**To:** Anderson, Neil[Anderson.Neil@epa.gov]
**From:** Bloomberg BNA
**Sent:** Thur 3/30/2017 8:13:23 PM
**Subject:** March 30 -- Daily Environment Report - Afternoon Briefing

# Daily Environment 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. The Bloomberg BNA Daily Environment Report is brought to you by EPA Libraries. Please note, these materials may be copyrighted and should not be forwarded outside of the U.S. EPA. If you have any questions or no longer wish to receive these messages, please contact Josue Rivera-Olds at rivera-olds.josue@epa.gov, 202-566-1558.**

### Trump to Decide on Climate Pact by Late May, Spicer Says

*Posted March 30, 2017, 03:49 P.M. ET*

*By Dean Scott*

President Donald Trump will decide whether to keep the U.S. in the 2015 Paris climate pact by late May "if not sooner," White House Press Secretary Sean Spicer said, in hopes of settling the issue before the president heads to the May 26-27 Group of Seven summit in Italy.

"We are currently reviewing issues related to the agreement and expect to have a decision by the time of the G-7 summit, late May-ish if not sooner," Spicer told reporters March 30.

The comment came amid continued speculation over whether Trump intends to make good on his campaign vow to "cancel" U.S. participation in the Paris deal, the first truly global climate agreement, or keep the U.S. in the pact.

Trump began rolling back myriad Obama administration climate policies under a March 28 executive order—directing the Environmental Protection Agency to suspend, revise, or rescind its power plant carbon pollution limits—but has thus far put off a decision on U.S. participation in the Paris deal.

The Paris Agreement, the first to include climate actions by developed and developing nations alike, was reached after more than two decades of United Nations negotiations.

Trump, who has labeled climate change a hoax, has also argued that the Paris deal would hurt U.S. economic competitiveness.

President Barack Obama accepted the Paris deal using his executive authority to negotiate international agreements. Trump, as a result, can essentially undo U.S. participation.

### Lawmakers Aim to Safeguard Renewable Credits in Tax Overhaul

*Posted March 30, 2017, 02:39 P.M. ET*

*By Brian Dabbs*

Democrats and many Republicans are pushing to preserve a pair of recently revived renewable tax credits in a potential comprehensive overhaul of the tax code, lawmakers told Bloomberg BNA.

An energy specialist, however, said those tax credits would have to be on the chopping block in a full overhaul. And Senate Majority Whip John Cornyn (R-Texas) told Bloomberg BNA all options are available to free up revenue offsets that would pave the way for a paid-for overhaul.

The situation involving the tax credits is among the many indications that overhauling the tax code will be an extremely formidable task. The 2.3-cent-per-kilowatt-hour wind production tax credit will begin a phaseout in 2017 with a 2020 expiration, while a 30 percent tax credit for the solar industry will phase out from 2020 through 2022.

Because of the policy certainty provided by the wind phaseout, according to the American Wind Energy Association, 8 gigawatts of wind power capacity are now under construction or in advanced development. And the roughly 27 gigawatts of solar energy cumulatively installed in the U.S. at the end of 2015 are expected to reach nearly 100 gigawatts by the end of 2020, the Solar Energy Industries Association says.

**'Stating the Reality'**

The last extensive overhaul of the tax code came in 1986, when President Ronald Reagan teamed up with Congress to pass a law to simplify the code. Revisions have since rolled back much of that effort, according to tax observers. Lawmakers are able to cut short tax breaks in order to bump up savings.

"Looking forward, we'd have to say everything is on the table," Cornyn, a member of the tax-writing Finance Committee, said, adding that a 20 percent corporate tax rate is the current objective. "I don't want to cause any panic in the industry, but I think stating the reality that if you do 1986-style tax reform that in order to get the rates down we're going to have to make some significant changes."

Currently, a roughly 20 percent chance exists for the 115th Congress to deliver a similarly fundamental overhaul, Christi Tezak, an energy analyst with ClearView Energy Partners LLC, told Bloomberg BNA. "If we get true tax reform, then yes, those credits will wind up being eliminated before projected expiration," she said.

A 40 percent chance exists that a overhaul will fail, while a 40 percent chance also exists for tax cuts akin to the 2001 rollback under President George W. Bush, Tezak said, citing ClearView analysis.

