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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.

House Votes to Bar Methane Rule, Carbon Cost in EPA Funding Bill

Posted September 13, 2017, 03:56 P.M. ET

By Dean Scott

The EPA would be barred from enforcing limits on methane gas emitted by fossil fuel operations and from considering in its regulations the costs to society of carbon emissions under amendments the House passed Sept. 13.

Those prohibitions, now attached to the EPA-Interior fiscal year 2018 funding bill, face an uphill battle to become law because the Senate isn't expected to take up the House version. Republicans will have to negotiate details of any final spending agreement with Senate Democrats.

The House bill (H.R. 3354) heads to an expected Sept. 14 final floor vote. The measure would provide \$7.5 billion in Environmental Protection Agency funding for fiscal year 2018, \$528 million less than current-year funding but \$1.9 billion above the Trump administration's request.

The amendments to block a July 2016 EPA regulation limiting emissions of methane, a potent greenhouse gas, in oil and gas operations, and another to bar the Obama-era policy of accounting for the health, environmental, and economic impact of carbon emissions in developing regulations, were offered by Rep. Markwayne Mullin (R-Okla.).

The proposal to block EPA methane limits passed 218-195; the amendment to block the weighing of the social costs of carbon emissions passed 225-186.

The EPA under President Donald Trump is seeking to roll back the methane limits, a deregulatory effort backed by the oil and gas industry, but has lost several rounds in the courts, most recently in August when a federal appeals court declined to reverse a lower court decision directing the agency to enforce the standards. Trump also has targeted the use of social cost of carbon by agencies in any policy guidance or regulations under an executive order issued in March.

Colorado Democrat Jared Polis saw his amendment to bar the administration from closing any EPA regional office rejected, 198-212. An amendment by Rep. Ralph Norman (R-S.C.) to strip another \$1.87 billion from EPA's fiscal 2018 budget fell 151-260.

UN Says Hurricane Irma Shows Trump Needs to Re-Engage on Climate

Posted September 13, 2017, 8:39 A.M. ET

By [Sunil Jagtiani](#)

President Donald Trump or his successor will likely re-engage with the global fight against climate change because of the weight of scientific evidence, the head of the [United Nations Environment Program](#) said.

Europe, China and India will take the leadership role on the issue in the meantime, Erik Solheim said in an interview in Bangkok. The evolution toward renewable energy in place of fossil fuels is unstoppable, he added.

“We’ll expect the Trump administration itself to come back to the climate issue, or the next president of the U.S.,” Solheim said. “If you want to see the need for this, look to Houston or the Caribbean with Irma. The violence of the weather is waking up everyone.”

The Trump administration last month began the formal process of exiting the Paris climate accord and is seeking to eliminate an array of climate funding, transforming the U.S. from a leader in global climate diplomacy into an outlier. Solheim said disavowing [evidence](#) of global warming, while relying on science for everything from medical advances to space exploration, is untenable over the long term.

“How can it be possible to believe in all the benefits of science in every other area, but say in this area we don’t want to believe in science?” Solheim said in the interview last week.

The State Department said in August it had notified the UN that the U.S. will pull out of the Paris pact as soon as it can under the terms of the 2015 accord, adding Trump would agree to remain in the deal if it was reconfigured to be better for U.S. interests.

Hurricanes Irma and Harvey on some estimates caused total damage of about \$150 billion. Irma tore through the Caribbean last week before hitting Florida, while Harvey struck southeastern Texas late August. German and British scientists said climate change made Irma much stronger.

Climate change aside, there are a number of areas where the UN environment arm and the U.S. are in agreement, such as curbing illegal trade in wildlife, Solheim said.

The UN Environment Program is trying to work more with the private sector and tap financial markets to tackle pollution, he added.

“At the end of the day that is the most important of all,” Solheim said. “Unless the big money of insurance companies, banks and pension funds goes green, we will fail.”

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Power Plants Get Two-Year Reprieve for Parts of Wastewater Rule

Posted September 13, 2017, 03:33 P.M. ET

By [Amena H. Saiyid](#)

Power plants won't have to meet new limits until 2020 on toxic wastewater that comes from air pollution control systems and bottom furnace ash, the EPA announced Sept. 13.

The Environmental Protection Agency said it was postponing by two years compliance dates that would be required of more than 1,000 power plants nationwide, as it reconsiders how strictly it should limit those two sources of wastewater.

