [report](#).

-A bipartisan group of House Energy and Commerce lawmakers wants a briefing from Whitefish Energy. "In light of the questions that have been raised about your company's involvement in recovery efforts ... it is important to develop a clear understanding of the facts," they wrote in a [Thursday letter](#) to Whitefish Energy CEO Andrew Techmanski.

-House Natural Resources Chairman [Rob Bishop](#) and Oversight Subcommittee Chairman [Bruce Westerman](#) asked the Puerto Rico Electric Power Authority for all documents related to its decision to ink the Whitefish contract. They also asked more broadly for information on how PREPA enters into third-party contracts and what procedures it must follow if it departs from the normal process. [Link](#).

-Senate Energy ranking member [Maria Cantwell](#) and [Ron Wyden](#) asked GAO to investigate the contract in a [separate letter](#).

Bipartisan resiliency push for rebuilding: A powerful bloc of senators, including the top Republican and Democrat on the Senate Energy and Natural Resources Committee and the Finance Committee chairman, are pressing the Senate leadership for weather-resilient distributed energy to rebuild the power grids of Puerto Rico and the Virgin Islands, Pro's Emily Holden [reports](#). "Decentralized energy resources operating in microgrids are more likely to remain functioning during and after storms," says the [letter](#), spearheaded by Sen. [Al Franken](#) and signed by Sens. [Lisa Murkowski](#), [Orrin Hatch](#), [Rob Portman](#) and Cantwell.

Remember that Superfund drinking water story? Sens. [Tammy Duckworth](#) and [Elizabeth Warren](#) led five of their Democratic colleagues in questioning whether residents on the smaller Puerto Rican island of Vieques had adequate communication infrastructure to heed EPA warnings not to drink water from Superfund sites. "We are unable to guarantee residents there will heed EPA's guidance and avoid the potential adverse health effects associated with drinking contaminated water unless there is sufficient Federal Government presence on the island to provide access to clean drinking water," they wrote in [a letter](#). "We urge you to make monitoring and securing the Vieques site a priority for the duration of recovery."

Another CODEL leaves: A bipartisan group of lawmakers, helmed by House Majority Leader [Kevin McCarthy](#) and Minority Whip [Steny Hoyer](#), are visiting the U.S. Virgin Islands, Puerto Rico and the Florida Keys today and Saturday to examine ongoing recovery efforts from the string of recent hurricanes. Also traveling: Bishop, [Jeff Denham](#), [Norma Torres](#) and [Anthony Brown](#). Their visit comes as the Rhodium Group released [a report](#) Thursday concluding Hurricane Maria caused the "largest blackout in American history." Trump signed into law Thursday legislation [H.R. 2266 \(115\)](#) that provides \$36.5 billion to help FEMA with recovery efforts, relieve about half of the National Flood Insurance Program's debt and to keep Puerto Rico's government operational.

Hearing scheduled: The Energy and Commerce Energy Subcommittee announced it would hold a hearing next Thursday to examine the state and federal responses to the storms, as well as ongoing recovery efforts.

Cornyn: Don't force disaster offsets: Count Senate Majority Whip John Cornyn as opposed to OMB Director Mick Mulvaney's plan to seek offsets for the next batch of disaster relief. "I'm as concerned about the deficits and debt as anybody, but this is emergency spending and we need to get help to the people who need the help," he told reporters.

INHOFE: GRASSLEY'S RFS POSTURING 'QUESTIONABLE': Sen. Jim Inhofe isn't a fan of fellow Republicans Chuck Grassley and Joni Ernst holding up EPA nominees last week to extract concessions on the Renewable Fuel Standard. "I think it's questionable in terms of being appropriate," he told ME. "I think [Grassley] used a lot of pressure there that was very effective, I'll say, but that I didn't agree with."

And Ernst bashes new hold: After a delay in the confirmation vote on EPA air nominee Bill Wehrum (who passed out of committee on Wednesday), Sens. Ted Cruz and Mike Lee retaliated by slapping a hold on Bill Northey's selection to become undersecretary for Farming Development and Conservation at USDA. But that move drew swift condemnation from Ernst. "That has nothing to do with Bill Northey, they need to get that right," Ernst told ME, referring to the USDA hold. "I don't see the connection. Bill Northey, he'll be in charge of conservation programs, it will have nothing to do with the RFS. So why are they blocking him because of the RFS? Just because Big Oil doesn't like it."

So is this officially a fight? Senior Republicans downplayed the likelihood their conference would continue to hold up Trump nominees over biofuels. "This happens every day, just happens to be the topic du jour, but we'll work it out," Cornyn told reporters. And EPW Chairman John Barrasso suggested the move might have just been the senators doing what's in the best interest of their states: "Every senator gets to speak for themselves and do whatever they need to do," he told ME.

**** 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://politi.co/2gyQXsp> **

DUCKWORTH: JUST WAIT! She's been urging her GOP colleagues to let EPA's final biofuels volumes come out on Nov. 30 before considering Wehrum's nomination on the Senate floor, because Duckworth questions the legality of the reassurances Pruitt sent to corn-state senators last week. "I don't know that it doesn't open the administration to lawsuits from the very same oil interests Mr. Wehrum used to represent," she told ME. "I've been pressuring them to not accept just the word of Mr. Pruitt ... It's simple - just wait, let the rulemaking be done. Just wait!"

MAIL CALL! GOTTA SHOW YOUR WORK! A group of 19 members of the Senate Democratic caucus requested all the documents related to EPA's cost-benefit analysis that they argue relied on "mathematical sleights of hand to over-state the costs of industry compliance" but formed an important part of the proposed repeal of the Clean Power Plan. "Denying the science

and fabricating the math may satisfy the agency's paperwork requirements, but doing so will not satisfy the requirements of the law," the letter, led by EPW ranking member [Tom Carper](#), said.