**Safeguarding the Credits**

A concerted effort underway to deregulate environmental protection and boost fossil-fuel production makes the preservation of the tax credits even more important, Democrats told Bloomberg BNA.

"There's immense drive to sustain them," former Ways and Means Committee ranking member Sandy Levin (D-Mich.) told Bloomberg BNA. "The answer is the only way tax reform works is if it's bipartisan, and there's strong commitments from Democrats to support the renewable tax credits."

Rep. Ron Kind (D-Wis.), another Ways and Means member, echoed that pledge. "The incentive has really helped spark that whole industry right now. I would hate to see it suddenly go away and lapse," he said. "I think what the president announced just yesterday certainly gives more weight to the renewable credits that we have today unless he wants to just completely abandon the progress we've made in the last 10-15 years as a country."

President Donald Trump signed an executive order March 28 to scale back Obama administration climate initiatives, including the Clean Power Plan.

**Growing Industry**

Wind power surpassed hydroelectric dams as the largest source of renewable energy in 2016 with more than 8,700 megawatts of new capacity online that year, the Energy Information Association recently said.

Environmental groups praise that growth. "Tax credits have been a key driver for the recent growth for the wind and solar industries, spurring innovation and creating new jobs, innovation and tax revenue for state and local economies," Steve Clemmer, energy director at the Union of Concerned Scientists, told a House committee March 29. "They've also been very effective in driving down the cost of wind and solar power, making renewable energy more affordable for consumers."

Meanwhile, Sen. Charles Grassley (R-Iowa), who represents a top wind-producing state, said Treasury Secretary Steve Mnuchin assured him the wind credit will stay in place through its current sunset. The solar credit should be handled the same way, said Grassley, another Finance Committee member.

Other Republicans joined that call. "I'm for letting the wind sunset according to agreement. We have an agreement for them to sunset anyway. I'm for leaving that one alone," Rep. Kenny Marchant (R-Texas) told Bloomberg BNA.

**Impact of Legislative Failures?**

The $1 trillion in projected savings linked to health care legislation, as well as an embattled plan to institute a border adjustment tax on goods imported from Mexico, put a range of tax provisions, including the renewable credits, in more jeopardy, lawmakers and Tezak indicated.

"Obviously it has an impact on our ability to do tax reform," Rep. Mike Bishop (R-Mich.), another Ways and Means member, told Bloomberg BNA. "We had so much savings built into that. [Health care overhaul] was almost a trillion dollars in savings. So it's going to have an impact."

On the heels of the health care failure, the White House has vowed to lead the charge on tax reform. Those priorities, however, haven't yet been delineated.

"President Trump has made tax reform a key part of his agenda," a White House spokeswoman said. "Now that it is also at the top of the legislative agenda, the president's team of experts—which has been hearing from stakeholders on all sides of the issue since the campaign and throughout the transition—is carefully considering what the president's tax reform plan will ultimately look like and how best to roll it out."

## EPA, Colorado Town Draft Plan for $1.4 Million Superfund Cleanup

*Posted March 30, 2017, 12:04 P.M. ET*

*By Sylvia Carignan*

The EPA and city of Central, Colo., have drafted a plan to further inspect a Superfund site contaminated by lead and arsenic.

The Clear Creek Superfund site, about 30 miles west of Denver, has a drainage basin contaminated by mine tailings from precious metal mining operations during the 1930s and 1940s. The Environmental Protection Agency estimates current and future cleanup costs amount to more than $1.4 million.

In a proposed settlement agreement, announced in the Federal Register March 30, the city agrees to restrict uses of the Superfund site and maintain drainage systems, fencing and roads. In exchange, the EPA agrees not to sue the city and releases certain liens against city property.

Central's city manager did not immediately respond to Bloomberg BNA's call for comment. The EPA is accepting comments on the proposed agreement until May 1.

**House Bill on EPA Science Board Heads to the Senate**

*Posted March 30, 2017, 11:22 A.M. ET*

*By Rachel Leven*

A House-passed bill that would change the makeup of a board that offers scientific advice to the EPA may face better odds in the Senate than a previous version last session.