The postponement, requested by electric power utilities, applies to new Obama-era limits on wastewater generated by transporting bottom ash and by operating flue gas desulfurization units used to capture sulfur dioxide emissions.

The agency's final unpublished [rule](#) follows submission of public comment on postponing the 2015 rule's compliance deadlines for all six categories of wastewater containing arsenic, selenium, nitrates, mercury, zinc, and other pollutants that more than 1,000 power plants nationwide discharge. The rule's deadlines for the four other streams will still start Jan. 1, 2018, but the compliance deadlines for these two wastestreams now will be pushed back to Jan. 1, 2020.

A national industry group that represents power plant operators, including subsidiaries of Ameren Corp. and American Electric Power, sought a deadline extension because the EPA is revising parts of a 2015 rule setting effluent limits for technology they would be required to use to treat wastewater (RIN: 2040-AF14).

Encana Subsidiary Fined for Oil, Gas Spill on Game Ranch

Posted September 13, 2017, 03:29 P.M. ET

By [Tripp Baltz](#)

An Encana Corp. subsidiary agreed to pay a \$225,000 fine for spilling oil and gas on a game ranch in western Colorado.

Hunter Ridge LLC agreed to pay the fine in a settlement the Colorado Oil and Gas Conservation Commission approved Sept. 11. The company also will clean up water and soil contaminated by a leaking pipeline at the private big game hunting reserve operated by Bishop Ranch LLC near Parachute, Colo.

Encana discovered the leak in June 2016 and immediately eliminated the source of the release, Doug Hock, spokesman for the company in Denver, told Bloomberg BNA Sept. 13. Encana has since sold all of its Colorado assets, including its interest in Hunter Ridge, he said.

Carbon Rally Hits Brick Wall as Lawmakers Wrestle Glut Fix

Posted September 13, 2017, 8:26 A.M. ET

By [Mathew Carr](#)

After the biggest jump this year, European carbon price gains are unlikely to stick.

Emission allowances will fall 14 percent this month to levels that will probably be about the same by year-end, according to the median forecast in a survey of eight traders and analysts. Last week, prices jumped to a 20-month high on optimism over reforms to strengthen the world's biggest

emissions market.

But futures fell this week as plans to limit the impact of Brexit on the 12-year-old carbon market highlighted the struggle European Union lawmakers face as they combat an oversupply. Efforts to reform the cap-and-trade system have repeatedly failed to increase the penalty for polluting, with emission prices slumping by two thirds in the past 10 years.

“It’s probably not the end of the correction,” said Eugen Weinberg, the head of commodities research at Commerzbank AG in Frankfurt. “Some of the gains were excessive. Whoever was speculating on higher prices are probably taking their chips off the table.”

Carbon prices got a fillip earlier this month as France and Germany said they want agreement on a market overhaul before a United Nations climate meeting in Bonn in November. That was tempered this week as the EU started drafting measures to protect its trading system from the potential impact of Britain’s utilities and factories leaving the market. The U.K. was the bloc’s fourth-largest carbon emitter last year.

December allowances fell 1 percent this week to 7 euros (\$8.39) a metric ton on the ICE Futures Europe exchange in London. The contracts rose 21 percent last week.

Prices will decline to 6 euros a ton by the end of the month and be around there by the end of the year, according to the survey. The range for the end of 2017 was 5.50 euros to 8.25 euros. Prices need to be about 16 euros a ton to encourage utilities to switch to cleaner burning natural gas from coal, according to Bloomberg calculators.

As ministers debate proposals to control the glut, including a market reserve starting in 2019, supply is still swelling. Total auction sales this year will amount to a record 951 million metric tons, a third more than last year when the bloc was withholding supply as part of a past effort to deal with the glut.

Any good news about lawmakers progressing reforms is probably already priced in, said Elchin Mammadov, an analyst with Bloomberg Intelligence in London.

“The carbon price could come down as traders take profit,” Mammadov said.

—With assistance from Ewa Krukowska.

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Net Zero Plan for Carbon Sink Emissions Moves Ahead in EU

Posted September 13, 2017, 02:35 P.M. ET

By Stephen Gardner

European Union governments and landowners would have to make sure that net greenhouse gas emissions from forests and other carbon sinks remain at or below zero through 2030, under a draft regulation European Parliament approved Sept. 13.

The regulation could have an impact on agriculture, forestry, and wood-based industries such as pulp and paper, as governments and businesses implement systems to promote more sustainable

practices to ensure that their land use, land-use change, and forestry (LULUCF) emissions do not rise.

