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From: Bloomberg BNA
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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.

EPA Methane Regulations Officially on Hold

Posted May 31, 2017, 03:11 P.M. ET

By David Schultz

An Obama-era EPA rule designed to limit methane leaks from oil and gas wells is officially on hold, as the agency's new leadership begins the formal process of weighing whether to repeal it altogether.

The Environmental Protection Agency is reconsidering the methane rule because it says the final version of the rule, which came out last summer, diverged too far from a draft version, preventing the public from fully weighing in, according to a notice scheduled to be published in an issue of the Federal Register. The Obama administration had included this rule as a part of its Climate Action Plan because methane is a potent greenhouse gas.

In addition to beginning the reconsideration process, the EPA is pushing back some of the rule's upcoming compliance deadlines by 90 days. Had the agency not done this, oil and gas drillers would have had to start complying on June 3 with these parts of the rule, which deal with gas leak monitoring and pneumatic pump standards.

Within hours after the EPA announced its move, both the Natural Resources Defense Council and the Environmental Defense Fund said they would file lawsuits against the agency to try to stop it from rolling back the methane rule.

Exelon: Still Time for Pennsylvania to Help Three Mile Island

Posted May 31, 2017, 03:00 P.M. ET

By Rebecca Kern

Pennsylvania's Legislature still has time to help keep Exelon Corp.'s financially struggling Three Mile Island nuclear plant operating, Exelon's Joseph Dominguez told Bloomberg BNA.

"We're continuing the discussion with policymakers that we really began six or seven months ago: Talking about the value proposition of nuclear, both from an environmental standpoint, as well as from fuel diversity and grid resilience standpoint," Dominguez, Exelon's vice president of governmental and regulatory affairs and public policy, told Bloomberg BNA May 31.

“We'll see if there's interest among policymakers to do the things that Illinois and New York were able to do,” he said. “We still have some time to have this discussion, but there is a sense of urgency in terms of starting to introduce policymakers to the subject.”

Exelon announced May 30 that it plans to prematurely close Three Mile Island, located about 90 miles west of Philadelphia, by Sept. 30, 2019, due to financial losses at the plant. It was the scene of the worst nuclear accident in U.S. history in 1979.

Last year, the Illinois Legislature approved a $235 million-a-year lifeline for Exelon's Quad Cities and Clinton reactors after the company announced they would close. Also, New York's Public Service Commission's Clean Energy Standard—passed last summer—will issue credits for zero-emitting resources, such as nuclear plants, starting this June.

‘Hundreds of Millions’ in Losses

Dominguez told Bloomberg BNA that the plant has lost “hundreds of millions of dollars” over the past six years.

Dominguez said even though the company has announced the closure of the plant, “it's not too late” for the plant to be saved by legislation or action from the Pennsylvania Public Utility Commission. “Generally speaking, about a year before the shutdown date is a critical date,” he said.

The plant has not cleared the regional grid operator PJM Interconnection LLC's annual capacity market for the past three years. PJM's capacity auctions are held annually ensure enough power generation resources are available to meet demand in the region covering 13 states and the District of Columbia.

In New York and Illinois, both of the Exelon-related policies triggered lawsuits, as well as complaints to Federal Energy Regulatory Commission, but FERC has been hamstrung in addressing them because of its lack of a quorum since February.

“It's a sad reality that policymakers really need to see the potential loss of these facilities, given their otherwise busy agenda, to really take note sand start figuring out solutions,” he said.

Dominguez said that Exelon would like to see the Legislature introduce a bill to amend Pennsylvania's Alternative Energy Portfolio Standard to include nuclear energy as a carbon-free energy resource. The standard was signed into law in 2004 and provides credits on tiered level for “alternative energy” sources, including solar, wind, hydropower, geothermal, biomass, biologically derived methane gas coal-mine methane and fuel cell resources.

Currently, there is no legislation introduced in the Pennsylvania Legislature. However, Dominguez said a bicameral Nuclear Energy Caucus, with nearly 80 members, was formed in May by state Sens. Ryan Aument (R) and John Yudichak (D) and Reps. Becky Corbin (R) and Rob Matzie (D).