The EPA Science Advisory Board Reform Act of 2017 (H.R. 1431), sponsored by Rep. Frank Lucas (R-Okla.), passed on a 229-193 House vote March 30.

It is similar to one passed in the last Congress by a 236-181 margin and would put in place new qualifications for board members—including disqualifying scientists who have EPA grants or contracts as having a conflict of interest.

The measure also would require that "at least ten percent of the membership of the Board are from State, local, or tribal governments."

Backers says the bill aims to make the board more independent and accessible for public comment. Opponents say it would block scientists with expertise from serving on the board, increase industry's influence and unnecessarily slow the board's activities.

The bill now heads to the Senate, where its predecessor in the last session of Congress—the EPA Science Advisory Board Reform Act of 2015 (H.R. 1029)—never received a hearing. A spokesman for the majority on the Senate Environment and Public Works Committee previously told Bloomberg BNA the committee is committed to the bill's stated goal of ensuring Environmental Protection Agency science is more open and transparent.

The American Chemistry Council, U.S. Chamber of Commerce and American Farm Bureau Federation are among the legislation's key supporters. Opponents include the American Lung

Association, Environmental Defense Action Fund and American Geophysical Union.

The Congressional Budget Office estimates the billl, which would amend the Environmental Research, Development, and Demonstration Authorization Act of 1978, would cost less than $500,000 annually for additional personnel and administrative expenditures. It would not affect direct spending or budget deficits, the office said in its March 27 cost estimate.

The House Science, Space and Technology Committee approved the bill March 9 by a 19-14 vote.

**Monsanto Delays California Adding Weedkiller to Carcinogens List**

*Posted March 30, 2017, 03:06 P.M. ET*

*By Lydia Mulvany*

Monsanto Co. is asking a California court to delay the addition of glyphosate, the active ingredient in the company's best-selling Roundup weedkiller, to a list of carcinogens under the state's Proposition 65 law (Monsanto v. OEHHA, Cal. Super. Ct., No. 16CECG00183, 3/29/17).

The St. Louis-based seed giant said it filed a petition in California Superior Court in Fresno County to keep its signature herbicide off the list as it wades through an appeal. In the meantime, California's Office of Environmental Health Hazard Assessment agreed to defer the listing until the court rules on the petition, according to court documents filed March 29.

The state agency proposed adding glyphosate to the list in 2015. Monsanto lost a bid challenging that decision this month and appealed last week. In the petition, the company's lawyers request a suspension of the listing for the duration of the appeal.

Listing the chemical will "have far-reaching, negative consequences for public safety, environmental protection, governmental budgets, and food costs," lawyers for Monsanto wrote in the petition, and will "irreparably harm" the company. Roundup, the world's leading herbicide, is used on everything from industrial farms to home gardens.

"The agency's flawed and baseless proposal to list glyphosate under Proposition 65 not only contradicts California's own scientific assessment, but it also violates the California and U.S. Constitutions," the company said in an emailed statement. "We will continue to fight the decision on the basis of sound science and the law."

OEHHA proposed adding glyphosate to its Proposition 65 list after a 2015 finding by a World Health Organization agency, IARC, that the chemical is a probable carcinogen. Monsanto sued OEHHA in January 2016 and lost in trial court. In court papers, the company has argued that IARC is "an unelected, unaccountable, foreign organization" and that numerous regulatory and scientific organizations have come to opposite conclusions, including the U.S. Environmental Protection Agency, the European Food Safety Authority, and OEHHA itself in 1997 and 2007.

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**California Renews Authority to Assess Impact of Highway Projects**

*Posted March 30, 2017, 02:43 P.M. ET*

*By Carolyn Whetzel*

Newly enacted state legislation saves California from losing its authority to assess the environmental impact of highway projects on behalf of the Federal Highway Administration.

Shortly after announcing agreement on a road repair and transportation plan, Gov. Jerry Brown (D) on March 30 signed A.B. 28 to preserve the state Department of Transportation's (Caltrans) long-standing participation in a National Environmental Policy Act (NEPA) assignment program.

Participation in the program allows Caltrans to streamline the environmental review process for projects that use federal dollars. As a delegated authority, the department carries out its NEPA responsibilities through the California Environmental Quality Act review process.

