

**From:** POLITICO Pro Energy  
**To:** [megan\\_bloomgren@ios.doi.gov](mailto:megan_bloomgren@ios.doi.gov)  
**Subject:** Morning Energy, presented by ExxonMobil: Outdoor recreation industry at a crossroads — Methane CRA could resurface as soon as this week — Judges skeptical of EPA's RFS waiver authority  
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By Anthony Adragna | 04/25/2017 05:45 AM EDT

*With help from Eric Wolff and Darius Dixon*

**GETTING OUTSIDE GETS POLITICAL:** It's a big day for the outdoor recreation industry today as its trade group, the Outdoor Industry Association, releases its [annual economic report](#) at an 8 a.m. event featuring Interior Secretary Ryan Zinke and Rep. [Mike Simpson](#) at the National Press Club. The report finds the outdoor recreation economy fuels \$887 billion in consumer spending annually and generates \$65.3 billion for the federal government and \$59.2 billion in state and local tax revenue. It also calls on lawmakers to "protect America's lands and waters, the assets that are the foundation of the outdoor recreation economy" and to invest in outdoor recreation infrastructure.

**It's an interesting time for the sector,** particularly as President Donald Trump prepares to sign an executive order Wednesday directing Interior to review prior monument designations and to float options for legislative changes or modifications to the monuments, Pro's Esther Whieldon [reports](#). The Outdoor Industry Association earlier this year [announced](#) it would pull its twice-yearly trade show out of Salt Lake City after Republicans in that state refused to reconsider their push to persuade the Trump administration to rescind the Bears Ears National Monument designated by former President Barack Obama. So ME is curious what the dynamic between Zinke and the group will look like today.

**Speaking of public lands,** one senior GOP Senate aide told ME Monday that a Congressional Review Act challenge seeking to nullify a BLM rule aimed at curbing methane emissions on public lands might be brought up as soon as this week for a vote. Senate Majority Whip [John Cornyn](#) hedged when asked about timing, saying simply the challenge was "in the queue, but maybe not this week." But advocates were one vote short before the recess and it's not clear what's changed: Sens. [Heidi Heitkamp](#) and [Cory Gardner](#) remain publicly undecided. Green groups are taking no chances, with the Environmental Defense Fund launching new ads in Tennessee, Colorado, Nevada, Arizona, Ohio and around the Beltway urging senators to reject the resolution. A couple of ad buys in other states are expected but had yet to be finalized on Monday.

**MAJORITIES BACK PARIS, EPA FUNDING:** [Polling](#) out this morning finds strong majorities of Americans oppose Trump's plan to slash EPA's budget by 31 percent and potentially withdraw from the Paris climate change agreement, your ME host [reports](#). It also finds that 51 percent of people surveyed — and 54 percent of Republicans (!) — aren't buying one of the GOP's favorite talking points: That regulations aimed at addressing climate change cost American jobs. They say the rules have no impact on U.S. jobs.

**WELCOME TO TUESDAY!** I'm your host Anthony Adragna, and the Pebble Partnership's Peter Robinson was first to identify President William Howard Taft as the first to throw out the first pitch at a baseball game. For today: What was the first U.S. city to play host to the Olympics (way back in 1904)? Send your tips, energy gossip and comments to [aadragna@politico.com](mailto:aadragna@politico.com), or follow us on Twitter [@AnthonyAdragna](#), [@Morning\\_Energy](#) and

[@POLITICOPro.](#)

**New! Day Ahead:** POLITICO Pro's comprehensive rundown of the day's congressional schedule, including details on legislation, votes, as well as committee hearings and markups. Day Ahead arrives in your inbox each morning to prepare you for another busy day in Washington. [Sign up to receive Day Ahead.](#)

**JUDGES GIVE EPA THE SIDE EYE ON WAIVER AUTHORITY:** EPA got caught in a cross-fire of skepticism at the D.C. Circuit Monday over its use of general waiver authority to lower RFS volumes for 2016, Pro's Eric Wolff [reports](#). The RFS typically defies partisan allegiance, and Judges Brett Kavanaugh (appointed by George W. Bush) and Patricia Millett (appointed by Obama) both sounded doubtful over EPA's position that it had taken into account the full ethanol supply line when it said there wasn't enough "supply" of ethanol. "I don't see the statute as necessarily giving that grant of authority to EPA," said Kavanaugh. "It's a separation of powers issue — if it's screwed up, Congress can fix it."