Governor: Let's Talk

Pennsylvania Gov. Tom Wolf (D) said through spokesman J.J. Abbott that he is willing to talk with lawmakers about the issue.

"Pennsylvania is a major supplier of energy and we need a diverse energy sector," Abbott said, according to PennLive.com. "Governor Wolf is concerned about potential layoffs and empathizes with these employees.

"As we move forward, we expect a robust conversation about the state's energy sector. Governor Wolf is open to these conversations and looks forward to engaging with the General Assembly about what direction Pennsylvania will go in regards to its energy sector, including the future of nuclear power."

Environmentalists Revive Lawsuit Against Federal Coal Leasing Program

Posted May 31, 2017, 03:55 P.M. ET

By Tripp Baltz

One of the litigants in an on-hold lawsuit over the Interior Department's coal leasing program said it's necessary to restart the case in light of the department's decision to begin processing coal lease applications again.

The focus of the unopposed motion is to challenge Interior Secretary Ryan Zinke's March 29 revocation of an order by his predecessor, Sally Jewell, to pause the issuance of new federal thermal coal leases until an environmental analysis could be done on the environmental impact—including the climate change effects—of coal mining, Bob LaResche, a rancher in Clearmont, Wyo., told Bloomberg BNA May 31 (W. Org. of Res. Councils v. Zinke, D.C. Cir. App., No. 15-5294, motion filed 5/26/17).

Jewell in January 2016 said the halt in coal leases would continue at least until the Bureau of Land Management had prepared and issued a Programmatic Environmental Impact Statement analyzing the effects of coal mining on the climate.

"Now that Zinke has cancelled the PEIS, it's time to reactivate our litigation to force it to be done," said LaResche, chair of the Powder River Basin Resource Council, one of the eight organizations in the Western Organization of Resource Councils that sued the Interior Department in October 2015.

An Interior Department spokeswoman referred Bloomberg BNA's request for comment to the Justice Department, which declined to comment. Travis Deti, executive director of the Wyoming Mining Association, a defendant-intervenor in the case, did not immediately respond to Bloomberg BNA's request for comment.

NEPA Violation Alleged

The environmental groups alleged the department's failure to conduct an analysis of the environmental effects of coal mining violated the National Environmental Policy Act. When Jewell ordered the PEIS to be done, the groups said they had essentially received "all the relief" they were seeking. They joined with the defendants in seeking an abeyance in the case pending the completion of the analysis.

Zinke's issuing an immediate halt to the analysis "makes it necessary for us to restart the case again" to address "numerous and varied concerns," LaResche said.

"The coal leasing program has evolved from what it once was to being run by industry," he said. "Bids are generally non-competitive; most leases don't have more than one bidder. There's not enough transparency there."

LaResche said the groups are concerned that coal mining companies "continue to lease millions and billions of tons of coal when they shouldn't be leasing any." Companies have 20 years worth of projects already leased, he said.

In addition to the reality of climate change, LaResche said, the coal companies are facing shrinking markets, and scientific evidence has emerged that coal threatens public health and safety. "For a federal agency to ignore the huge new body of knowledge acquired since 1979 is just whistling past the graveyard," he said in a statement emailed to Bloomberg BNA. "This is not how a responsible nation operates."

Friends of the Earth also is a plaintiff in the litigation.

Trump Said to Still Be Mulling Whether to Leave Paris Accord

Posted May 31, 2017, 12:50 P.M. ET

By Jennifer A. Dlouhy, Jennifer Jacobs and Margaret Talev

President Donald Trump hasn't yet decided whether to keep the U.S. in the landmark Paris agreement on climate change but is leaning toward exiting the accord, according to two people familiar with the matter.

The administration is preparing for several different outcomes and is lining up experts to speak to the media when an announcement is made, according to another person familiar with the discussions who, like the others, requested anonymity ahead of a decision.

Top administration officials are divided on what to do, with some, including Ivanka Trump and Secretary of State Rex Tillerson, urging Trump to stay in the deal. Others, including Environmental Protection Agency Administrator Scott Pruitt and White House Chief Strategist Steve Bannon, lead a faction that wants a U.S. exit.