The program saves money and speeds up projects, the governor's office said in a written statement.

Because A.B. 28 includes an urgency clause, it became effective upon signing, just two days shy of a deadline that would have permanently terminated Caltrans' delegated authority to carry out NEPA reviews.

The department's authority was suspended for 90 days on Jan. 1, after lawmakers last year failed to renew a limited waiver of sovereign immunity that the federal government requires for participation in the program.

A.B. 28 reinstates the waiver through Jan. 1, 2020. The waiver is Caltrans' agreement to accept full liability for any legal challenges to NEPA documents filed in federal court.

**Apple, Wal-Mart Stick with Climate Pledges Despite Trump's Pivot**

*Posted March 30, 2017, 7:53 A.M. ET*

*By Christopher Flavelle*

Many of America's biggest corporations including Apple Inc. and Wal-Mart Stores Inc. are sticking by their pledges to fight climate change even as President Donald Trump guts his predecessor's environmental policies.

Companies say their pledges, coordinated by the Obama administration, reflect their push to cut energy costs, head off activist pressure and address a risk to their bottom line in the decades to come.

"This work is embedded in our business," Wal-Mart spokesman Kevin Gardner said by email. It's "good for the business, our shareholders and customers; if ultimately we are able to positively impact the environment in the process, that's a win too."

Wal-Mart was one of 81 companies that promised to reduce emissions in the run up to the 2015 Paris global climate negotiations. The company upped its targets last November, saying it would get half its power from renewable sources by 2025.

Trump signed an order March 28 that tells the Environmental Protection Agency to reconsider former President Barack Obama's climate rules, and rescinds a series of orders Obama issued to embed consideration of climate change in government actions from where to lease buildings to

whether to allow oil pipelines to be built.

**'Move Ahead'**

"Most big companies in the U.S. recognize that climate change is real," Geoffrey M. Heal, a professor at Columbia Business School, said in a telephone interview. "They need to move ahead on the climate change front no matter what Trump's government does."

Business's biggest lobbying force supports Trump on this issue. The U.S. Chamber of Commerce welcomed Trump's order calling that shift "vital to stimulating economic growth." The group argues that Obama's regulations held back economic growth, preventing business owners from constructing needed pipelines, roads and other infrastructure. It also warned that the climate push would lead to a jump in energy prices.

But many of the group's members and other corporate titans supported Obama's Clean Power Plan, or have set their own goals. Anheuser-Busch InBev, the world's largest beer-maker, also announced March 28 that it would get 100 percent of its electricity from renewable sources by 2025. Nearly 90 companies have made similar pledges, according to the Sierra Club.

One of them is Mars Inc., the maker of M&M's. The company committed to eliminating its emissions entirely by 2040. Andy Pharoah, vice president of corporate affairs, said that Mars would keep that commitment, and it's "disappointed the administration has decided to roll back climate regulations."

**'American competitiveness'**

Technology companies including Apple, Amazon.com Inc, Alphabet Inc.'s Google and Microsoft Corp. also expressed their support for Obama's policies.

"We believe that strong clean energy and climate policies, like the Clean Power Plan, can make renewable energy supplies more robust and address the serious threat of climate change while also supporting American competitiveness, innovation, and job growth," the companies said in a joint statement after Trump's order was signed.

Other companies, while stopping short of criticizing the Trump administration, said they would keep pursuing lower emissions in their own operations. Procter & Gamble, Nestle Inc., Ikea, Levi Strauss & Co. and Best Buy Co., which all signed the 2015 pledge organized by the Obama administration, said they still intended to honor their commitments.

"We will continue to integrate sustainability into our business practices, operations, innovation, brand building and culture," Damon Jones, a spokesman for Procter & Gamble said.

**Energy Companies**

Many energy businesses welcomed Trump's rollback. The Independent Petroleum Association of America, which represents oil and natural gas producers, joined the Chamber of Commerce in praising his move. So did the National Federation of Independent Business, which challenged the Clean Power Plan in court.

"People are going to freeze in the dark because of the destruction of the reliable electric power grid under Obama and the Democrats," Robert Murray, the president and CEO of coal-mining company Murray Energy Corp. said in an interview. "Mr. Trump is doing the right things."