**Could save Pruitt a choice:** EPA Administrator Scott Pruitt is even now engaged in deep meditation over where to set 2018 conventional biofuel volumes. If the judges say EPA was wrong in its use of waiver authority, he'll have little choice in the matter.

**50-50 on Point of Obligation?:** Samara Spence, the DOJ lawyer representing EPA, told judges that comments on the EPA's proposed denial of petitions to change which companies must comply with the program were "split 50-50." If that's accurate, it would blow up one of the arguments put forward by biofuel advocates and the American Petroleum Institute that most of the industry wants the status quo, and only a small minority is agitating for the change. Unfortunately, ME couldn't locate the stat in the written record (though we welcome help from sharper legal eyes!), and EPA declined to say if Spence had the right information. A DOJ spokesman also declined to comment, saying it was part of ongoing litigation.

**MAIL CALL: RFA WANTS EPA TO HIT CRUISE CONTROL ON RFS:** The Renewable Fuels Association sent Pruitt a [letter](#) Monday saying, "We respectfully ask that EPA ensures the 2018 RVO rulemaking process remains on schedule, and that the 2018 conventional renewable fuel volume requirement remains at the statutory level of 15 billion gallons."

**SHUTDOWN WATCH:** As congressional leaders and the White House seek to [stave off a government shutdown](#), four groups warned leaders in a [Monday letter](#) that allowing a funding lapse would have negative consequences for local economies dependent on public lands and the National Park system. "We also ask that a budget agreement be clean of environmentally damaging policy riders that would negatively impact our public lands and natural resources, and actually increase future management costs," the Coalition to Protect America's National Parks, Public Lands Foundation, Association of U.S. Fish and Wildlife Service Retirees and National Association of Forest Service Retirees wrote.

**PAUSED AGAIN:** In what's becoming a clear pattern, the D.C. Circuit on Monday paused a lawsuit over EPA's 2015 regulation, known as the "SSM SIP call," that required 36 states to rewrite part of their Clean Air Act implementation plans, Pro's Alex Guillén [reports](#). The agency must now file status reports every 90 days on its review of the regulation under the [court's order](#).

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manufacturing. We're playing our part. Our new projects along the Gulf Coast are expected to create more than 45,000 jobs right here at home. These are jobs natural gas is helping make happen, all while reducing America's emissions. Learn more at: [ExxonMobil.com](http://ExxonMobil.com) \*\*

**MNUCHIN DODGES:** Secretary of the Treasury Steven Mnuchin wouldn't directly respond Monday when asked if he favored staying in the Paris agreement. "We're having discussions on that, and that's where I'll go on that," he said at the White House daily press briefing.

**Going straight for the aide:** That comes as a manufacturers trade group sent [a letter](#) Monday directly to George David Banks, a special assistant to the president on international energy matters, urging him to back efforts to pull out of the agreement. "We are the ones who eventually bear the costs of government imposed GHG reduction schemes. At the same time, we are often already economically disadvantaged, as compared to global competitors who are subsidized or protected by their governments," the Industrial Energy Consumers of America said. Banks has [advocated](#) for sticking with the deal, albeit with reductions in the U.S. commitment to carbon reduction.

**GAS GURUS HUDDLE ON TAXES:** Eleven chief financial officers from leading natural gas utilities meet with House and Senate lawmakers on the Hill today about corporate tax reform. They'll argue for preserving deductibility of interest, retaining property tax deductions, maintaining a low tax rate for dividends and upholding parity in the tax treatment of dividends and capital gains, extending the ability to carry forward Net Operating Loss, and defining the treatment of excess deferred taxes.

