To: Jackson, Ryan[jackson.ryan@epa.gov]
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Energy and Climate Report

Afternoon Briefing - Your Preview of Today's News

The following news provides a snapshot of what Bloomberg BNA is working on today. Read the full version of all the stories in the final issue, published each night.

Trump Climate Confusion Is the New Brexit, Top UN Official Says

Posted September 22, 2017, 8:38 A.M. ET

By Jessica Shankleman and Brian Eckhouse

When U.K. Prime Minister Theresa May criticized President Donald Trump for taking the U.S. out of the landmark Paris climate change deal this week, she might as well have been talking about another kind of exit closer to home.

The similarities and between Brexit and Trump leaving the Paris Agreement are stark, says Rachel Kyte, a special representative of the United Nations secretary-general for the Sustainable Energy for All program, of which she is chief executive officer.

Both involve inconsistencies, questions over whether it will ever actually happen and prominent dissenters trying to resist leaving or find a back door to nullify the effects of leaving.

"The U.K.: we're leaving, details to be worked out," Kyte said in an interview in New York Sept. 21. "Trump: we're leaving, details to be worked out. The U.K. is in the club, but not in the club. The U.S. is in the club, but not in the club."

The U.S. remains in the Paris deal for now because it can't legally exit until 2020. Entrance to the club was voluntary, as were the pollution targets it wrote and accepted in 2015. Similarly, the U.K. can't formally quit the European Union for two years after it officially gave notice to leave.

In her veiled rebuke to Trump at the U.N. General Assembly this week, May said the climate change agreement is a sign of "the fundamental values that we share, values of fairness, justice and human rights, that have created the common cause between nations to act together."

Those opposed to Brexit could perhaps use the same description for the EU to make their case.

California Sets Demands for Talking Emissions Targets with Trump

Posted September 22, 2017, 12:51 P.M. ET

By John Lippert and Ryan Beene

California could be willing to re-open discussions on its greenhouse gas limits for cars and trucks for 2025—so long as automakers and the Trump administration embrace the significantly tougher targets it's contemplating for later years.

Automakers have "a whole laundry list of things they've asked for" to ease the state's standards leading up to 2025, and California is willing to at least discuss reviving talks, Mary Nichols, chair of the California Air Resources Board, said in a Sept. 22 interview at Bloomberg headquarters in New York. Michael Catanzaro, a Trump special assistant, called her recently to get conversations with the administration started, she said.

"The price of getting us to the table is talking about post-2025," she said. "California remains convinced that there was no need to initiate this new review of the review and that the technical work was fully adequate to justify going ahead with the existing program, but we're willing to talk about specific areas if there were legitimate concerns the companies raised—in the context of a bigger discussion about where we're going post-2025."

Talk of a possible three-way negotiation between California, carmakers and the federal government comes after President Trump's administration reinstated in March a review of national greenhouse-gas rules that run through 2025, which he said "would have destroyed" the auto industry. California could choose to keep its rules unchanged even if the federal targets are loosened. But doing so would create headaches for carmakers dealing with a patchwork of legislation, and it would risk raising the ire of Trump and the industry as California tries to push through tougher targets for 2030.

Federal Backpedaling

So far, Trump hasn't launched what could be his most potent weapon—a court challenge to California's special authority to write its own pollution rules, which dates back to the 1970 Clean Air Act. A compromise today could help prevent a court showdown later.

"If there's a way they can keep us all united without having to roll over California, they'd like that," Nichols said of her impressions of the White House's position.

The federal government in 2011 originally agreed to greenhouse gas targets that mirror California's, boosting fuel economy to an average of more than 50 miles per gallon by 2025. When Trump overturned an Obama EPA decision to uphold the standards on the books earlier this year, automakers praised Trump's move.

But carmakers don't want changes at the federal level to create a rift with California and the handful of states who've adopted the same targets, fearing costly discrepancies if emissions standards diverge. Pressure for a compromise is also building because, even in California, zero-emission vehicle sales have been stuck at about three percent since 2014.

