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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.**

### Expect GOP Plaudits for Pruitt But Not EPA Budget at Hearing

*Posted June 09, 2017, 6:00 A.M. ET*

*By Brian Dabbs*

EPA chief Scott Pruitt will likely get a warm welcome from Republican appropriators next week despite bipartisan opposition to the agency's fiscal year 2018 budget, a GOP lawmaker told Bloomberg BNA.

Republicans are applauding the agency's regulatory rollbacks, and that praise will likely set the tone for Pruitt's maiden testimony on Capitol Hill as administrator, said Rep. Tom Cole (R-Okla.), a member of the House Appropriations Subcommittee on Interior, Environment and Related Agencies, which oversees the Environmental Protection Agency's budget.

Members on both sides of the aisle, however, are poised to raise concerns about the wide-ranging cuts in the agency's budget, lawmakers said. Pruitt will defend the request, which was crafted and released by the White House, before the subcommittee on June 15.

**'A Very Friendly Reception'**

"He'll get, obviously from the Republican side, a very friendly reception because of the regulatory things, but I think there'll be some pretty serious discussions about the size of the cuts," Cole told Bloomberg BNA. "I think at the end of the day, EPA takes a haircut. It's certainly taken several haircuts with a Republican Congress, but it's hard for me to see cuts of the size that were proposed in the president's budget."

The EPA is reviewing rules defining which bodies of water are subject to federal regulation and limiting methane emissions in oil and gas operations, as well as those setting ozone and fuel economy standards. The agency is also reviewing the Clean Power Plan, President Barack Obama's signature rule to combat climate change by limiting power plant emissions.

But the FY18 budget cuts, which total $2.6 billion, hit immediate Republican opposition on Capitol Hill. That reduction amounts to nearly one-third of the agency's current budget.

"Just trying to substitute agency cuts for policy disagreement is a tool, but it's probably not the longest-lasting, most effective one," Rep. Mark Amodei (R-Nev.), another member of the subcommittee told Bloomberg BNA. “I don’t think that any of those people on that committee are going to vote for cuts just because that’s the administration’s recommendation.”

The budget would slash enforcement and zero out funding for programs to restore the Great Lakes, Chesapeake Bay and other bodies of water, while chopping an array of other bedrock programs. The White House is requesting a roughly 80 percent reduction in funding for the Diesel Emissions Reduction Act, which funds clean diesel projects. That program is a favorite of subcommittee Chairman Ken Calvert (R-Calif.).

**‘The King’s Man’**

The White House budget also makes deep cuts in Superfund and state grant accounts, both of which Pruitt has singled out as important functions. But the administrator is prepared to vouch for the budget before lawmakers.

“Administrator Pruitt will be testifying in support of the president’s proposed budget, which seeks to return EPA to its statutory mission, and reduce redundancies and inefficiencies,” EPA spokeswoman Liz Bowman told Bloomberg BNA. “We believe that with better leadership, and reducing inefficiencies and administrative costs, we can accelerate the pace of the clean-ups of [Superfund sites]. It is also worth noting that we believe there is a significant amount of money being wasted in administrative costs in this program.”

Agency chiefs regularly disagree with some aspects of a budget they’re tasked to defend.

“He works for the president. You take the king’s shilling, you become the king’s man. That’s just the way it works,” Cole said. “At the end of the day, if you’re going to be part of the administration, you have to defend the president’s budget.”

## Carbon Prices Continue to Drop in Northeast

*Posted June 09, 2017, 01:34 P.M. ET*

*By Gerald B. Silverman*

The cost for electricity generators to comply with the Regional Greenhouse Gas Initiative sank to a four-and-a-half-year low in RGGI’s latest auction, driven by an oversupplied market and uncertainty over a longstanding program review by the nine states in the initiative.

RGGI carbon allowances sold for $2.53 in the auction, a decline of 15.6 percent from the previous auction and 44 percent from June 2016, RGGI announced June 9.

The trend in RGGI carbon prices has been downward for a couple of years, as a result of an over-supply of allowances, regulatory uncertainty on the federal and state levels and the prices for natural gas and renewables.

Mike Taylor, president of Emission Advisors Inc., told Bloomberg BNA that the decline was not a surprise, given a large bank of unused allowances, declining emissions, and an “underwhelming” program review.

Taylor said “a case can be made for prices to trend up through the remainder of the decade,” as the bank of allowances is depleted and the nine RGGI states complete their review of the program.