**PERRY HITS MANHATTAN:** Energy Secretary Rick Perry delivers [keynote remarks](#) today at 11:45 a.m. at Bloomberg New Energy Finance's Future of Energy Global Summit. His appearance comes after remarks to the National Rural Electric Cooperative Association legislative conference Monday afternoon.

**ZINKE PICKS TWO:** Daniel Jorjani, a former general counsel to Freedom Partners, and James Cason, former Interior associate deputy secretary from 2001 through 2009, have been selected by Zinke to lead Interior's task force charged with cutting regulations, E&E News PM [reports](#).

**JUSTICE SETTLES WITH MOX CONTRACTOR FACED WITH FRAUD:** Georgia-based Energy & Process Corp. agreed to pay \$4.6 million to resolve a federal government lawsuit charging that the firm knowingly supplied defective materials for the Energy Department's MOX nuclear facility, the Justice Department [announced](#) Monday. The original lawsuit, filed by a former DOE contractor, alleged that "E&P failed to perform most of the necessary quality assurance measures, while falsely certifying that those requirements had been met" and that "one-third of the rebar supplied by E&P and used in the construction was found to be defective."

"This settlement recovers substantial losses caused by E&P's decision to cavalierly place its own profits above its commitment to adhere to important nuclear safety and quality control requirements," U.S. Attorney John Horn for the Northern District of Georgia said in a statement. The Justice Department got [involved](#) in September under the False Claims Act, which lets private citizens bring lawsuit on behalf of the government in these types of cases and get a share in any money recovered. The ex-contractor's share of the settlement hasn't been determined yet.

**HELLER BASHES SHIMKUS DRAFT BILL:** Sen. [Dean Heller](#) strongly criticized Rep. [John Shimkus](#)' draft nuclear waste storage [legislation](#), the subject of a hearing set for Wednesday, in a Monday [letter](#) and urged the House Energy and Commerce subcommittee chairman to work with him on a different approach. "I am highly concerned that your proposed legislation would not only significantly harm the state of Nevada but would infringe upon states' rights concerning air and water permitting authority," he wrote. "Our nation cannot fully move forward with viable sustainable solutions for spent nuclear fuel and defense high-level waste until Congress moves past Yucca Mountain."

**REPORT: WATER IS BIG BUSINESS:** Economic activity associated with the oceans and Great Lakes supported 3.1 million employees and \$352 billion in GDP, according to a [NOAA report](#) released Monday. Back in 2014, sector job growth outpaced the national average with 75,000 new jobs added, according to the report.

**MIXED MESSAGES FROM DUKE FRACKING STUDY:** New [research](#) from Duke University concludes fracking has not impacted West Virginia's groundwater, but spills of wastewater from the practice may threaten the state's surface water. "The bottom-line assessment is that groundwater is so far not being impacted, but surface water is more readily contaminated because of the frequency of spills," Avner Vengosh, a Duke professor on the study, said in a statement. Results of the peer-reviewed study were published in the European journal *Geochimica et Cosmochimica Acta*.

**GAO: TVA MUST COMMUNICATE DEBT REDUCTION PLANS BETTER:** TVA's unfunded pension liabilities have steadily increased over the past 10 years, and the federal electric utility must do a better job of communicating how it intends to meet its debt reduction goals, GAO said in [a report](#) released Monday.

**COLD WATER ON COAL RECOVERY?** The Center on Global Energy Policy at Columbia University is out with [a paper](#) today arguing Trump's efforts to roll back a host of Obama-era environmental regulations won't materially alter economic conditions in coal communities. The paper argues low natural gas prices are responsible for 49 percent of the domestic coal industry's decline, lower-than-expected electricity demand accounts for 26 percent and renewable energy growth is responsible for 18 percent. It also concludes "changes in the global coal market have played a far greater role in the collapse of the U.S. coal industry than is generally understood."

**MOVERS, SHAKERS:** Kristin Rudman has joined the Edison Electric Institute as a media relations manager; she was previously a producer at Fox Business.

**Jeremy Harrell** has joined ClearPath as its policy director as businessman Jay Faison's outlet further staffs up; he comes from Heller's office where he worked on energy, environmental and other policy matters.