Some environmental groups cautioned that action from the private sector, wasn't enough to make up for the pullback in federal policy.

"Policy is going to be required to get us where we need to be," said Karen Palmer, research director at Resources for the Future.

—With assistance from Ari Natter, Matthew Boyle, Christopher Martin, Lauren Coleman-Lochner, Craig Giammona, Lindsey Rupp, Molly Smith and Eric Roston.

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**Bruised but Not Broken, Dakota Access Line Foes Turn to Keystone**

*Posted March 30, 2017, 01:14 P.M. ET*

*By Jonathan N. Crawford*

Environmentalists may have lost their months-long battle against the Dakota Access oil pipeline, but their war against the oil and natural gas industry is far from over.

Not only are groups including Sierra Club joining forces and renewing their efforts to take down TransCanada Corp.'s Keystone XL line, a project that now has the State Department's blessing to carry Canada's oil to the Gulf Coast. They're also taking advantage of 300,000 new supporters and a surge in donations made to fight Dakota Access and Keystone to target smaller pipelines that had previously gone under the radar.

"We do plan to double down on Keystone, and we plan to use Keystone as a launching point to change a lot of hearts and minds and to fight multiple other projects at once," Sara Shor, a campaign manager at the New York-based environmental group 350.org, said by phone.

From President Donald Trump's backing of the Dakota Access and Keystone pipelines, environmentalists have found a silver lining. The new administration's support of oil and gas infrastructure has energized what activists say is a more organized, formidable opposition that's hungrier for battles than ever. Their arsenal includes legal challenges, public pressure on banks to withdraw financing and targeted lobbying of regulators and lawmakers.

"The coalition and the community of groups fighting these projects are getting creative, recognizing that the oil and gas industry does have a friend in the White House," Lena Moffitt, a Washington-based campaign director at the Sierra Club, said in a phone interview. "We are expanding the tactics that we are using to fight these projects."

Among the pipelines they aim to target are Keystone; Dominion Resources Inc.'s $5 billion, 564-mile (907-kilometer) Atlantic Coast pipeline that'll carry gas from West Virginia to Virginia and North Carolina; and Energy Transfer Partners LP's expansion of the Bayou Bridge line that delivers oil to Louisiana.

First they'll go after the projects' financiers—a strategy that's already proven somewhat successful in the fight against Dakota Access and coal projects. Take Greenpeace, which circulated a petition to lobby banks against funding Keystone on the same day the State Department approved it.

Then, they'll fight the pipes in court. A coalition that includes the Sierra Club has asked the U.S. Court of Appeals for the D.C. Circuit to block Williams Cos.'s Atlantic Sunrise gas line in Pennsylvania, arguing that federal regulators cut corners in their review.

Williams spokesman Chris Stockton said the action "reeks of desperation," and would only delay much-needed energy infrastructure. Dominion and Energy Transfer did not respond to a request for comment.

A coalition led by the Sierra Club filed a lawsuit March 30 in U.S. District Court in Great Falls, Mont., challenging the State Department's permit for Keystone. That followed a similar filing March 27 by the Indigenous Environmental Network in the same court.

**Targeted Protests**

Groups are also orchestrating more targeted protests at agencies at the local, state and federal levels. "Projects used to go unopposed, and now they're facing intense grassroots resistance at every level, and that will only continue to intensify," Shor said.

Activists have already gone as far as to camp outside the homes of U.S. energy regulators. Former Federal Energy Regulatory Commission member Tony Clark called police last year after protesters rang his doorbell while his family wrapped up dinner. Such personal attacks prompted Pennsylvania utility commissioner Robert Powelson, said to be one of Trump's picks for FERC, to remark during a recent conference, "The jihad has begun."

While Energy Transfer's Dakota Access line prepares to start service, the pipeline industry is under no illusions about the fights they face. Opposition to gas lines has only grown in recent years, even as greater use of the power-plant fuel has helped curb emissions blamed for global warming, Cathy Landry, a spokeswoman for the Washington-based Interstate Natural Gas Association of America, said by email.

In responding to activists' calls to target Keystone, TransCanada spokesman Matthew John said the project has already gone through "the most rigorous environmental review process of any cross border pipeline in history."

