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## **Daily Environment Report**

### **Afternoon Briefing - Your Preview of Today's News**

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### **National Monuments May Change, But Probably Not for Energy**

*Posted August 24, 2017, 02:27 P.M. ET*

*By [Alan Kovski](#)*

Recommendations sent to the White House Aug. 24 to reduce the boundaries of some national monuments may make little or no difference to oil and gas companies, even if President Donald Trump agrees to them.

Full details of the recommendations from Interior Secretary Ryan Zinke have not yet been released. However, the latest remarks by Zinke, Rep. Rob Bishop (R-Utah), and experts on Utah oil and gas development suggest the odds are low of a boundary change that would pave the way for a surge in oil drilling in or near two big national monuments in that state, Bears Ears and Grand Staircase-Escalante.

“The oil and gas elements in this are really minimal, if at all,” said Bishop, who told reporters the proposed changes in Bears Ears, if reinforced by appropriate federal legislation, could be significant to local livestock grazing rights and overall management of public land in the area.

Bears Ears National Monument, a 1.4-million acre site that rests atop potential oil, gas and coal reserves, has been the focus of a political fight about federal land protection powers. The Grand Staircase-Escalante is the largest national monument, covering 1.9 million acres, according to the Bureau of Land Management.

### **U.S. Lays Groundwork for Rescuing Coal Plants With Grid Report**

*Posted August 24, 2017, 7:24 A.M. ET*

*By [Catherine Traywick](#) and [Jim Polson](#)*

The Energy Department, in a long-anticipated report on the security of the U.S. electric grid, makes the case for rescuing the nation's coal industry from widespread plant shutdowns, but stops short of

an assault on renewable power that environmentalists had feared.

The study, commissioned by Energy Secretary Rick Perry who has warned that policies favoring solar and wind may be forcing shut plants and threatening the grid, recommends that the Environmental Protection Agency ease rules on coal plants. It also calls for changes to how wholesale electricity is traded and easier permitting for resources such as coal, nuclear, and hydropower.

The report hands President Donald Trump a plan for fulfilling his campaign promise to revive America's ailing coal industry and put miners back to work. It paints a somewhat grimmer picture of grid security than an earlier draft that concluded the nation's power system is more reliable than ever, in spite of coal plant shutdowns. By contrast, the final report cautions that "market designs may be inadequate" to keep "traditional" power generation online.

"It is apparent that in today's competitive markets certain regulations and subsidies are having a large impact on the functioning of markets, and thereby challenging our power generation mix," Perry said in a statement. "Customers should know that a resilient electric grid does come with a price."

The U.S. power industry has been waiting for the Energy Department to release the study for months. Power generator FirstEnergy Corp. said in April that it wanted to see the results before pressing ahead with a plan to divest money-losing coal and nuclear plants. Rival Exelon Corp., the largest operator of reactors in the U.S., told investors this month that it expected the report to highlight the "critical role" that nuclear plays.

#### **Cheap Gas**

The sweeping 181-page report concludes that coal-fired and nuclear power plants are being forced out of business primarily because they can't compete against cheap and abundant natural gas, which is flowing out of U.S. shale formations at a record pace. Policies favoring solar and wind energy also have played a role, the study shows.

It stresses the critical need to preserve coal, nuclear and other baseload plants that continue to produce power when the wind isn't blowing and sun isn't shining. The report argued that even natural gas-fired generators, which rely on pipelines to receive fuel, may be less resilient.

"The more we rely on natural gas, the more we're relying on fuel that arrives just in time" at a power plant, said Joseph Dominguez, Exelon's vice president of governmental and regulatory affairs and public policy.

#### **'Warped View'**

Federal regulators are "going to have to value these resilience attributes" of dependable resources, especially coal plants that can store enough fuel on-site to last months, said Paul Bailey, chief executive officer of American Coalition for Clean Coal Electricity. "Coal stacks up really well. Natural gas does OK. Nuclear does pretty well. Renewables don't do well in some respects and do OK in others.