**Christine Wyman** is joining Bracewell's policy resolution group as senior counsel. She was previously senior counsel at the American Gas Association (h/t POLITICO Influence).

**Chloe Maxmin**, a prominent youth climate activist, has joined the board of Friends of the Earth for its 2017-2020 term.

## QUICK HITS

- At least global warming may get Americans off the couch more. [The Associated Press](#).
- Investor pressure grows on Exxon Mobil over climate action. [Financial Times](#).
- Republican Cracks Emerge in Trump's Coal-Heavy Energy Plan. [Bloomberg](#).
- 2 men convicted on federal felony charges in Bundy standoff in Nevada; judge declares mistrial on some charges. [Los Angeles Times](#).
- Couple unswayed on pipeline as explosion anniversary nears. [Pittsburgh Tribune-Review](#).

## HAPPENING TODAY

8:00 a.m. — Outdoor Industry Association releases its "2017 Outdoor Recreation Economy Report," National Press Club, Holeman Lounge, 529 14th St. NW, 13th floor

9:30 a.m. — Electric co-op leaders discuss infrastructure priorities including rural broadband access, streamlined permitting, and more, contact: [Stephen.Bell@nreca.coop](mailto:Stephen.Bell@nreca.coop)

4:30 p.m. — Rep. Kevin Cramer and others host pen and pad discussion on future of the Paris agreement, 2325 Rayburn

## THAT'S ALL FOR ME!

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*To view online:*

<https://www.politicopro.com/tipsheets/morning-energy/2017/04/outdoor-recreation-industry-at-a-crossroads-022510>

## Stories from POLITICO Pro

### Trump to sign offshore drilling EO Friday, monument order Wednesday [Back](#)

By Esther Whieldon | 04/24/2017 04:55 PM EDT

President Donald Trump will sign an executive order Friday directing the Interior Department to review options for offshore oil and gas drilling, according to a source familiar with the situation.

It is one of several executive orders the president is planning to issue this week ahead of his 100th day in office Saturday. Trump will ask Interior to consider opening new areas of the Outer Continental Shelf for energy development. Obama in his last days in office blocked off large portions of the Chukchi Sea in the Arctic and dozens of underwater canyons off the East Coast from drilling.

Trump will initiate the offshore review two days after he signs an order Wednesday directing Interior Secretary Ryan Zinke to review past president's monument designations under the

Antiquities Act, the source said.

Republicans and others have criticized President Barack Obama's designations of more than two dozen monuments, most notably Bears Ears National Monument in Utah. Once an area becomes a national monument, it is largely off limits to drilling, fishing and mining and although presidents in the past have revised their predecessor's designations, none have fully revoked a monument.

The monument order will direct the Interior to review prior monument designations and float options for legislative changes or modifications to the monuments.

**WHAT'S NEXT:** It will probably take the Interior Department months to come up with offshore drilling and monuments plans in response to Trump's orders. Any concrete policy changes would likely require lengthy new rulemakings — or may need Congress to pass new legislation. And environmentalists would almost certainly sue to block any new offshore drilling or elimination of national monuments.

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## **POLITICO-Harvard poll: Majority opposes EPA cuts, Paris pullout** [Back](#)

By Anthony Adragna | 04/25/2017 05:00 AM EDT

A majority of Americans oppose President Donald Trump's plan to slash EPA's budget and the possible withdrawal from the Paris climate change agreement, but his agenda continues to get high marks from Republicans, according to a [new poll](#) released Tuesday from POLITICO and the Harvard T.H. School of Public Health finds.

Sixty percent of people surveyed, including 65 percent of Independents and 81 percent of Democrats, do not support Trump's proposed 31 percent funding cut to EPA. But 68 percent of Republicans are in favor of the reduction to the agency's coffers.

EPA Administrator Scott Pruitt has spoken repeatedly during his first months of returning the agency to its original mission, but the drastic proposed gutting of the agency's budget has received a cool reception from Democrats and Republicans on Capitol Hill. Signs of public discontent emerged during the two-week congressional recess as GOP lawmakers faced angry questions from citizens about whether they'd support the cuts to EPA.

