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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.

U.S. Finds Isolated Climate Change Stance at G-7 Talks

Posted June 12, 2017, 12:52 P.M. ET

By [Chiara Albanese](#) and [Jessica Shankleman](#) (Bloomberg), and [Eric J. Lyman](#) (Bloomberg BNA)

Two days of talks among Group of Seven environment ministers confirmed a crack between the world's other leading industrial nations and the U.S. over climate change issues.

The ministers were unable to find common ground on climate measures, according to a [communique](#) from delegations from the G-7 countries and the European Commission in Bologna, Italy, June 12.

The U.S. representative, Environmental Protection Agency Administrator Scott Pruitt, left the summit just hours after arriving. The U.S. was then represented by acting Environmental Protection Agency Assistant Administrator Jane Nishida.

The White House said Pruitt returned to Washington to attend a Cabinet meeting.

U.S. 'Does Not Join Those Sections'

The climate-related language in the final document gave strong backing to the Paris Agreement, reiterating the goal of keeping global warming "well below 2 degrees" Celsius (3.6 degrees Fahrenheit) compared to pre-industrial levels, and "pursuing efforts to limit the increase to 1.5 degrees" Celsius (2.7 degrees Fahrenheit). It also reaffirmed the goal of "mobilizing \$100 billion annually by 2020" to help poor countries adapt to the impacts of climate change.

But in a footnote, the U.S. made clear that it does "not join those sections ... on climate" and climate change finance. The footnote did say the U.S. would "continue to engage with key international partners" on climate issues.

"We are resetting the dialogue to say Paris is not the only way forward to making progress," Pruitt said in statement the EPA issued after the talks. "Respective of the importance to engage with longstanding allies and key international partners, we approached the climate discussions head on from a position of strength and clarity."

President Donald Trump announced June 1 that the U.S. would withdraw from the Paris climate

accord. Syria, Nicaragua, and the U.S. are now the only nations not participating in the accord.

Trump's offer to renegotiate a more favorable deal for the U.S. has been rebuffed by the leaders of Germany, France, and Italy. Environmental officials from Canada, France, Germany, Italy, Japan, the U.K., and the U.S. met for the June 11–12 talks.

'Irreversible, Not Negotiable'

The U.S. withdrawal will take years to unfold as the earliest it can formally exit is Nov. 4, 2020—the day after the next presidential election. But Trump's decision has already left it isolated. No other nation has said it will follow suit, and even coal-reliant India announced it will seek to exceed the Paris targets.

In closing remarks, Gian Luca Galletti, minister of environment for host Italy, said he hoped the U.S. might one day change its stance on the Paris Agreement, but in the meantime, the two-year-old Paris document remained "irreversible, not negotiable, and the only global instrument for confronting climate change."

Catherine McKenna, Canada's minister of environment and host of the 2018 edition of the G-7 environment ministerial talks, said she was hopeful the U.S. would rethink its stance: "We remain open to a partnership with the U.S. on climate," McKenna said.

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EPA Head Blamed Obama for Paris Deal at G-7 Climate Summit

Posted June 12, 2017, 10:02 A.M. ET

By [Brian Parkin](#) and [Chiara Albanese](#)

Environmental Protection Agency chief Scott Pruitt blamed former President Barack Obama for forging a bad Paris climate deal, leaving the U.S. with the job of extricating itself, the German environment minister said.

In a catalog of complaints, Pruitt blasted Obama for failing to sign off with Congress for \$3 billion in financing for the international Green Climate fund, German Environment Minister Barbara Hendricks said in an interview. She cited bilateral talks with Pruitt at a two-day Group of Seven climate summit held in Bologna, Italy on Sunday and Monday, which both officials left early.

The EPA chief's "line of argument was purely domestic," Hendricks said by phone June 12 from Berlin. Pruitt said "bluntly" that the accord is not in U.S. interests, she said. Hendricks said she responded to his comments on Congress by arguing that Germany must seek parliamentary approval for annual payments to the Green Fund.

The summit has left Germany and its G-7 partners baffled as to how President Donald Trump plans to sustain climate protection in the international arena, Hendricks said.