Senators: This won't be popular: Eleven Democratic senators are wagging their fingers at Zinke's decision to dramatically increase entrance fees to many of the country's most popular national parks, such as Grand Canyon, Yellowstone and Yosemite. "We believe that it is especially problematic for your Department to propose fee increases at the same time that the Trump Administration is recommending slashing National Park Service funding levels and holding virtual fire-sales on our public resources at below market value," the [letter](#), led by Cantwell, said. The timing of the increase is especially curious as Zinke proudly boasted of record numbers of visitors just a few months ago.

Wildfire funding must come next: A bipartisan group of eight senators asked Trump in a [letter](#) to prioritize federal funding for wildfires in the next round of disaster relief funding. "We urge you to make it a priority that all Americans who need emergency assistance get what they need, whether affected by a hurricane, wildfire, or other disaster," the letter, led by Sen. [Kamala Harris](#), wrote.

LAWSUIT ROUNDUP! 'SUE AND SETTLE' ORDER GETS FIRST TEST: The state of North Dakota says EPA Administrator Scott Pruitt's recent "sue and settle" [directive](#) bolsters its own argument to nullify a court order requiring the agency to review oil and gas wastewater rules. Environmental groups complained that EPA had not updated its oil and gas wastewater disposal rules since 1988, despite major changes related to the fracking boom and a statutory requirement that EPA reconsider the rules every three years. In December, they struck a deal that requires EPA to decide whether or not to update those rules by March 2019.

North Dakota says Pruitt's order backs up their request that the D.C. Circuit overturn the consent decree. Pruitt's "sue and settle" order "aligns with North Dakota's argument that the settlement in this case imposed obligations on U.S. EPA that go beyond" the law's requirements, the state wrote in a short [letter](#) to the court on Thursday. Environmental groups have pointed out that, in the event EPA does decide to take action, the agency will go through the normal notice-and-comment rulemaking process. Oral arguments are slated for Nov. 7.

Not waiting any longer: Environmental Defense Fund sued EPA Thursday over a series of unfiled FOIA requests concerning Pruitt's ethics conflicts, schedule and plans for agency science, Pro's Emily Holden [reports](#). The agency has faced a flood of public records requests during the Trump era with the Office of Public Affairs warning some may take more than a year - well over statutory limits - to fulfill.

Not a pleasant diversion? A handful of green groups filed a lawsuit in federal district court challenging federal approval of a project that would divert water from the Colorado River to customers in the Front Range area of Colorado, Pro's Esther Whieldon [reports](#). The Windy Gap Firing Project would divert tens of thousands of acre feet of water from the Colorado River each year to help fill a new reservoir on the Front Range area of Colorado.

ANALYSES OF PERRY GRID PROPOSAL RELEASED: Implementing Energy Secretary

Rick Perry's grid resiliency proposal could cost consumers up to \$10.6 billion per year, according to [new research](#) from the Energy Innovation and the Climate Policy Initiative. Ninety percent of the benefits to the nuclear sector would go to just five companies - Exelon, Entergy, PSEG, NextEra and FirstEnergy - while 80 percent of the benefits to the coal industry would also go to just five companies - NRG, Dynegy, FirstEnergy, American Electric Power and Talen Energy. Former FERC Commissioner Colette Honorable co-authored initial perspectives on the grid proposal comments for Reed Smith [here](#).

THEY'RE GOING TO MIAMI: A large group of Transportation Committee members - Chairman [Bill Shuster](#), [Garret Graves](#), [Grace Napolitano](#), [Brian J. Mast](#), [Daniel Webster](#), [Frederica Wilson](#), [Lois Frankel](#), [Mario Diaz-Balart](#), [Carlos Curbelo](#) and [Eddie Bernice Johnson](#) - gather this morning at 9:30 a.m. at Port Miami to discuss concepts for the next Water Resources Development Act. Webcast [here](#).

STANDING STRONG: There may be a new political dynamic in Germany, but all the parties involved in talks to form a government agreed Thursday to uphold previously set climate goals for 2020, 2030 and 2050, POLITICO Europe's Emily Schultheis and Cynthia Kroet [report](#). The parties - the center-right CDU/CSU alliance, the liberal Free Democratic Party (FDP) and the Greens - did not, however, discuss all the specific means by which these goals would be reached.

MOVER, SHAKER: Mary Martin is the new chief counsel for both the House Energy and Commerce Energy and Environment subcommittees. She's previously been deputy chief counsel for both subpanels and before that was policy counsel and committee executive to the environment, technology & regulatory affairs division at the U.S. Chamber of Commerce.

QUICK HITS

- EPA: Michigan Should Boost Water Safety in Flint, Statewide. [AP](#).
- Trump pledges to speed up Lake Okeechobee dike repairs. [Palm Beach Post](#).
- Four Quitters Walk Into a Bar... [Huffington Post](#).
- Latest U.S. State to Offer Nukes a Lifeline Is Connecticut. [Bloomberg](#).
- Trump's devotion to coal mining puts Utah dinosaur discoveries in danger, scientists say. [Los Angeles Times](#).
- Trump pick for top environmental post once wrote Texas would be 'better off' as an independent republic. [CNN](#).
- Top Venezuela oil executive Chacin arrested in graft probe -sources. [Reuters](#).

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://politi.co/2gyQXsp> **

To view online:

<https://www.politico.com/tipsheets/morning-energy/2017/10/27/energy-dominance-meets-market-realities-223031>

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