"Pipelines remain the safest, greenest, most reliable and cost efficient way to transport oil over long distances," he said by email.

Other projects that'll be targeted for organized opposition include Enbridge Inc. oil lines in the Midwest, and EQT Corp.'s $3 billion Mountain Valley gas line that would tap supplies from the Marcellus and Utica shale basins in the eastern U.S., Moffitt said. Natalie Cox, a spokeswoman for EQT, said the company has worked closely with residents on pipeline safety. Enbridge declined to comment.

After Dakota Access and Keystone, Bloomberg Intelligence analyst Brandon Barnes said, "Certainly there's a vacuum that needs to be filled for the protesters that are fighting to keep fossil fuels in the ground."

—With assistance from Dave Merrill.

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## Keystone XL Pipeline Block Sought to Undo Trump's Approval

*Posted March 30, 2017, 12:30 P.M. ET*

*By Andrew Harris and Jennifer A. Dlouhy*

Environmental groups are seeking to undo President Donald Trump's approval of TransCanada Corp.'s Keystone XL pipeline after more than eight years of political wrangling on its future and scope.

The Sierra Club and five other environmental conservation groups sued March 30 in federal court in Montana, just days after Native American groups filed a similar complaint in the same court. The suits are likely the first in a flurry of courthouse challenges to the president's decision. Keystone XL's drama is playing out as another controversial project, the Dakota Access pipeline, nears completion.

"You're looking at two to three years of legal challenges in the state of Nebraska, at least, before things are resolved," Jane Kleeb, president of the activist group Bold Alliance, told reporters last week. That includes at least six months for the commission's review, as well as potential litigation over any attempts by TransCanada to use eminent domain to procure land for Keystone's construction.

Spokesmen for TransCanada Corp. didn't immediately respond to emails seeking comment.

The lawsuits are the latest hurdle for the Trump administration as his initiatives come under legal and political attack. Trump's travel ban has been put on hold by several courts, and environmentalists are fighting his latest bid to roll back a suite of Obama-era climate policies. That includes moves to counter Trump's bid to put litigation over the Clean Power Plan on hold and a lawsuit challenging the decision to restart federal coal leasing.

### Canadian Crude

Projected to cost $8 billion, the approximately 1,179-mile long Keystone XL is to carry Canadian crude from Hardisty, Alberta, to a junction in Steele City, Nebraska, where it will connect to an existing pipeline network extending south to refineries on the U.S. Gulf Coast.

The Sierra Club and other groups took issue with the Trump administration's review, saying that "in their haste to issue a cross-border permit" the government violated federal law and "ignored significant new information that bears on the project's threats to the people, environment and national interests of the U.S."

TransCanada's plans previously foundered in Nebraska amid a succession of legal challenges from landowners and environmentalists before being shelved when the Obama administration denied permission to cross the countries' shared border. Objections have already been lodged in an administrative review of the proposed pipeline path through Nebraska.

### Pipeline Fight

Opponents fought the pipeline's initial path through Nebraska when it seemed to threaten the environmentally sensitive Sand Hills region. A revised route, devised by then-governor Dave Heineman and TransCanada, also met challenges because the process skirted state law requiring review by Nebraska's Public Service Commission.

Though the pipeline company initially prevailed at the state's supreme court, TransCanada later conceded and applied for PSC approval in September 2015. The Obama administration's denial came two months later.

Sierra Club, the Northern Plains Resource Council and other groups are asking for a court order setting aside the Trump administration-granted permit allowing Keystone XL to cross the U.S.-Canada border and requiring the U.S. to comply with applicable laws.

The Sierra Club's case is Northern Plains Resource Council v. Shannon, 17-cv-31, U.S. District Court, District of Montana (Great Falls).

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**Canadian Coal Production Hit 30-Year Low in 2016**

*Posted March 30, 2017, 03:24 P.M. ET*

*By Jeremy Hainsworth*

Canadian coal production hit a 30-year low in 2016, the National Energy Board reported.

Production in 2016 was estimated at 60.4 million metric tons—the lowest level since 1987, the NEB said March. 29. Production generally has declined or been flat since 1997's 78.8 million metric ton peak.

The latest drop was attributed to a 10-year-low in coal prices in 2016, NEB spokesman James Stevenson told Bloomberg BNA March 30.