RGGI states -- Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island and Vermont -- started a program review in 2015 that will determine if the existing emissions cap will be tightened after 2020, when the current cap expires.

### EPA's Pruitt Could Face Tough Crowd at G-7 Environment Meeting

*Posted June 09, 2017, 6:30 A.M. ET*

*By Eric J. Lyman*

Climate-related issues are just one part of the agenda for this weekend's meeting in Italy of environment ministers from the leading industrial nations, but EPA Administrator Scott Pruitt can expect an earful on the decision of the U.S. to withdraw from the Paris climate change agreement, environmental groups said.

"The ministerial in Bologna is first and foremost an opportunity for the G-7 countries to send a clear signal to Scott Pruitt that these actions are not tolerated, that backsliding doesn't come without consequences," Climate Action Network International Executive Director Wael Hmaidan told Bloomberg BNA.

Environmental officials from the Group of Seven nations—Canada, France, Germany, Italy, Japan, the U.K. and the U.S.—meet in Bologna, Italy, June 11-12.

An outline of the meeting goals released June 8 said they would focus on the "state of implementation of the goals set by the Paris Agreement to fight climate change," sustainable development goals that are part of the United Nations' 2030 agenda, environmental tax reform, and sustainable finance.

Italian ministry officials declined to comment on the priorities at the talks.

#### 'Trump's Crazy Decision'

Trump announced June 1 that the U.S. would withdraw from the Paris Agreement, which has the support of virtually every other nation. The Environmental Protection Agency's Pruitt was among the strongest voices in the Trump administration calling for withdrawal from the Paris accord, agreeing with Trump that the pact would cost U.S. workers jobs, especially in industries like coal mining.

"Despite Trump's crazy decision, the G-7 should strongly afford the need to implement the Paris accord and push countries to put more effort into filling the void left by the United States," Luca Iacoboni, the head of the energy and climate program for Greenpeace-Italy, told Bloomberg BNA.

Angelo Paletta, a business professor at the University of Bologna who is following the talks, said: "It will be important to understand what this means about other countries commitments over the next five years, as well as concerns about finance as the world tries to raise $100 billion per year starting in 2020."

Paletta was referring to the United Nations' Green Climate Fund, which aims to help developing countries adapt to the impacts of climate change.

President Barack Obama had pledged that the U.S. would commit $3 billion over four years to the fund, but Trump has vowed to halt U.S. contributions to the fund.

**EPA's Reconsideration of Power Plant Carbon Rule at White House**

*Posted June 09, 2017, 10:12 A.M. ET*

*By Andrew Childers*

The White House is reviewing the EPA's plan to roll back carbon dioxide standards on the fleet of existing power plants.

Environmental Protection Agency Administrator Scott Pruitt opposed the Obama-era regulation, known as the Clean Power Plan, while he was Oklahoma attorney general. He has repeatedly said the EPA overstepped its Clean Air Act authority issuing the rule and Congress needs to speak directly to the agency's power to regulate greenhouse gases.

The Clean Power Plan faces a host of legal challenges from states and utility groups. The EPA asked a federal appellate court to indefinitely pause those challenges while it reconsiders the power plant rule.

**Paris Pullout Pits Chamber Against Some of Its Biggest Members**

*Posted June 09, 2017, 8:30 A.M. ET*

*By Ari Natter*

As President Donald Trump mulled whether to exit the Paris climate accord, companies as varied as Dow Chemical Corp., Exxon Mobil Corp., and Citigroup Inc. prodded him to stay in.

But when Trump announced his decision, he cited research from one business behemoth that's issued a steady stream of criticism to the Paris deal, the U.S. Chamber of Commerce that counts all three companies as members.

That disconnect between corporate executives and the nation's top corporate lobbying force is reviving pressure on the Chamber—and on the companies that remain members despite their differences over climate policy.

"For decades, the U.S. Chamber of Commerce has been big polluters' partisan enforcer in Washington," Democratic Sen. Sheldon Whitehouse, who co-authored a congressional report last year about this corporate disconnect over climate change, said in an emailed statement.

"It's time for member companies to ask themselves whether they want to side with a relentless climate foe, or protect the health and safety of the American people and the reputation of our country," he added.