"Pruitt didn't say one word on how he envisages the future of international climate policy and the role of the U.S. in it," she said.

Having helped forge the Paris treaty text in 2015 that now has attracted about 200 signatory nations,

Hendricks said she felt a “personal affront to her honor” from Trump’s assertion that the accord was created to harm the U.S.

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U.S. Says It Has Seat at Climate Talks—But Is It at Kids’ Table?

Posted June 12, 2017, 6:01 A.M. ET

By *Dean Scott*

The White House is insisting it will still have a seat at the table at the next United Nations climate summit just before Thanksgiving in Bonn—but President Donald Trump’s exit from the Paris climate pact may mean the U.S. won’t be sitting at the adults’ table. Administration officials, including Secretary of State Rex Tillerson and EPA Administrator Scott Pruitt, insisted the U.S. still has a voice in climate negotiations, noting Trump stopped short of pulling out of the parent treaty to the 2015 Paris deal, the 1992 United Nations Framework Convention on Climate Change.

The U.S. is “going to continue engagement” in global efforts to cut carbon pollution, Pruitt said June 6 on MSNBC’s “Morning Joe” show. “We’re part of the UNFCCC, as you know,” Pruitt said, and the U.S. would remain engaged in international cooperation that includes exporting “innovation and technology to Russia and China.”

Senate Democrats who pushed Trump to stay in the Paris deal said arguments that the administration plans to be engaged in those debates ring hollow, given the president’s skepticism of global climate efforts.

“It is absolutely misleading to say we’re still there. We’re not,” Sen. Ben Cardin (D-Md.), the top Democrat on the Senate Foreign Relations Committee, told Bloomberg BNA.

But even if it technically remains in the UN framework convention, it’s unclear whether the Trump administration will roll up its sleeves in those talks. Even if it does, some issues—from verifying climate actions taken by countries to forest emissions—are to be specifically addressed in the Paris deal. Bonn will host the next high-level UN climate summit Nov. 6-17.

Little Leverage to Prod China, India

More specifically, exiting the deal means the U.S. will have far less influence in pushing China, India and other other developing nations to agree to tough reporting and verification to see whether they are making good on the actions they pledged to address their emissions.

The U.S. also won’t be at the table to push those same rapidly developing nations to ratchet up their actions around 2020, when parties are to offer new, more ambitious pledges under the Paris Agreement.

Trump can’t withdraw from the pact immediately—the U.S. must wait four years from when the pact went into force on Nov. 4, 2016, to withdraw. In the meantime, the U.S. is still a member of the Paris deal, and thus nothing bars it from still sitting in on those talks to implement it. By contrast, the Bush administration was relegated to observer status after it essentially withdrew from the Kyoto Protocol in 2001.

Thus for now, the U.S. remains “a full member” in the Paris pact, according to Alden Meyer, who tracks climate negotiations for the Union of Concerned Scientists.

“My assumption is they will remain relatively passive in those negotiations and basically be observing,” he told Bloomberg BNA. “And if they ultimately are seen as actively intervening or trying to shape the decisions, I think they would get a pretty ferocious blowback from other countries.” Within the broader U.N. framework convention, the U.S. could still debate some key technical issues being negotiated there, including the hotly debated issue of loss and damage compensation for vulnerable countries already suffering climate impacts. The U.S. also could wield influence in two subsidiary bodies of experts launched under the 1992 framework: the Subsidiary Body for Scientific and Technological Advice (SBSTA) and the Subsidiary Body for Implementation (SBI).

Among those issues, agriculture stands out as a crucial climate-related issue essentially left out of the Paris pact but still negotiated within the UN framework convention where the U.S. still has a seat, according to Pipa Elias, who tracks agriculture and forestry issues for the Nature Conservancy.

Seeking Engagement?

Tillerson brushed aside suggestions that the U.S. has alienated allies or had become an unpredictable international partner. But the secretary offered few specifics on ways the U.S. could remain engaged on climate action in the wake of Trump’s Paris announcement.