There is consensus in the administration that the terms of the Paris deal must change, and it's exploring whether that requires a full exit or a scaled-back U.S. commitment to cut emissions, according to one of the people. Trump is scheduled to meet with Tillerson at the White House on May 31, and the president said he'd declare an outcome soon.

"I will be announcing my decision on the Paris Accord over the next few days," Trump tweeted on May 31.

Highly Anticipated Decision

Trump's decision is highly anticipated, and leaders of the six other nations in the Group of Seven heavily lobbied him at a summit in Sicily last week to keep the U.S. in the pact. But Trump has called climate change a "hoax" and criticized the deal as "one-sided" against the U.S. White House legal advisers have warned that staying in the accord could undercut Trump's efforts to rescind rules on power-plant emissions and methane leaks.

Axios reported earlier May 31 that the president would exit the Paris deal, and the New York Times followed with a report that he is likely to pull the U.S. out of the accord. Several administration officials contacted by Bloomberg said that a decision hadn't yet been made, and Trump has a record of shifting course on major decisions up until the last moment.

The move to leave would have significant environmental and diplomatic consequences. As the richest nation and the second-largest emitter of carbon dioxide, the U.S. is central to efforts to address global warming. The Vatican and companies as diverse as Exxon Mobil Corp. and Apple Inc. had urged the president to remain in the pact.

The Paris accord is broader than any previous climate agreement. It calls for reducing carbon dioxide emissions in hopes of limiting global warming to 2 degrees Celsius (3.6 degrees Fahrenheit) above temperatures at the outset of the Industrial Revolution. That's the upper limit scientists have set to keep climate change from hitting an irreversible tipping point, unleashing catastrophic floods, droughts and storms.

With an exit, Trump would make a clean break from his predecessor, Barack Obama, who made the Paris accord a top priority of his second term and pledged the U.S. would slash carbon dioxide emissions 26 percent by 2025. Withdrawal would put the U.S. in league with just two other nations -- Syria and Nicaragua -- that aren't participating in the agreement.

Trump has already moved to dismantle programs to fight global warming. He ordered a review of fuel-economy standards for cars and light trucks, which along with other vehicles are the U.S.'s largest source of greenhouse gases. And he set in motion a process to scrap the Clean Power Plan, which would have required utilities to slash their carbon dioxide emissions. EPA is also moving to rescind rules to prevent methane leaks.

Post-Leave Options

If he decides to leave, Trump has two options for jettisoning U.S. involvement.

The first—withdrawing from the Paris agreement—can't happen immediately. Under the deal's terms, he must wait until November 2019 to formally submit his bid to quit. It would take another year after that before the U.S. is actually out, under this process.

The other option—exiting the United Nations Framework Convention on Climate Change—goes beyond simply walking away from the Paris accord. The treaty, unanimously adopted by the U.S. Senate and signed by President George H.W. Bush, has been the foundation of 25 years of global climate talks. Scrapping the 1990s-era treaty would be a clear signal that this administration has no interest in cooperating with other nations on efforts to address global warming.

U.S. climate efforts won't completely cease if Trump walks away from Paris.

States including California, New York and Massachusetts continue to move forward with aggressive policies to cut carbon emissions. Anheuser-Busch InBev NV, Apple, Amazon.com Inc., Alphabet Inc.'s Google and other companies continue their push to power their facilities with wind and solar energy. Low-carbon wind, solar and natural gas are so cheap that the Department of Energy is studying what it can do to help ailing, older coal and nuclear plants.

—With assistance from Nick Wadhams.

EU, China to Reaffirm Paris Agreement Commitment, as U.S. Wavers

Posted May 31, 2017, 01:14 P.M. ET

By Stephen Gardner

The European Union and China will reaffirm their commitment to the United Nations Paris Agreement on climate change during a June 1–2 summit in Brussels, despite uncertainty about continued U.S. participation in the deal.