"I really feel like if the industry folks are as ready as I think they are to talk about future standards, it shouldn't be all that hard," Nichols said. "But there are differences in the kind of relief they want."

Nichols said that while the state is willing to at least discuss compromise in the short term, California has no intention of retreating from its legislative mandate to cut carbon dioxide emissions to 40 percent below 1990 levels by 2030. California Governor Jerry Brown and the state's Air Resources Board have vowed to remain a bulwark against the president's push for environmental deregulation,

and Nichols said long-term goals haven't changed.

Automakers can't abandon the cleaner-car goals entirely either, since major car markets China and the European Union are now contemplating their own zero-emission vehicle mandates modeled after California's. China said this month it will set a deadline for automakers to end sales of fossil-fuel-powered vehicles, becoming the biggest market to do so and driving global demand for battery-operated autos.

California, Quebec, Ontario Ink Deal to Join Carbon Markets

Posted September 22, 2017, 03:45 P.M. ET

By Carolyn Whetzel

California, Quebec, and Ontario cemented plans to launch North America's largest carbon allowance market next year, under a pact signed Sept. 22.

The agreement officially links three individual cap-and-trade programs, creating "an expanded and dynamic carbon market, which will drive down greenhouse gas emissions," California Gov. Jerry Brown (D) said in a written statement.

Ontario's integration with the existing California-Quebec market has been planned for some time. The agreement establishes the framework and terms for the new larger market.

"The linkage expands the allowance market significantly," California Air Resources Board spokesman Stanley Young told Bloomberg BNA in an email. "Ontario's market is roughly 40 percent to 50 percent the size of California's carbon market. Quebec's is 15 percent of California's."

Are Hurricanes Winds of Change for Insurers' Climate Risk?

Posted September 22, 2017, 7:45 A.M. ET

By Abby Smith

The insurance industry faces a dilemma when it comes to climate change: fundamentally, companies understand the risk natural disasters intensified by climate change can pose, but they see relatively little risk to their business in the near future.

However, the industry faces a long-term challenge to maintain market share in areas that could become increasingly harder to insure as climate change makes natural disasters more severe and more frequent. And the Trump administration's push to ax some of the tools insurers need to prepare for disasters could force companies to take a more public position on climate change.

"We look at it from all those perspectives, what a changing climate and environment does to either increase the frequency and severity of those kinds of events or decrease them ... and then putting that into our models to make sure we're delivering products that are priced appropriately," David Robinson, general counsel for the major property and casualty insurer the Hartford Group, told Bloomberg BNA.

Insurance companies are rooted in actuarial science research and analytics. Their job is to assess and comprehend risk, and that includes a scientific understanding of the effects of climate change. The federal research President Donald Trump has proposed ending is vital for insurance companies and underpins adaptation policies such as federal flood risk standards that help to mitigate risk in areas that could become uninsurable.

If Congress were to consider adopting the Trump administration's proposed cuts to climate science research, "my organization would be very vocal in terms of talking with appropriators about the value that these programs bring," Frank Nutter, president of the Reinsurance Association of America, which represents major reinsurance companies such as Munich Re America and QBE Reinsurance Corp., told Bloomberg BNA.

But in the short-term, insurance companies can ultimately recoup any losses by re-pricing their policies annually—meaning it is not as urgent that they take a proactive stance on climate. And while the recent storms in Texas, Louisiana, and Florida will cost billions in total economic losses, they may not be big events for the insurance industry.

Insurance Industry Insulated from Harvey

Take Hurricane Harvey, for example.

Total economic losses from the Category 5 storm that ravaged the coastline of Texas and Louisiana late last month are estimated to range from $200 billion to $300 billion. But insured losses are expected to come in around $20 billion to $30 billion, according to estimates from AIR Worldwide—a modeling firm that specializes in catastrophic events and works closely with insurance companies.

The insurance industry is "really not going to play a big role in terms of financing the rebuilding of Harvey," Cynthia McHale, director of insurance for the business sustainability group Ceres, told Bloomberg BNA.

But, she added, the losses are "real. They get picked up by federal, state, and municipal coffers or individuals who have homes and businesses that are damaged."