"You need a coal fleet in order to have a resilient and reliable grid," Bailey said.

John Shelk, president of the Washington-based Electric Power Supply Association, said ensuring the resilience of the U.S. power grid doesn't simply mean handing out subsidies for coal and nuclear

plants.

“Coal and nuclear want resilience to be a code word to subsidize them when they can’t compete,” said Shelk, whose group represents power generators such as NRG Energy Inc. and Dynegy Inc. that sell their supplies into wholesale markets. “That’s a warped view of resilience. All fuels, technologies and attributes should be considered together.”

Advanced Energy Economy, a group that promotes solar and wind, said the report “seriously overstates” the challenges associated with new energy resources. The American Petroleum Institute meanwhile noted that natural gas is now the source of more electricity in the U.S. than any other fuel and has cut consumers’ energy costs “without government mandates and subsidies.”

One way that the federal government can assist uneconomic coal plants is to compensate baseload plants for the resilience they offer the power grid, according to the report. The authors recommend that the Federal Energy Regulatory Commission, which oversees power markets, study ways in which those reliability attributes can be appropriately valued. That could include the creation of new pricing mechanisms or changing the agency’s approach to energy price formation, the report says.

That recommendation echoes comments recently made by Neil Chatterjee, who was tapped by Trump to temporarily lead the energy commission. Chatterjee said coal-fired plants are a crucial part of America’s energy mix that needed to be “properly compensated to recognize the value they provide.”

The commission is already weighing whether it should redesign market rules to better account for state policies encouraging the use of zero-emissions power. New York and Illinois recently established subsidies for nuclear power and others are considering doing the same.

The “study reaffirms our view that nuclear energy is a key and necessary contributor to a clean, reliable and resilient electric grid, which now is more important than ever,” Nuclear Energy Institute Chief Executive Officer Maria Korsnick said in a statement.

One regulation cited by the report requires coal plant operators to apply for a permit before making substantial upgrades. That requirement “creates an unnecessary burden that discourages rather than encourages” investments, the report says.

Since ordering the study in April, Perry has taken a deliberately hands-off approach and was only briefed on its findings on the morning of Aug. 22, agency officials said. The report was overseen by Travis Fisher, a senior adviser at the department, and Brian McCormack, Perry’s chief of staff.

—With assistance from Tim Loh, Jennifer A. Dlouhy and Mark Chediak.

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## **Trump Coal Push May Be Disaster Insurance the Grid Doesn’t Need**

*Posted August 24, 2017, 11:42 A.M. ET*

*By Tim Loh and Mark Chediak*

If all hell breaks loose on the U.S. power grid—a terrorist blows up a key natural gas pipeline, say, in the midst of a frigid winter—how will Americans keep the lights on?

The answer is coal, according to a growing collection of the industry's leaders and lobbyists. Their pitch conveys an image of a nation plunged into darkness as solar farms, wind turbines and plants fueled by gas fail to make up for the loss of coal-fired generation. Though it's a view at least partly supported by a Department of Energy study released late Wednesday, the reality isn't so dire.

Coal companies' pleas for protection come as President Donald Trump vows to make good on campaign promises to support an industry hit by low-cost renewable energy and abundant gas from shale reservoirs. Energy Secretary Rick Perry called in April for his department to investigate whether rising supplies of wind and solar energy are threatening the grid's reliability. The resulting report recommends less stringent environmental rules for coal plants; changes in electricity trading; and easier permitting for coal, nuclear, and hydropower.

Coal plants "play an important role," said David Sandalow, inaugural fellow at Columbia University's Center on Global Energy Policy and a former Energy Department official. "But it would be costly in many ways to get locked into old notions of operating the grid when new technologies are out there."