Public Citizen and other groups said they are starting a petition drive to prod three companies—Walt Disney Co., Gap Inc., and PepsiCo Inc.—to drop their connection to the U.S. Chamber. That organized pressure is reminiscent of 2009, when companies such as Apple Inc. and Exelon Corp that advocated for federal action to address climate change quit the Washington group as it lobbied to derail cap-and-trade legislation.

“You’ve got a lot of companies that are really talking out of both sides of their mouth,” said Dan Dudis, who heads the Chamber Watch project at Public Citizen.

The U.S. Chamber of Commerce spent nearly $104 million on lobbying last year making it the top lobbying spender among 3,734 groups tracked by the Center for Responsive Politics. Among the issues it has championed are reworking the Affordable Care Act, business tax cuts, and opposition to a minimum wage hike. The group, which has its headquarters across Lafayette Square from the White House, said it was officially neutral on the Paris accord despite its long list of criticisms.

The chamber said in a statement that the business community “stands ready to fashion solutions to keep America prosperous, clean and secure. America should choose a path for an energy future that is achievable, affordable, and most importantly meaningful.”

From coal producer Cloud Peak Energy Inc. to electric-automaker Tesla Inc., corporate America has broadly supported the Paris accord, a 2015 agreement of nearly 200 nations to address the threat of climate change. The deal is the first to include pledges from developing nations such as India and China to curtail their emissions, as well as developed nations in North America and Europe.

Among the companies that signed onto an open letter to publicly support the Paris climate agreement were Microsoft Corp. and Google’s Alphabet Inc. Ivanka Trump appealed to Dow Chemical’s CEO Andrew Liveris to spearhead a late lobbying push to try to save U.S. involvement in the pact. And executives’ response to Trump’s decision was quick and overwhelmingly negative. Robert Iger, chief executive of Disney, resigned from a White House advisory council. Ford Motor Co. and Microsoft weighed in with their dismay, too.

In response to questions from Bloomberg, companies said they agree with the chamber on some issues, but not all. Others said they are putting pressure on it to change course.

“We have been outspoken in our support for the Paris Agreement and have had a dialogue with the chamber about how its views and advocacy on climate policy are inconsistent with Citi’s position,” Citigroup spokeswoman Elizabeth Kelly said in an email. “Citi does not expect to be in agreement with every position our trade associations take.“

**Time to Time**

Dow, which gave the chamber $1.8 million for lobbying in 2016, “participates in many trade and business associations,” the chemical-maker’s spokeswoman Rachelle Schikorra, said in an email. “From time to time, we find ourselves in disagreement with the prevailing views of the majority of the U.S. Chamber’s membership, including issues such as climate change.“

“PepsiCo’s long-standing commitment to addressing climate change will not change,” the company said in a statement that didn’t address questions about its ties to the chamber.

“No organization speaks for Ford on every issue,” said Christin Baker, a Ford spokeswoman. “The chamber has been actively supportive of tax reform, but takes a different view on climate. We will continue to work with the chamber on issues where we are aligned.“

Companies may differ with the chamber on climate change, but agree on taxes or labor issues, said Lee Drutman, a senior fellow in the program on political reform at New America, a Washington research organization. Still, they face the risk of customer blowback.

“Any company with a consumer-facing brand has to worry about its reputation,” Drutman said in a phone interview. “If it’s on the wrong side of a political issue that its customer base is passionate about, it could find itself losing a lot of customers.“

Oil giant Exxon, which disclosed giving the U.S. Chamber of Commerce Foundation $1 million in 2015, advocated for staying in the Paris accord, as its chief executive Darren Woods argued that oil demand will continue to grow in the coming decades even with the agreement in place.

“We believe that the United States is well positioned to compete within the framework of the Paris Agreement, with abundant low-carbon resources such as natural gas, and innovative private industries,” spokesman Alan Jeffers, said in an email. He declined to comment on the chamber’s report on Paris.

While the chamber said it hadn’t made a recommendation on whether the U.S. should remain in Paris, it issued a series of criticisms of the pact since even before it was completed.

In congressional testimony, it said the U.S. pledge to cut greenhouse gas emissions by 26 percent would hike U.S. energy costs and diminish job creation—and that the pact would not do much to actually curtail greenhouse gas emissions. The chamber jointly funded a study in March that determined the deal could slice $3 trillion off U.S. gross domestic product by 2040.

Trump made specific reference to that study, and each of the group’s earlier arguments, in announcing his decision to pull the U.S. out of the pact.