Advocates such as McHale say many insurance companies have been "sitting on the sidelines," rather than proactively addressing climate change. The recent hurricanes may not shift the dynamic, she said.

An uptick in public conversation on climate change from the insurance industry followed Hurricane Sandy in 2012, but "it didn't stick," McHale said.

"I'd love to say that it will, that at this point the switch will flip and everyone will understand climate risk needs a really concerted effort … but I'm not sure that it will at the end of the day," she said.

For the insurance companies that are out in front on this issue, these storms don't change the game.

"We are the same company after these two storms," Louis Gritzo, vice president and manager of research for mutual insurer FM Global, told Bloomberg BNA. "We'll continue to do the things we've been doing, to work with [our clients] to reduce their risk."

Storms Could Blow Away Coverage

But the insurance industry faces risk from climate change on both sides of its balance sheet.

On the underwriting side—where insurers evaluate risk and offer coverage—the industry is seeing a "widening protection gap," Tom Herbstein, program coordinator for ClimateWise, told Bloomberg BNA. That means economic losses attributed to climate change are increasing, but insurers' coverage of those losses is declining.

Herbstein said his group—facilitated by the University of Cambridge Institute for Sustainability Leadership—consists of nearly 30 global insurance companies that are pushing a proactive approach to climate change that would close that protection gap.

If the gap continues to widen, areas across the country will become uninsurable, meaning companies will pull out of those markets. McHale pointed to the mid-2000s, when several major insurance companies, including State Farm and Allstate, pulled out of the Florida market following Hurricanes Wilma and Rita.

"Companies can do that, but only so much. The strategy of retreat is not a winning business model," McHale said.

But Herbstein said the widening protection gap is a medium- to long-term risk for the industry. "If the industry continues to focus on the short term … they will eventually price themselves out of the market. That's akin to burying your head in the sand."

Insurers Investments Under Microsope

Insurance companies are also big investors, meaning they face the risk of stranded assets as the world transitions to lower-carbon energy. According to a June 2016 report from Ceres, the top 40 U.S. insurance groups owned nearly half a trillion dollars of investments in oil and gas, coal, and electric utilities at the end of 2014.

McHale said a "bright light" is insurers are increasing investments in low-carbon infrastructure. Previewing a new Ceres survey of 16 of the largest U.S. insurers to be released in January, McHale said 70 percent of that group increased investments in infrastructure and 85 percent were considering more clean energy investments.

Over half of those surveyed by Ceres also suggested investments in renewable energy could help mitigate transition risks they face from fossil fuel investments.

While insurers rely on the scientific research the Trump administration wants to halt, some in the industry are also cheering efforts to roll back requirements that they disclose investments in fossil fuel companies. However, in California, which licenses 77 percent of the U.S. insurance market, Insurance Commissioner Dave Jones required just those sorts of disclosures, despite threats of lawsuits from a dozen attorneys general.

Jones' Climate Risk Carbon Initiative, established in early 2016, required insurance companies licensed in California to divest from thermal coal and to disclose investments in coal, oil, and natural gas companies and utilities that generate electricity from more than 50 percent fossil fuels.

While the Trump administration may want to "stick their head in the sand," California will continue to play a leadership role, Jones told Bloomberg BNA. "Most other industrialized nations and their

financial regulators are working on this issue," Jones said.

Disclosure Could Drive Policy

Despite some pushback, the initiative has seen 100 percent compliance. By the numbers, that means the fossil fuel investments of around 1,300 insurance companies are now publicly available, Jones said.

For advocates such as Ceres and ClimateWise, a proactive approach from insurers is two-fold: sharing risk management expertise with the public and investing in climate resilience. And insurers such as the Hartford and FM Global that are leading on this issue are already heading in that direction.

"The key message, in addition to just making sure we understand and are tracking how hazards are changing, is there's a lot of progress that can be made to reduce risk and build resilience to the climate that we face today," Gritzo said. "We need to make sure that we're really focusing on reducing that hazard and not dismissing it."