Grid operators have already been coping with a decline in power from coal-fired plants—most of which are designed to operate around the clock to meet electricity demand—without any major mishaps. Since 2005, 14 percent of America's coal-burning capacity has closed, and 5 percent of the remaining 294 gigawatts is scheduled to shut, according to Bloomberg New Energy Finance. In May, coal generated just 29 percent of America's electricity, about half the share it had when George W. Bush was president.

The Aug. 21 solar eclipse in the U.S. was a litmus test for grid operators. Though the California Independent System Operator said 3,400 megawatts of large-scale solar came off the state's system during the event, that was less than forecast, and there were no significant disruptions to electricity service.

As more wind and solar energy is added to the power mix, new tools including battery storage are helping to smooth the transition. In March, there were 21 states with at least 20 megawatts each of storage projects in service, under construction or proposed, according to GTM Research.

Another approach is "demand response," in which customers are compensated for altering their power use at various times to bolster a region's grid reliability. California, which generated 24 percent of its power from wind and solar in May on a net basis, had no major blackouts last year during the shutdown of the Aliso Canyon gas storage field following a leak.

### **Better Technology**

Improved technology, including more sophisticated weather models that can help grid operators predict how much wind and solar supply will be available, also has aided the growth in renewables. And new gas-fired plants that can be ramped up or down quickly to respond to demand changes are being added to the nation's electricity network. The result is an emerging fleet of smaller power sources that can actually make the grid more stable by reducing the chance of a single massive plant failing, Sandalow said.

"You're putting all your eggs in one basket," Sandalow said of relying on a few big generators.

Coal supporters, meanwhile, said America's growing use of gas and renewables is putting the electricity grid in peril. Gas plants can't store enough of the fuel on site to guarantee power if trouble

strikes, while coal-fired plants can stockpile months of supply, they argued. Coal and nuclear should be “properly compensated to recognize the value they provide to the system,” said Neil Chatterjee, the new chairman of the Federal Energy Regulatory Commission, which helps monitor the nation’s electricity supply.

“Where we’re going with natural gas right now and coal retirements is clearly unprecedented,” said Paul Bailey, chief executive officer of lobby group American Coalition for Clean Coal Electricity. “Solar and wind, we like them, but they’re not going to help maintain a resilient grid right now.”

Coal isn’t immune to supply snags, however. Stockpiles can freeze together in extreme cold, and rail delays can prevent the fuel from reaching plants at all.

While existing technology may allow renewables to account for as much as 50 percent of U.S. power generation, changes to regulation and policy are still needed to make that happen, said Prajit Ghosh, head of Americas power and renewables research at Wood Mackenzie Ltd. in Houston.

### **Coal’s Push**

Coal lobbyists said it’s impossible to predict when the country will be ready to accommodate that much wind and solar energy and, in the meantime, it’s vital to preserve coal-fired power plants. That’s part of the industry’s push to market coal plants as the energy source of last resort, a grid-scale equivalent to the candles people pull out of their closets when the power fails at home.

“The U.S. ought not to mortgage itself up to the hilt by making rash decisions that could very well harm the economy of the U.S. in 10 years,” said Luke Popovich, spokesman for the National Mining Association.

Still, developments in technology and policy are paving the way for wind and solar to gain a larger share of U.S. power generation in the coming years, Wood Mackenzie’s Ghosh said.

“There should be concerns about reliability, how renewables can impact reliability, but it’s an optimistic concern,” he said. “There are enough solutions which are being currently tested and which in all likelihood could pan out perfectly.”

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## **Trump Helps Spark Biofuel Trade Wars as U.S., Brazil Slap Duties**

*Posted August 24, 2017, 7:55 A.M. ET*

*By [Mario Parker](#)*

A trade war has erupted in the global biofuels market, threatening to send shockwaves through commodity markets from petroleum to soybean oil.