“So, we do believe that engagement globally continues to be important on the issue of climate change, and we will be seeking ways to remain engaged” through the U.N. Intergovernmental Panel on Climate Change, as well as various economic and trade forums, he said at a June 6 news conference with New Zealand Prime Minister Bill English.

The IPCC’s next detailed global report on the latest climate science is due in 2021 or 2022.

Vow to Renegotiate Questioned

Cardin and other Democrats were particularly incensed over Trump’s suggestion that he would be open to renegotiating the Paris deal—“on terms that are fair to the United States,” Trump said—ignoring the fact that largely voluntary pact took more than 20 grueling years of talks to complete.

“To say that the president’s actions just mean we want to negotiate a better agreement and we’re still at the table—that is just inaccurate,” Cardin said. “And our credibility has been badly damaged. Our seat is not there.”

Sen. Chris Murphy (D-Conn.), who also sits on the Foreign Relations panel, scoffed at the notion that Trump would work to renegotiate the deal or his administration will wield its influence in talks under the broader U.N. climate convention.

“If you want to still be part of that conversation, you should have stayed at the table” and remained in the Paris pact, Murphy told Bloomberg BNA.

Under the Paris Agreement, developed and developing nations alike vowed to take action to keep average temperatures from rising more than 2 degrees Celsius (3.6 degrees Fahrenheit) since the pre-industrial era and make best efforts to hold the line at a 1.5 degree Celsius increase (2.7 degrees Fahrenheit) this century.

U.S. Negotiators Still Expected in Bonn

The next round of talks in Bonn, known as the 23rd Conference of the Parties to the UNFCCC, or COP-23, will be focused primarily on implementing a sort of rulebook for the Paris deal, including how to verify that nations are actually making good on their climate pledges under the pact.

A total of 197 parties reached the deal in Paris in 2015. Of those, 148 parties either have ratified or formally joined the agreement. It is the 148 parties that will be at the table in those talks, launched last year in Marrakech, Morocco, as the Conference of the Parties to the Paris Agreement or CMA. Nations that haven't ratified the deal in time for the Bonn talks will still be able to observe the negotiations.

But the U.S. will likely send a small delegation of negotiators to Bonn, given that it remains in the 1992 convention, Andrew Light, a former Obama administration climate negotiator, told Bloomberg BNA.

Fewer negotiators would blunt the ability of the U.S. to shape any debate even if it stays at the table within the U.N. climate convention, according to Light, now a senior fellow in the World Resources Institute's global climate program.

"The size alone limits the ability to participate in all the conversations" which, in years past, have been held simultaneously and in rooms scattered across the Bonn summit site, he said.

Most in GOP Applaud Exit

Republican senators were in two camps. Most of them opposed President Barack Obama signing the U.S. onto the climate pact without Senate ratification. But a few, including Senate Foreign Relations Committee Chairman Bob Corker (R-Tenn.), had hoped to convince Trump that the pact was largely a non-binding deal and that the costs of withdrawal outweighed any benefit.

"I had four conversations with him last week, to explore ways of staying within it but still meeting U.S. objectives," Corker told reporters June 6. Sen. John McCain (R-Ariz.) also was disappointed. "I would have liked to fix the problems rather than junk the whole thing," he told Bloomberg BNA.

Vow to 'Cease all Implementation'

In announcing his exit from the Paris accord, Trump by contrast made it clear the U.S. will disengage from international climate efforts and argued that other countries had gotten the better of the Obama administration in negotiating the agreement. In announcing the U.S. exit June 1, Trump said the U.S. "will cease all implementation" of the Paris Agreement as well as "the implementation of the nationally determined contribution"—the U.S. pledge under which it vowed to cut emissions 26 percent to 28 percent from 2005 levels by 2025.

But world leaders haven't exactly been taking Trump up on his offer. Former Secretary of State John Kerry, who helped lead Obama's efforts on the Paris deal, also ridiculed Trump's negotiation offer.

"He is going to go out and find a better deal? That's like—I mean, that's like O.J. Simpson saying he's going to go out and find the real killer," Kerry said. "Everybody knows he isn't going to do that."