An EU official who asked not to be named told Bloomberg BNA May 31 that one of the main conclusions of the summit will be a statement setting out the intention of the two major economic powers to implement their pledges under the Paris Agreement, which was agreed at the end of 2015 and is intended to keep global warming to no more than 2 degrees Celsius (3.6 degrees Fahrenheit) above pre-industrial levels.

"This agreement stands whether another major emitter pulls out or not," the official said. The EU-China summit will emphasize the "global responsibility" of the two powers in the context of the lack of clarify about the US's intentions, the official added.

China and the EU both have ratified the Paris Agreement and pledged to tackle greenhouse gas emissions in line with nationally determined contributions, or promises submitted to the U.N. The EU said it will reduce emissions by 40 percent by 2030 compared to 1990, while China said its emissions will peak by 2030 at the latest, and has made pledges on renewable energy and afforestation.

There is "much stronger expectation" from countries around the world that "Europe should assume leadership" in the effort to tackle global warming, and the EU was ready to lead, said Maros Sefcovic, European Commission vice president for Energy Union. The commission is the EU's executive arm.

Detail on Cooperation

The EU official said the summit statement will give "considerable detail" on how the EU and China will work together to fulfill their Paris pledges, for example by cooperating on renewable energy. It also will emphasize implementing existing pledges, rather than offering new pledges to deepen emissions cuts, according to the official.

"One of the new qualities of our relationship is that we don't just comment together, but we act together," the official said, adding that clean energy for Chinese cities would be "a key area of cooperation between us."

President Donald Trump has caused consternation in the EU about possible U.S. withdrawal from the Paris Agreement. EU leaders at a Group of Seven summit in Italy May 26–27 pushed Trump to respect the Paris deal on climate change, but concluded the U.S. was "not in a position to join in the consensus" on the implementation of the global deal.

During the June 1–2 summit, the EU will be represented by Donald Tusk, president of the European Council, and by Jean-Claude Juncker, president of European Commission. State Council Premier Li Keqiang will head the Chinese delegation.

Solar Stocks Fall on Reports That U.S. May Exit Paris Agreement

Posted May 31, 2017, 03:04 P.M. ET

By Brian Eckhouse

Solar manufacturers fell sharply on reports May 31 that President Donald Trump is leaning toward withdrawing the U.S. from the landmark 2015 Paris climate accord.

JinkoSolar Holding Co., the biggest solar manufacturer, dropped 3.2 percent to $18.23 at 11:01 a.m. in New York, after sliding as much as 8 percent. Canadian Solar Inc., the largest North American panel producer, slid as much as 6.5 percent, while First Solar Inc., the top U.S. company, fell as much as 4.4 percent and rival SunPower Corp. was down as much as 4.2 percent.

Trump said in a tweet May 31 that he will announce "over the next few days" whether he will pull the U.S out of the global climate pact, and according to reports from publications including Axios, he's already decided to do so.

"The stocks are reacting to headlines, and the U.S. potentially pulling out of Paris is a big headline," Gordon Johnson, a New York-based analyst at Axiom Capital Management, said in an interview May 31. "With Trump in office, the pressure for utilities and others to do solar is going to decline. That will negatively affect demand."

It's not just solar manufacturers that were affected. Sunrun Inc., the biggest independent U.S. rooftop solar company, was down as much as 3 percent. NRG Energy Inc., the largest U.S. independent power producer and the owner of almost 5 gigawatts of renewable energy, fell as much as 1.5 percent.

While solar isn't driven primarily by a carbon price, "it does suggest that the U.S. may subsidize coal, which would be bad for U.S. manufacturers like First Solar and SunPower," said Jenny Chase, a Zurich-based solar analyst at Bloomberg New Energy Finance.

EU Proposes Truck Monitoring as Preparation for Emissions Standard

Posted May 31, 2017, 02:38 P.M. ET

By Stephen Gardner

Manufacturers of trucks and other heavy-duty vehicles sold in the European Union would be required to monitor and report their vehicles' carbon dioxide emissions and fuel economy performance, under a long-delayed proposal published by the European Commission May 31.

The commission, the EU's executive arm, announced in May 2014 that it would propose the measure in 2015, but then said "further analysis" was needed. The lack of a harmonized measure for truck carbon dioxide emissions puts the EU at odds with the U.S., which has had an emissions standard for heavy-duty vehicles since 2011.