The latest salvo came from Brazil on August 23 when it decided to institute a 20 percent tax on ethanol imports that exceed an annual cap of 600 million liters (159 million gallons), according to two cabinet members who asked not to be named before the decision was made public. The move came a day after the U.S. Commerce Department proposed duties on biodiesel producers from Indonesia and Argentina, saying they benefit from domestic subsidies.

Shots are being fired amid escalating protectionism from President Donald Trump. The U.S. Commerce Department's action on Argentinian and Indonesian biodiesel may have given Brazil cover to take action on U.S. ethanol, said Jerrod Kitt, an analyst at Linn Associates in Chicago.

Even as the U.S. is trying to act to benefit its own industry, American producers could end up as victims since they ship a significant portion of their product overseas, including to Brazil, their No. 1 customer. China already slapped tariffs on U.S.-made ethanol and an animal feed byproduct earlier this year.

"It could get ugly," Scott Irwin, an agricultural economist at the University of Illinois in Urbana, said in a phone interview. "Everybody intervenes heavily in biofuels."

### **Crop Markets**

The rising tensions are likely to spark a ripple effect in the agriculture markets that underpin biofuels. The U.S. is the world's biggest producer of corn and soybeans, the primary feedstocks for ethanol and biodiesel. Brazil is the largest grower of sugarcane and uses the sweetener to make ethanol. Argentina is the No. 1 soybean oil exporter.

Soybean oil futures traded in Chicago jumped to the highest in more than three weeks on Aug. 23 on speculation the duties on Argentinian biofuel shipments will squeeze domestic supplies. Biofuel credits, used for compliance in a U.S. renewable-fuel quota system, also surged following the Commerce Department's decision.

Brazil's move to tax ethanol imports will probably fall hard on U.S. producers, who sold 255 million gallons to the South American nation this year through May, according to U.S. Energy Information Administration data. That is equal to 42 percent of total exports.

The Renewable Fuels Association, Growth Energy and the U.S. Grains Council—Washington-based trade groups—expressed disappointment on the Brazilian action in an Aug. 23 joint statement.

### **'Politics Prevailed'**

"Given the tremendous volume of information we provided to Brazil that demonstrated how misguided a tariff would be, it seemed politics prevailed today and Brazilian consumers lost," the groups said.

Tensions may escalate further from here. Trump has repeatedly scrutinized trade pacts. In an Aug. 22 speech in Phoenix, the president said he thinks the U.S. will pull out of the North American Free Trade Agreement. The U.S. biofuel industry is heavily concentrated in the Midwest, an area Trump has touted as helping to propel him to the White House.

"If this was a normal administration that didn't focus on" trade as much, it wouldn't be as impactful, Kitt of Linn Associates said. "I can see him playing to that base."

--With assistance from Fabiana Batista and Rachel Gamarski.

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### **Comcast Joins Sunrun to Market Residential Solar Panels**

*Posted August 24, 2017, 11:28 A.M. ET*

*By [Brian Eckhouse](#) and [Gerry Smith](#)*

Sunrun Inc., the residential solar company that's boosting market-share, said it will tap a partnership with the biggest U.S. cable-TV company to add new customers.

Comcast Corp. and Sunrun agreed to a 40-month partnership after a trial showed that cable customers had interest in solar products, according to an Aug. 24 statement. San Francisco-based Sunrun will be Comcast's exclusive residential solar provider.

"Comcast has the install base and the marketing arm," Lynn Jurich, Sunrun's chief executive officer, said in an Aug. 24 interview. "We have a product people want."

The partnership will help Sunrun—which operates in 22 states—reach a larger pool of potential customers. Comcast has about 27 million subscribers in markets that include Chicago and Philadelphia. The cable giant will advertise the solar program as an option for its XFINITY Home service, which gives customers the ability to automate devices around the house, like turning lights on and off.

Comcast has been expanding into new lines of business as growth in selling cable-TV subscriptions slows. Comcast recently introduced a mobile phone service to compete with wireless offers from AT&T Inc. and Verizon Communications Inc. It's also trying to expand its business of selling home alarm systems and TV, phone and Internet for businesses.