"We face a resilience challenge in this country, a challenge we need to step up and address."

SolarCity to Pay $29.5M After Inflating Recovery Act Claims

Posted September 22, 2017, 03:38 P.M. ET

By Vishal Persaud (Bloomberg News)

SolarCity will pay $29.5 million to resolve allegations that it submitted inflated claims for itself and affiliated investment funds for grants under the Obama administration's stimulus plan, the Justice Department said Sept. 22

The settlement payment represents about 5 percent of the cash grants that the government gave the company under Section 1603 of the American Recovery and Reinvestment Act of 2009, which subsidized renewable energy projects, according to a spokesperson for SolarCity. Tesla Motors Inc. bought SolarCity in November 2016.

"This program expired, but this settlement demonstrates that the government will still hold accountable those who sought to take improper advantage of government programs at the expense of American taxpayers," Chad A. Readler, acting assistant attorney general of the Justice Department's Civil Division said in a statement.

The government alleged that SolarCity overstated the cost bases of its solar energy properties and as a result the company and its affiliated investment funds received inflated grant payments from the Treasury.

The Section 1603 program provided for cash grants equal to 30 percent of the eligible cost basis to construct or acquire qualified renewable solar energy systems placed in service before Dec. 31, 2016.

SolarCity "accurately valued the solar energy systems in the applications it submitted for cash grants under the Treasury's program, and it was entitled to the full amounts that Treasury ultimately approved and paid to the company after reviewing its applications," the company spokesperson told

Bloomberg BNA by email.

As part of the agreement, SolarCity is to release all pending and future claims against the U.S. for additional payments under Section 1603 of the American Recovery and Reinvestment Act of 2009.

The company also agreed to dismiss a lawsuit filed by two investment funds alleging the Treasury underpaid some Recovery Act grants.

—With assistance from Renee Schoof (Bloomberg BNA).

Twice-Rejected LNG Exporter Gives Project Another Shot

Posted September 22, 2017, 10:38 A.M. ET

By Ryan Collins

The developer of a liquefied natural gas export terminal in Oregon that has already twice been denied permits by U.S. regulators is giving it another shot.

Veresen Inc. said late Sept. 21 that it filed another application with the Federal Energy Regulatory Commission for the $10 billion Jordan Cove LNG project that would ship gas to Asia. The agency denied the Calgary-based company approval last year, saying it failed to prove the terminal was needed. As part of its latest request, the company proposed route changes for a pipeline that would feed the terminal and eliminated plans for a power plant.

Veresen is making a third attempt just as the Trump administration promotes LNG exports as a means of establishing America's dominance in global energy markets and creating jobs. Gary Cohn, the director of the White House's National Economic Council, referenced the Northwest terminal during a talk in April, saying the government would step up approvals for such projects. It's among the dozens proposed along the coasts of the U.S. to send shale gas overseas.

Veresen said the project would create more than 200 permanent jobs and has said it would lower the U.S. current account deficit with Japan, one that President Donald Trump has complained about. In February, the company said it was in "advanced" negotiations with a third LNG buyer in Japan and that preliminary agreements with Jera Co., a joint venture between Tokyo Electric Power Co. Holdings Inc. and Chubu Electric Power Co., and Itochu Corp. were being finalized.

The application for Jordan Cove comes just weeks after Trump filled seats on the Federal Energy Regulatory Commission, restoring the quorum the agency needs to approve LNG projects and major natural gas pipelines.

A $21 Billion Failed Nuclear Project is Still Haunting Scana

Posted September 22, 2017, 9:55 A.M. ET

By Mark Chediak

Scana Corp. may have dropped a $21 billion plan to build a nuclear power plant in South Carolina, but washing its hands of the project altogether won't be so easy.

On Thursday, the utility disclosed that it received a federal subpoena for documents related to the canceled reactors. Earlier this month, South Carolina's governor made public a report suggesting Scana was aware of challenges plaguing the project since early last year. And the state legislature is carrying out a probe of how plans for the two reactors at the V.C. Summer plant fell apart.