“The cost to the economy at this time would be close to $3 trillion in lost GDP and 6.5 million industrial jobs, while households would have 7,000 less income, and in many cases, much worse than that,” Trump said in the Rose Garden ceremony June 1.

Kevin Steinberger, a policy analyst with the Natural Resources Defense Council’s climate and clean air program, said the chamber’s claim that it was neutral on the accord was “disingenuous.“

“The report was clearly aimed at attacking the Paris agreement and used an unrealistic scenario to do so,” he said.

—With assistance from Hugh Son and Keith Naughton.



**Trump Climate Critics Wrong on Pulling Out of Paris, Perry Says**

*Posted June 09, 2017, 02:23 P.M. ET*

*By Feifei Shen and Tom Mackenzie*

Critics of President Donald Trump’s move to withdraw the U.S. from the Paris climate change agreement are acting more for political reasons than for the reality of what the accord may achieve, U.S. Energy Secretary Rick Perry said June 9 in an interview where he defended the president’s move.

Goldman Sachs Group Inc. Chief Executive Officer Lloyd Blankfein, JPMorgan Chase & Co. Chairman Jamie Dimon and others ranging from General Motors Co. and Ford Motor Co. to Exxon Mobil Corp. are wrong about wanting the U.S. to remain a part of the Paris climate deal, Perry said in a Bloomberg Television interview with Tom Mackenzie.

“When you looked at the cost versus the benefit of what you’re going to get from being in the Paris agreement, it wasn’t worth it,” Perry said in Beijing. “I think they are wrong, because they’re coming at it from the political side of it rather than the reality.“

Perry was in Beijing June 7 and 8 attending a ministerial-level meeting on clean energy where he made a broad appeal to cooperate on natural gas, nuclear energy and technologies such as carbon capture and storage.

“The reality is we are going to continue to be leaders on clean energy,” Perry said, adding that the U.S. will continue to contribute to mitigating climate change. “There’s a real story to be told here about the U.S.; it’s about what we are doing to reduce emissions.”

**China Meetings**

Earlier in the week, Perry met with Chinese Vice Premier Zhang Gaoli where he emphasized areas where the two countries can cooperate. One area is liquefied natural gas. The U.S. is the world’s largest producer of natural gas and within a few years will be the third-largest exporter of the super-chilled version of the fuel.

Companies are proposing dozens of new export plants in the U.S. and need foreign buyers to underpin financing for the multi-billion-dollar projects. China, which is trying to increase gas use instead of coal to help clear smog-choked air, should be interested in U.S. supplies because the projects have the benefit of political stability, Perry said.

Perry also said President Trump is right to look at selling some oil from the Strategic Petroleum Reserve. The Trump administration proposed a budget last month that included selling off 270 million barrels on top of a 190 million-barrel drawdown already planned. The reserve currently has a little less than 700 million barrels of oil.

**Strategic Reserves**

On the strategic reserve, “the debate is what’s the right level,” Perry said. “The president is right to have the conversation. How much of this do we really need to keep on hand, how much of it can we put into the market, and how do you manage all that. That is classic Donald Trump negotiating a better deal for the people of the U.S.”

When in Tokyo earlier in the week, Perry sounded a combative tone, challenging China to take up the mantle of leadership on climate change while dodging questions about whether President Trump believes in global warming.

“Those of you that focus on that are chasing a rabbit down a hole,” Perry told reporters in Tokyo.

China has transformed itself into one of the world’s leaders in renewables in recent years with ambitious bets on wind and solar. The country, which is home to about one out of every three wind turbines in the world, has led in clean-energy spending since 2012. In the first quarter of this year, China outspent the U.S. and Japan combined on clean-energy projects.

—With assistance from Dan Murtaugh and Stephen Engle.

**Macron Said to Push for Franco-German Carbon Emissions Price Floor**

*Posted June 09, 2017, 12:09 P.M. ET*

*By Francois de Beaupuy and Helene Fouquet*

Emmanuel Macron reached out to Germany to establish a common price floor for carbon dioxide emitted by power utilities as the French president seeks to strengthen his alliance with Angela Merkel after the U.S. decided to exit the Paris climate accord, according to people familiar with the matter.

Macron wants to revive a plan to set up a minimum price of 30 euros ($33.55) per ton of $CO_2$ emissions, about six times the current European level, a French official said, asking not to be named as the matter isn't yet public. France is seeking to convince Germany and other European countries to adopt a similar plan, the person said. It would also make sense for countries such as Belgium, the Netherlands and Luxembourg, said another person who has heard about Macron's initiative.