### **Smart Homes**

"Cellular and cable companies across the US and Europe have been looking at the energy market for years," Hugh Bromley, a New York-based analyst at Bloomberg New Energy Finance, said in an interview Aug. 24. "Solar is the obvious next step—if you can convince a cable customer to sign a 20-year agreement."

Comcast is eligible for warrants representing as much as 9.99 percent of Sunrun's outstanding common shares under the deal. They'll be earned pro rata only after Sunrun installs 30,000 new customers and will fully vest once Sunrun wins 60,000 new accounts.

Sunrun, the U.S.' largest residential solar-only installer, has just under 150,000 customers, Jurich said. It expects to do 45,000 installations this year.

This is Sunrun's third partnership with a brand-name company this year. In January, it announced that London-based utility National Grid Plc committed about \$100 million to a partnership that will own about 200 megawatts of residential solar assets. It also has a partnership with Engie SA.

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### **Brazil to Crack Down on Ships Sold Into 'Toxic' Scrap Trade**

*Posted August 24, 2017, 10:47 A.M. ET*

*By R.T. Watson*

Brazilian regulators are planning to strengthen rules to prevent exporters such as Petrobras and Vale SA from selling aging ships to buyers that offload the vessels in South Asia's controversial coastal scrapyards.

Earlier this month, authorities decided to develop a legal framework to ensure former Brazilian ships don't end up with recyclers notorious for using dirty and dangerous methods, federal environmental watchdog IBAMA said by email. Brazilian companies could face fines of as much as 10 million reais (\$3.2 million) if IBAMA finds that they violated international standards by letting their vessels end up in substandard [shipbreaking](#) facilities in India, Pakistan, and Bangladesh.

By selling ships to buyers who then send them to South Asian beaches for dismantling, the two Brazilian exporters aren't alone. But Vale—which sold two vessels that were sent to India this year and intends to offload four more—is one of the few mining companies that still owns its fleet, while other oil producers such as Royal Dutch Shell Plc are adopting cradle-to-grave practices in which ships end up being recycled in a safer and more sustainable fashion.

### **'Green' Ships**

In March, IBAMA began looking into the sale of a Petrobras vessel called Lobato to recyclers planning to scrap the ship in India, the agency said. That followed a complaint lodged by Brussels-based nongovernmental organization Shipbreaking Platform. Sindmar, Brazil's maritime trade union, joined the NGO in [accusing](#) both Petrobras and Vale, the country's largest exporters, of abusing standards set by the [Basel Convention](#), which is meant to prevent the transport of hazardous materials to less developed countries.

Both Petroleo Brasileiro SA, as the state-controlled oil company is formally known, and Vale said they offload ships in good faith to reputable buyers. Vale, the world's largest iron-ore miner, said it adopted a strategy this year of only selling to dealers that possess a "green ship recycling" classification, following standards established by the International Maritime Organization and the Hong Kong Convention on Ship Recycling.

For its part, Petrobras said it auctions older vessels to companies that it believes plan to operate them. It's up to the buyers to make decisions about the ship's final destination, the Rio de Janeiro-based company's press department said by email.

### **Dangerous Chemicals**

The shipbreaking industry in South Asia has taken measures to clean itself up. Most of those efforts are insufficient, according to Shipbreaking Platform. The NGO describes the trade at many yards as toxic because vessels are beached at high tide, then ripped apart by workers who can be exposed to dangerous chemicals. Injury and death rates can be high and toxins sometimes leak into the sea, the group said.

Forcing Brazilian companies to monitor more carefully where their former vessels are dismantled could drive up costs. Not doing so risks fines and turning off a growing number of investors focused on environmental and social responsibility.