The backlash does not bode well for Scana as the utility owner seeks to recoup billions of dollars it spent on the project from South Carolina's utility customers. The company's battle to recover costs may become a flash point in the debate over who should pay for nuclear power projects that have failed to be built across the U.S. in the past decade.

"It's become an endless supply of negative headlines," said Shahriar Pourreza, a power analyst for Guggenheim Securities who has rated Scana's stock a "sell". He warned that the outcry could make it harder for Scana to recover costs and hurt its earnings growth.

Scana spokesman Eric Boomhower said by email Thursday that there are legislative and regulatory review processes that the company must go through regarding the project.

"We will not speculate on the outcomes of those processes," he said.

While South Carolina Governor Henry McMaster is still pushing to get the V.C. Summer plant finished, state legislators are already grilling Scana and project partner Santee Cooper executives in special hearings about how plans for the reactors unraveled. They've asked South Carolina's attorney general to look into whether the law that would allow Scana to recoup costs is constitutional.

"Political fallout from the V.C. Summer new nuclear construction termination has opened Pandora's box," Christopher Ellinghaus, a utilities analyst for the Williams Capital Group, in a research note Monday.

Even if regulators allow Scana to recover the reactors' costs, Pourreza said, they could end up clawing back the money in other ways, such as denying the company's future requests to recoup the expenses of other projects.

Last Project Standing

Scana's decision to halt construction has rattled both the state and the entire U.S. nuclear industry. The company called it quits after lead project contractor Westinghouse Electric Co. filed for bankruptcy and Santee Cooper pulled out. That left Southern Co. in Georgia as the only utility building a nuclear power plant in the U.S.

U.S. utility customers have ended up on the hook for more than $2.5 billion for nuclear power plants proposed and never built -- excluding the costs of Scana's V.C. Summer plant. Duke Energy Corp. and Dominion Energy Inc. are among the companies that have faced backlash for charging customers for yet-to-be-built reactors. Under state law, Scana may be allowed to recover $4.9 billion in expenses for its abandoned reactors so long as the spending is deemed prudent. But the report made public by McMaster's office this month could undermine its case.

'Significant Issues'

The February 2016 study drafted by contractor Bechtel found "significant issues" with the project's construction, including unrealistic schedules and a lack of project management. Regulators could use it to block Scana from recovering costs, Scott Elliott, special counsel for the state House committee investigating the project, told legislators last week.

The U.S. Attorney's office in South Carolina asked for a copy of the report from McMaster after it was made public, said Brian Symmes, a spokesman for the governor. Scana said the subpoena from the U.S. Attorney required the company to "produce a broad range of documents related to the project" and that it would cooperate with the investigation.

South Carolina Attorney General Alan Wilson is meanwhile expected to issue an opinion next week on the law that would allow Scana to recoup costs.

At stake is Scana's balance sheet, said Kit Konolige, a utility analyst for Bloomberg Intelligence. "They are dependent on having a smooth recovery of the capital they've invested in the project," he said.

How Electric Cars Can Create the Biggest Disruption Since iPhone

Posted September 22, 2017, 8:02 A.M. ET

By Jessica Shankleman

It's 10 years since Apple Inc. unleashed a surge of innovation that upended the mobile phone industry. Electric cars, with a little help from ride-hailing and self-driving technology, could be about to pull the same trick on Big Oil.

The rise of Tesla Inc. and its rivals could be turbo charged by complementary services from Uber Technologies Inc. and Alphabet Inc.'s Waymo unit, just as the iPhone rode the app economy and fast mobile internet to decimate mobile phone giants like Nokia Oyj.

The culmination of these technologies—autonomous electric cars available on demand—could transform how people travel and confound predictions that battery-powered vehicles will have a limited impact on oil demand in the coming decades.

"Electric cars on their own may not add up to much," David Eyton, head of technology at London-based oil giant BP Plc, said in an interview. "But when you add in car sharing, ride pooling, the numbers can get significantly greater."