Merkel and Macron have been leading the international opposition to the disruptive presidency of Donald Trump in the U.S. rallying support for trade and climate action. Macron this week launched an appeal to U.S. environmentalists to come work in France, while Merkel is in Latin America preparing for another meeting with Trump at the Group of 20 summit in Hamburg.

The U.S. decision to exit the Paris climate accord comes after the price of European carbon permits plunged from their 2008 peak, eroding the penalty for burning coal, the most polluting fuel. Companies from Electricite de France SA to Engie SA have lobbied for a minimum price of at least 30 euros, arguing it would boost the use of cleaner natural gas-fired power stations.

**Hard Sell**

Spokesmen at Germany's Environment Ministry weren't immediately available for comment. Messages seeking comment from the French president's office weren't immediately replied to.

The proposal may be a hard sell in the short term for German Chancellor Merkel, who faces general elections in September. A floor price for carbon emissions might hurt German utilities RWE AG and Uniper SE, which have said it would lead to job losses because they rely heavily on lignite and coal to produce electricity.

France unsuccessfully tried to convince Germany to adopt a common carbon floor price last year in a bid to supplement the EU's Emissions Trading System, which has failed to provide an efficient incentive to reduce greenhouse gases. A glut of pollution rights pushed prices in the $48 billion market down more than 80 percent since 2008.

France then considered introducing a floor price unilaterally last year before dropping the plan a few months before this year's presidential elections amid labor union protests that it would prompt coal-fired plant closures.

The French and German leaders plan to hold a joint cabinet meeting over the summer.

**Generating Revenue**

A tax on carbon would generate government receipts, which could be used to mitigate the "social impacts" of the energy transition on the coal industry, EDF Chief Executive Officer Jean-Bernard Levy said June 8 at a conference in Paris organized by the Toulouse School of Economics. By introducing a levy of 18 pounds ($22.88) per ton of CO2 emissions, the U.K. has cut the share of coal in electricity production to 10 percent from 30 percent in two years, he said.

"The time is the right one today for an initiative that maybe could be generated in France, with quick support of Germany, obviously after the September elections," Levy said. "It can be done gradually, and it can be done in such a way that it leads to no massive phasing out of production means in the short term."

—With assistance from Brian Parkin, Mathew Carr and Tino Andresen.



**India Power Plants Stranded as 50 Million Homes Left in the Dark**

*Posted June 09, 2017, 10:56 A.M. ET*

*By Anindya Upadhyay*

India is scaling back expectations for power demand growth as it struggles to electrify millions of homes despite a glut in generation capacity.

The world's second-most populous nation is building more power plants than it can utilize as state-level distributors struggle to connect 50 million households, according to Ravindra Kumar Verma, head of the Central Electricity Authority, the power ministry's planning arm. As a result, about 25 gigawatts of coal-fired power-generating capacity is "stranded" and unused, he said. That's equivalent to the entire installed capacity of neighboring Pakistan.

Demand growth for power is slowing as state distribution companies, known as discoms, struggle to purchase enough electricity for the populations they serve. Most discoms lose money selling below cost to poor and agricultural customers and through power theft. The CEA defines demand as the amount of electricity that distributors buy, not necessarily how much would be needed for the whole country, helping explain why millions still lack power and several cities face regular blackouts despite the under-utilized capacity.

"We were thinking that the entire demand will come on the system, but it has not happened that way," Verma said in an interview in New Delhi June 6. "When discoms turn around is the point when we will get close to 24/7 power. That's where all the constraint lies."

Electricity use is estimated to grow 6.2 percent a year over the six years ending March 2022. Consumption over the previous six years expanded 5.3 percent, missing a 7.6 percent forecast, the CEA said in its latest power survey report published this year. The lower-than-expected growth rate led the agency to temper its outlook, Verma said.

"Projections are estimated growth rates worked out on the basis of certain assumptions. If the assumptions slip, then projections are hit," he said.

India is on track to add 102 gigawatts of conventional power projects in the five years ended March

2017, compared with a target of 88.5 gigawatts, according to country's Draft Electricity Plan published in December. At the same time, the country's gas-fired plants, which can generate nearly 25 gigawatts of power, are running at less than a quarter of their capacity, according to the plan. The country's capacity totaled 329 gigawatts, with more than half of that coming from coal-fired plants, according to CEA data.