Commission vice president for Energy Union, Maros Sefcovic, conceded that the EU was "the last major economy" that does not "have this very important sector covered."

Road freight was "developing in such a way that it is one of the main contributors of greenhouse gas emissions and air pollution in Europe," and collecting data about truck emissions would give the commission the evidence it needed to propose the emissions standard, Sefcovic said.

The requirement for manufacturers to monitor and report their trucks' emissions will be followed up in 2018 with a proposal for a carbon emissions standard for trucks, Sefcovic said.

The proposal on truck emissions was put forward as part of a package of transportation-related measures that the commission issued May 31.

Road-Use Charging Plan

According to the proposal, truck manufacturers would be required from Jan. 1, 2019, to use a common methodology to calculate the emissions of vehicles above 7.5 metric tons. The data would be made public from 2020.

The plan moved "in the right direction, but the real test of the EU's intentions will be the ambition of the CO2 standards" when they are proposed in 2018, the nongovernmental organization Transport & Environment said.

The EU already has fuel economy and carbon standards for passenger cars and light vans. The commission said it would make proposals within 12 months to update these standards for the post-2020 period.

In a related move May 31, the commission proposed amending a 1999 directive to update rules EU countries must follow when levying road use charges on heavy vehicles. Currently, 24 of the EU's 28 member nations impose charges on trucks crossing their territory.

It would require countries with road charges for trucks to introduce differentiated pricing based on trucks' carbon emissions. This would "incentivize the use of the cleanest and most efficient" heavy vehicles, the commission said.

Both the proposed requirement on the monitoring of truck emissions and the road-charging directive require the approval of the European Parliament and the Council of the EU, which represents the governments of EU countries.

Exxon Investors to Company: Make Climate Curb Fallout Public

Posted May 31, 2017, 03:31 P.M. ET

By Joe Carroll

Exxon Mobil Corp. investors, in a split with the company, urged the explorer to publish a detailed analysis next year on how carbon curbs could affect the value of its oil fields, refineries and pipelines.

The non-binding measure, backed by investors including the California Public Employees' Retirement System and the Church of England investment fund, comes amid reports President Donald Trump may soon abandon the 2015 Paris Climate Accord. More than 60 percent of voters approved the resolution during Exxon's annual general meeting in Dallas.

While Exxon's management opposed the measure, Chief Executive Officer Darren Woods said he remains committed to the Paris pact's goals and methods. Even with that agreement in place, he said, oil demand will grow in the coming decades, particularly in underdeveloped regions of the world.

"Energy needs are a function of population and living standards," Woods said in his first annual meeting since becoming chief executive officer on Jan. 1. "When it comes to policy, the goal should be to reduce emissions at the lowest cost to society."

Population growth and a desire for higher living standards will increase usage of petroleum-derived fuels, especially for transportation, because there are few widely-available alternatives, according to Woods. There's a huge untapped energy market among the 1 billion people who currently have no access to electricity and the 3 billion who don't use modern cooking fuels, he said.

Exxon shares fell 0.6 percent to $80.61 at 2:15 p.m. in New York trading.

"It's going to take a global solution" to limit greenhouse gas emissions that contribute to climate change, Woods said.

The remarks come amid news reports that Trump is on the verge of pulling the U.S. out of the Paris agreement. On May 31, Trump tweeted he would announce his decision within days.

Woods said his forecast assumes governments adhere to the strictures of the Paris pact, which calls for limiting emissions to prevent global temperatures from exceeding pre-industrial levels by 2 degrees Celsius.

Woods has been a staunch advocate for keeping the U.S. in the Paris group, as was his predecessor Rex Tillerson, who is now Trump's secretary of state. In his first blog post after becoming CEO, Woods advocated low-emission fuels, carbon capture and biofuels as tools for meeting the goals of the Paris agreement.

In May 2016, the proposal received a 38 percent "yes" vote after the company said it already disclosed ample data about emissions and risk management. As a result of this year's 62 percent "yes" vote, the board will reconsider its opposition.