Most forecasters see the shift away from oil in transport as an incremental process guided by slow improvements in the cost and capacity of batteries and progressive tightening of emissions standards. But big economic shifts are rarely that straightforward, said Tim Harford, the economist behind a book and BBC radio series on historic innovations that disrupted the economy.

Systemic Change

"These things are a lot more complicated," he said. Rather than electric motors gradually replacing internal combustion engines within the existing model, there's probably going to be "some degree of

systemic change."

That's what happened 10 years ago. The iPhone didn't just offer people a new way to make phone calls; it created an entirely new economy for multibillion-dollar companies like Angry Birds maker Rovio Entertainment Oy or WhatsApp Inc. The fundamental nature of the mobile phone business changed and incumbents like Nokia and BlackBerry Ltd. were replaced by Apple and makers of Android handsets like Samsung Electronics Co. Ltd.

Today, as Elon Musk's Tesla and established automakers like General Motors Co. are striving to make their electric cars desirable consumer products, companies like Uber and Lyft Inc. are turning transport into an on-demand service and Waymo is testing fully autonomous vehicles on the streets of California and Arizona.

Combine all three, for example through an Alphabet investment in Lyft, and you have a new model of transport as a service that would be a cheap compelling alternative to traditional car ownership, according to RethinkX, a think tank that analyzes technology-driven disruption.

One key advantage of electric cars is the lack of mechanical complexity, which makes them more suitable for the heavy use allowed by driverless technology, Francesco Starace, chief executive officer of Enel SpA, Italy's largest utility, said in an interview.

After disassembling General Motors' Chevrolet Bolt, UBS Group AG concluded it required almost no maintenance, with the electric motor having just three moving parts compared with 133 in a four-cylinder internal combustion engine.

"Competitiveness very much depends on the utilization of the car," Laszlo Varro, chief economist at the International Energy Agency, said in an interview. The average Uber vehicle covers a third more distance than the typical middle-class family car in Europe, amplifying the benefit of lower running costs to the point that "the oil price at which it makes sense to switch to electric is $30 per barrel lower," he said.

Uber on Steroids

The total cost of ownership of electric and oil-fueled vehicles will reach parity in 2020 for shared-mobility fleets, five years earlier than for individually-owned vehicles, according to Bloomberg New Energy Finance.

Already in London, Uber plans for its UberX service to be hybrid or fully electric by the end of 2019. Its rival Lyft aims to provide at least 1 billion rides a year in autonomous electric vehicles by 2025, saying they can be used much more efficiently than gasoline-powered cars.

This combination would be "the Uber model on steroids," Steven Martin, chief digital officer and vice president of General Electric Co.'s Energy Connections unit, said in an interview. "Once you have complete autonomous operation of a vehicle, then my desire to own one is going to go down and I'll be more willing to sign up to a subscription service."

Autonomous Hurdles

The transition to fully autonomous fleets may not match the speed of the smartphone revolution because of the many regulatory, legal, ethical and behavioral hurdles. Self-driving technology should become available in the 2020s, but won't be widely adopted until 2030, BNEF says.

Even so, the shift to electric cars could displace about 8 million barrels a day of oil demand by 2040, more than the 7 million barrels a day Saudi Arabia exports today, the London-based researcher says. That could have a significant impact on oil prices—a drop of 1.7 million barrels a day in global consumption during the 2008-2009 financial crisis caused prices to slump from $146 a barrel to $36.

That doesn't mean oil giants like BP or Exxon Mobil Corp. are heading for an inevitable Nokia-style downfall. While transport fuels account for the majority of their sales, they also have huge businesses turning crude into chemicals used for everything from plastics to fertilizer. They also pump large volumes of natural gas and generate renewable energy, both of which could benefit from increased electricity demand.

Even if electric vehicles do grow as rapidly as BNEF forecasts, the world currently consumes 95 million barrels a day and other sources of demand will keep growing, said Spencer Dale, BP's chief economist. The London-based energy giant expects battery-powered cars to reduce oil demand by just 1 million barrels a day by 2035, while also acknowledging the potential for a much larger impact if the industry has an iPhone moment.