"What they do with ships at the end of their life does matter," said Julie Gorte, senior vice president of sustainable investing at Pax World Management. Being associated with South Asian shipbreaking would be the type of activity that would cause her firm to engage the company and possibly rethink investments, she said by telephone.

Pax World sold its Petrobras shares as the oil company become embroiled in a graft scandal in Brazil. It hasn't owned Vale shares for five years. "With Brazil you already have this one strike," Gorte said. "When you add something on top, you are multiplying your reputational risk."

—With assistance from Adam Williams and Dhvani Pandya.

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## **Green Power's Need for Copper Boosts New Mines in Australia**

*Posted August 24, 2017, 8:42 A.M. ET*

*By David Stringer and Rishaad Salamat*

Copper is shifting to an era of technology-fueled demand growth, according to OZ Minerals Ltd., which will begin work next month on a A\$916 million (\$724 million) mine development in Australia.

The Adelaide-based producer, announced board approval Aug. 24 for the Carrapateena underground mine in South Australia, sees renewable energy, including batteries and solar power projects, overtaking capital equipment and building as the key engine for global demand.

"I like the fact that demand is shifting," Chief Executive Officer Andrew Cole said in an Aug. 24 Bloomberg Television interview. "It's being driven as much now by technology as basic infrastructure, and the barrier to entry on new copper mines is very high—it's just hard to find them."

Copper markets are poised to benefit as demand expands from renewable power and electric vehicles from the mid-2020s, according to BHP Billiton Ltd., which controls the world's biggest mine. The electric vehicle market alone could require about 8.5 million metric tons of copper through 2035, the company said in October 2016.

Carrapateena, about 160 kilometers (99 miles) north of Port Augusta, will begin commissioning in the final quarter of 2019, and the site has significant potential for expansion, OZ Minerals said. It will have average annual output of about 65,000 metric tons of copper and 67,000 ounces of gold over about two decades.

Copper faces a persistent deficit from late 2018 to early 2019 on a lack of new projects and depletion of existing mines, according to Jefferies LLC, and miner Antofagasta Plc said this month that the metal's outlook is being boosted by rising demand, including for electric vehicles. Prices are headed for a second annual gain and this week rallied to the highest level in London since late 2014.

"The technological age that we are moving into, the ramp up of batteries, energy storage, electric vehicles, green energy production through solar and wind—all of those things will drive copper pricing," Cole said in the interview.

The producer, which forecasts 2017 copper output of as much as 115,000 tons at its Prominent Hill mine, plans to fund Carrapateena's development from cash, Cole told analysts earlier on a conference call. It previously reported underlying profit rose to A\$80.6 million in the six months to June 30, from A\$55 million a year earlier.

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## **Philippines Inaugurates 800-Megawatt Solar Manufacturing Plant**

*Posted August 24, 2017, 8:28 A.M. ET*

By [Bloomberg News](#)

Filipino President Rodrigo Duterte inaugurated a manufacturing plant with enough capacity to produce 800 megawatts of solar panels a year.

The factory, expected to reach full production next year, will create 50,000 jobs, its owner, [Solar Philippines](#), said in an Aug. 23 emailed statement.

“The establishment of this state-of-the-art facility in Sto. Tomas, Batangas, is timely and relevant as we address increasing demand for renewable energy,” Duterte said in his speech. “It is high time that we begin to establish local solar power.”

Although a relative newcomer to solar, the Philippines is getting more serious about the technology. Total installed capacity in the country surged more than fivefold in 2016 from a year earlier and is expected to grow by 14 percent this year, Bloomberg New Energy Finance estimates.

The Batangas factory came online in March with an initial capacity of 200 megawatts, Leandro Leviste, chief executive officer of the company, said by phone Aug. 24.

Solar Philippines entered solar manufacturing after SunPower Corp. shut down two of its factories in the Philippines. The company is partnering with Chinese companies to make solar panels for export to the U.S. and Europe and has begun selling panels to local distributors, it said.

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