Big Oil's Clean Energy Ambitions Face Limits, Consultant Says

Posted June 12, 2017, 10:04 A.M. ET

By [Rakteem Katakey](#)

The world's biggest oil companies probably won't become renewable energy majors, according to industry consultant Wood Mackenzie Ltd.

The largest drillers would need to spend \$350 billion by 2035 to replicate the 12 percent market share they hold of global oil and gas production, Wood Mackenzie said in a June 12 report. Even that spending would mean renewables only account for 6.5 percent of their total energy output in 20 years with oil and gas still dominating, according to the report.

Royal Dutch Shell Plc is expanding in wind energy, while Total SA is buying solar projects as Big Oil acknowledges the role of renewables in future energy supply. Still, that spending remains small compared with the trillions of dollars sunk into oil and gas infrastructure. Those investments will continue as oil producers expect a majority of cars will be fueled by gasoline and diesel for years to come.

"The scale of the opportunity is simply not there on our forecasts for solar and wind, at least not in the next 20 years," Tom Ellacott, senior vice-president for research and corporate analysis at Wood Mackenzie, said in the report. "Companies are only just starting to sow the seeds for the radical changes that lie ahead."

Still, energy companies will increasingly divert funds from oil production to build more wind and solar capacity, with over one-fifth of total capital allocated to renewables after 2030, Wood Mackenzie said. Only a small proportion of their total budget is currently spent on clean energy. The world's five biggest non-state oil companies together plan capital expenditure of more than \$80 billion this year.

Cash Flow

Shareholders have increasingly been demanding oil company bosses raise investments in renewables and cut down on oil and gas. Shell Chief Executive Officer Ben Van Beurden told investors at a meeting last year that although the company is expanding its presence in renewables, it's still oil and natural gas that will drive revenue and fund dividend payouts.

Wood Mackenzie said wind and solar projects are competitive compared with some long-life oil and gas projects. Renewables projects operate for many years and provide steady cash flows, which can support dividend payments, according to the consultants.

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Energy and Climate Report

To: Jackson, Ryan[jackson.ryan@epa.gov]
From: POLITICO Pro Energy Whiteboard
Sent: Tue 6/20/2017 3:05:27 PM
Subject: Murkowski: Trump Interior budget unlikely 'to become a reality'

By Annie Snider

06/20/2017 11:00 AM EDT

The Trump administration's proposal to slash the Interior Department's budget by 13 percent is likely to hit a brick wall on Capitol Hill, top Republican and Democratic senators said today.

Senate Energy and Natural Resources Committee Chairwoman [Lisa Murkowski](#) told Interior Secretary Ryan Zinke that her panel "will be reviewing all of the cuts that this budget proposes very, very carefully."

"I don't expect many of them to become a reality, especially those that target popular programs," she said during a budget hearing this morning.

Murkowski, who also chairs the Appropriations subcommittee with jurisdiction over the Interior budget, said she appreciates that the budget avoids budget gimmicks and said that "the positives outweigh the negatives." She pointed to the extension of the Payments In Lieu of Taxes program as a good sign, while she said that the budget's move to eliminate offshore revenue sharing was a negative.

"Frankly, I don't see that proposal going anywhere," Murkowski said of cuts to revenue sharing. The move would be a blow to the states of Alabama, Louisiana, Mississippi and Texas, whose coastal waters are home to the vast majority of the nation's offshore energy production, and who are eligible for up to \$350 million a year in oil and gas royalty payments under the Gulf of Mexico Energy Security Act of 2006.

Sen. [Maria Cantwell](#), the panel's top Democrat, was harshly critical of the budget proposal, saying it would be "devastating" to the country's national parks and public lands and "is a betrayal of our trust responsibility to tribes."

WHAT'S NEXT: Zinke will also present the Trump administration's budget to Senate appropriators and the House Natural Resources Committee later this week. Congressional appropriators are expected to draft spending measures later this summer.

To view online:

<https://www.politicopro.com/energy/whiteboard/2017/06/murkowski-trump-interior-budget-unlikely-to-become-a-reality-089342>

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