The sheer breadth of the potential disruption makes it hard to predict what will happen. When Steve Jobs unveiled the iPhone, few people anticipated that it meant trouble for makers of everything from cameras to chewing gum.

"The smartphone and its apps made new business models possible," said Tony Seba, a Stanford University economist and one of the founders of RethinkX. "The mix of sharing, electric and driverless cars could disrupt everything from parking to insurance, oil demand and retail."

The Most Expensive Teslas and the Policy 'Paradox' Behind Them

Posted September 22, 2017, 10:46 A.M. ET

By Nick Rigillo

Fun fact: A poster child of green energy policies has cemented its place in Europe as the most expensive place to own a Tesla.

The ruling bloc in Denmark, home of wind-power giant Vestas Wind Systems A/S, has just agreed to cut car registration taxes. But even after the adjustment, Tesla's Model S will still cost more than $115,000. The same car costs $81,200 in Germany and $69,500 in the U.S.

The Danish Electric Car Alliance, an industry association, calls the tax cut "paradoxical," because it makes polluting diesel and petrol cars cheaper, in relative terms.

"This increases the divide between fossil-fueled and electric cars," said its head, Laerke Flader. The association estimates an Audi A6 will cost as much as $9,700 less, compared with a $1,700 saving for people buying the Tesla Model S.

Denmark, where car taxes were recently as high as 180 percent, has already decided to phase out electric-vehicle subsidies such as those offered in Norway and Germany. The fallout for Tesla and its peers has been severe.

According to latest figures from the European Automobile Manufacturers Association, sales in Denmark of battery electric vehicles were down 33 percent in the second quarter of this year from a year earlier.

Italy's Enel Group Starts Latin America's Two Largest Solar Parks

Posted September 22, 2017, 11:17 A.M. ET

By Michael Kepp

Latin America's two largest solar parks, which can provide enough power to meet the annual demand of more than half a million homes, are now online in Brazil.

The projects, operated by Italy's Enel Green Power, are the $300 million, 292-megawatt (MW) Nova Olinda park, in Piaui state and the $400 million, 254-MW Ituverava park in Bahia state.

Enel, the biggest solar photovoltaic producer in Brazil, announced Sept. 18 that the farms were operating. An Enel official touted their launch as a big development for Brazil, as well as the company's long-term goal to eliminate its carbon dioxide emissions.

"The start of operations of Nova Olinda and Ituverava marks an important step forward for large-scale solar energy generation in Brazil, tapping into the great potential that the country can harness with this technology thanks to the high level of solar irradiation and land availability," Carlo Zorzoli, Enel's country manager in Brazil, said. "These two new solar parks, which together will avoid the emission of 668,000 metric tons of carbon dioxide each year, will contribute to making Brazil's energy generation more green and to Enel's commitment to become CO2-free by 2050."

Brazil's government projects that solar power will account for 4.5 percent of the nation's electricity matrix in 2026.

The Nova Olinda park has the capacity to generate 600 gigawatt hours (GWh) of solar power per year, enough to meet the annual consumption needs of 300,000 households, while the Ituverava park can generate 550 GWh per year, enough to supply the annual needs of 268,000 households.

Land of the Sun

EGP sold the parks' future energy to distributors via 20-year contracts at Brazil's first and second solar auctions, in October 2014 and August 2015, respectively.

In Brazil, EGP, through its local subsidiary, has 2,276 MW of installed renewable capacity, of which 716 MW comes from solar power, 670 MW from wind power, and 890 MW from hydropower. The company has 275 MW of renewable capacity under construction in Brazil, of which 172 MW from wind and 103 MW from solar power.

The government's latest 10-year energy expansion plan, announced in July, projects that large-scale (non-rooftop) solar power, which accounted for just 0.01 percent of the electricity matrix in 2016 would account for 4.5 percent of the matrix in 2026, about 9,660 MW of generating capacity.

Rodrigo Lopes Sauaia, the CEO of the Brazilian Photovoltaic Solar Energy Association (Absolar), called the government's projections "conservative", telling Bloomberg BNA that large-scale solar power should have an installed capacity of 14,000 MW by 2026.