The federal government last year announced a goal of phasing out traditional coal power by 2030.

**China Said to Push Talks to Create $241 Billion Power Giant**

*Posted March 30, 2017, 9:20 A.M. ET*

*By Aibing Guo and Heng Xie*

China's state-owned enterprise regulator has asked coal mining giant Shenhua Group Corp. and power generator China Datang Corp. to discuss a possible merger, according to people with knowledge of the situation.

The talks are at an early stage and there's no guarantee of a deal, said the people, who asked not to be identified as the information isn't public. Datang International Power Generation Co., Datang's Hong Kong-listed unit, said March 30 that the parent company hasn't received any related news and that it has no information to disclose. Its shares closed 8 percent higher, the biggest gain in two years, at HK$2.29.

A merger would combine China's biggest coal producer with one of its largest power generators to create a utility giant with about 1.66 trillion yuan ($241 billion) of assets. China Shenhua Energy Co., Shenhua's Hong Kong-listed company, lost 1.7 percent to HK$18.20. The city's benchmark Hang Seng Index dropped 0.4 percent.

"It's definitely good news for Datang, as it's one of China's big power generators, while Shenhua is one of the world's best coal companies in terms of both production and cost control," said Laban Yu, head of Asia oil and gas equities at Jefferies Group LLC in Hong Kong. "If the merger happens, Datang will basically take out coal price risks from operations, which would be a huge advantage."

**Strategic Fit**

The State-owned Assets Supervision and Administration Commission encouraged the discussions as the two businesses complement each other and a merger would be in line with China's supply-side reform policies, the people said. Sasac didn't respond to a fax seeking comment. A spokesman for Shenhua didn't respond to requests for comment.

A merger would build on President Xi Jinping's efforts to cut the nation's industrial overcapacity, accelerate the drive to overhaul its bloated state-owned sector and reduce its reliance on coal. China will speed up mergers and acquisitions of state-owned firms in coal, power, machinery and steel this year, Sasac vice-chairman Zhang Xiwu said in Beijing earlier this month.

"If successful, this may be a good model for China's coal and power industry reforms as a company with strong coal and coal-fired power assets could maintain reasonable profits in almost all circumstances," said Lin Boqiang, an adviser to the country's National Energy Administration and director of Xiamen University's China Center for Energy Economics Research.

**Coal, Power, Rail**

Shenhua's assets totaled 931.4 billion yuan in 2015, with Datang's totaling 729.5 billion yuan, according to their websites. Last year, Shenhua submitted a proposal to Sasac about merging with state-owned China General Nuclear Power Corp., Bloomberg reported in July. Both companies said they weren't in merger talks.

Other than coal, Beijing-based Shenhua owns power plants and railways. Datang, also based in Beijing, generates electricity in 31 provinces and municipalities in China, as well as in Myanmar, Cambodia and Laos.

Listed unit China Shenhua Energy this month posted its first profit growth in four years and issued a special dividend that sent share prices up by more than 20 percent. Datang International Power Generation swung to a 2.75 billion yuan loss for 2016 on higher coal costs.

Shenhua Group's power-generation capacity totaled 78.5 gigawatts in 2015, while China Datang had 127.2 gigawatts, according to their websites. A combined company would top power behemoth China Huaneng Group's 160.6 gigawatts. The country had 1.5 terawatts of power capacity in 2015.

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## Brazil Renews Five-Year Water Management Program for $43 Million

*Posted March 30, 2017, 8:50 A.M. ET*

*By Michael Kepp*

Brazil's National Water Agency (ANA) will provide all 27 states with an additional 135 million reais

($43.3 million) in funding to continue participating in National Water Management Consolidation Program (Progestao) for another five years.

"The program's disbursements have helped [states] organize water management data bases and to partially or, in a few cases, fully reach its targets," Flavia Simoes, a water resources specialist at the water agency told Bloomberg BNA March 29.

Since the program's launch in 2013, states have received just over 100 million reais ($32 million) to help them reach program targets such as creating an annual registry of water users of state rivers and aquifers, implementing a 2010 federal dam safety and safety and security law, and providing the regulatory agency with information on the water-quality conditions of rivers.

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