Under the regulation, EU countries' land-use emissions from 2020 to 2030 would be compared against the average of carbon emissions and removals from 2000 to 2012. Countries with net LULUCF emissions reductions between 2020 and 2025 could bank credits for use in the second half of the 2020s, or to offset emissions from sectors such as construction and transportation, which are subject to separate EU rules.

Ulrich Leberle, raw materials director of the Confederation of European Paper Industries in Brussels, told Bloomberg BNA Sept. 13 that the regulation would broadly benefit companies that process or use forest products because it would encourage active sustainable forest management and hasten the transition from "fossil-based materials being substituted by bio-based materials."

Forest resources in the EU are underutilized and the regulation would reduce the need for imported materials that might come from countries without sustainability standards, Leberle added.

Norbert Lins, a German center-right lawmaker responsible for preparing the European Parliament's position on the LULUCF regulation, said at a Sept. 13 briefing that rules on carbon sinks would complement existing EU measures on emissions trading. They would also address emissions reductions for economic sectors not covered by emissions trading. Together, all these measures would put the EU on track to meet its international climate commitment to reduce greenhouse gas emissions by 40 percent by 2030 compared to 1990, Lins said.

European Parliament lawmakers sitting in Strasbourg, France, adopted the draft regulation on LULUCF Sept. 13 in a 532–144 vote, with 20 abstentions.

To be finalized, the Parliament's version of the draft regulation must be reconciled with that of the Council of the EU, which represents the governments of the bloc's 28 countries. The council has not yet agreed on its position on the draft regulation.

China Plans to Expand Ethanol Use in Vehicles Nationwide by 2020

Posted September 13, 2017, 8:15 A.M. ET

By [Bloomberg News](#)

China plans to expand the use of ethanol gasoline for vehicles nationwide by 2020 from only 11 provinces now to improve the environment and accelerate reform in the agricultural sector.

The nation's development in renewable liquid fuel is lagging behind other clean sources such as wind and solar, the National Energy Administration [said](#) in a statement on its website Sept. 13. China's stockpiles of expired grain and annual output of more than 400 million metric tons of straw and forestry waste can be use as feedstock for expanded ethanol production, it said.

Fuel in the trial provinces requires gasoline to be blended with 10 percent ethanol, a formula that will likely be expanded nationwide, Tian Miao, a Beijing-based senior analyst at Sun Hung Kai Financial Ltd., said by phone. The NEA statement didn't provide details on the mix. Biofuels accounted for only 1 percent of country's oil product consumption in 2016, according to the NEA.

"Gasoline use will definitely get a blow from the replacement," Tian said.

China has overtaken the U.S. as the biggest importer of crude as its domestic production slips and demand for transportation fuels such as gasoline grows. Oil's grip on the world's largest automobile market may also weaken as the country intends to set a deadline to end the sales of fossil-fuel powered vehicles.

The volume of gasoline impacted may be between 10 million to 15 million tons by 2020, according to Li Li, a research director with ICIS China. The country's demand for gasoline is forecast to rise by an average 5.6 percent annually through 2020, according to China National Petroleum Corp.'s Economics & Technology Research Institute.

Expansion of fuel ethanol production and use will speed up reduction of the country's corn stockpiles, Li Qiang, chief analyst with Shanghai JC Intelligence Co., said. To meet growing ethanol demand in the future, China may either import U.S. supplies for blending or even U.S. corn, Li said.

—With assistance from Sarah Chen.

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Ab Inbev Buys Enough Wind Power to Brew 20 Billion Beers

Posted September 13, 2017, 11:18 A.M. ET

By Joe Ryan

Anheuser-Busch InBev NV, the world's largest brewer, agreed to buy 152.5 megawatts from a wind farm Enel SpA is building in Oklahoma. That's enough power to make 20 billion 12-ounce (355-milliliter) bottles of beers a year.

The deal with the Thunder Ranch wind farm will supply about half of the electricity that AB InBev buys each year, up from about 2 percent now, the company said in an emailed statement Sept. 13. The move is part of the company's plan to power all its operations with renewable energy by 2025.

Enel, Italy's biggest utility, is building Thunder Ranch in Garfield, Kay and Noble counties, between Oklahoma City and the Kansas border. The project, totaling 298 megawatts, is scheduled to be operational by the end of the year.

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