Similarly, the Paris agreement, which has [divided members](#) of Trump's innermost circle, drew support from 62 percent of people, with 87 percent of Democrats and 61 percent of Independents in favor of the U.S. remaining in the landmark 2015 international agreement.

But those views were flipped among Republicans, with 56 percent backing the withdrawal from the deal, and just 39 percent saying the world's second largest emitter should stick with it.

That's in line with broader divisions inside the GOP about how to handle Paris. [Some coal companies](#) and former Trump energy adviser Rep. [Kevin Cramer](#) have suggested the U.S. stay in the agreement but ramp back the Obama administration's emissions reduction pledge. A final decision from the White House on Paris is expected by late May.

The polling also finds that the general public isn't buying one of the most common GOP



talking points: That regulations aimed at addressing climate change cost American jobs. A majority of voters surveyed (51 percent) think those sorts of rules have no impact on U.S. jobs.

In fact, 54 percent of Republicans said climate change regulations don't make much difference for employment, while just 31 percent said they cost jobs.

"This suggests that Republican support for cutting the EPA's budget is based on other issues beyond loss of U.S. jobs, and likely more about attitudes regarding government regulation more generally," the polling concluded.

The survey was conducted in two phases by telephone among 2,036 adults in late March and early April.

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### **Court could tie Pruitt's hands on biofuel waivers [Back](#)**

By Eric Wolff | 04/24/2017 04:57 PM EDT

A panel of federal judges appeared skeptical at a hearing today that EPA should have wide latitude in setting the volume requirements for biofuels under the Renewable Fuel Standard.

The case at the D.C. Circuit Court was brought by biofuels advocates challenging EPA's use of its general waiver authority to alter the volume requirements set out by Congress a decade ago, and it comes ahead of EPA Administrator Scott Pruitt's first [proposal](#) on how much biofuel refiners must blend into the fuel market in 2018.

The court also heard arguments about which companies should be obligated to comply with the RFS — a portion of the program that President Donald Trump's adviser and refinery owner Carl Icahn has sought to change — but the bulk of the discussion was devoted to the agency's previous use of the waiver to require less ethanol to be used in the U.S. in 2016 than is called for under the law.

Under the law, the general waiver authority is intended to be used only if the lack of supply would cause environmental or economic harm. Department of Justice lawyer Samara Spence said EPA had considered the entire supply chain for biofuels, from production to retail station. But two of the three judges, one Democratic appointee and one Republican, appeared unconvinced that EPA had that power to issue a waiver based on its analysis of the fuel market.

"I don't see the statute as necessarily giving that grant of authority to EPA," said Judge Brett Kavanaugh, an appointee of former President George W. Bush. "It's a separation of powers issue — if it's screwed up, Congress can fix it."

Americans for Clean Energy, an umbrella group for the biofuels industry that brought the challenge, argued that companies produced sufficient amounts of biofuel to meet the volumes set under the law. EPA did not dispute that, but argued instead that the definition of supply in the law included the ethanol distribution infrastructure, which the agency determined was not adequate to get the biofuel to market.

Judge Patricia Millett, an appointee of former President Barack Obama, said EPA's position

appeared at odds with Congress' intention to ramp up volume requirements as a way to force that distribution infrastructure to expand.

"I'm having a lot of trouble understanding how a glut of fuel turns into inadequate supply," she said. "The whole reason the statute exists is to force front-end creation. [EPA's reasoning] seems to be at war with the whole purpose of the program."

The Obama administration lifted the 2017 conventional biofuel volume mandate that applies to ethanol to 15 billion gallons, the level called for under the law. Pruitt won't need special authority if he sets the 2018 rule to the same volume, but if he seeks to lower it, he would need to rely on the general waiver. However, overall increases in the U.S. consumption of gasoline has made it more likely that Pruitt could keep the conventional biofuel requirement at the 15 billion gallon mark — the highest level set under the RFS.

Judge Janice Rogers Brown, the senior judge on the case and another Bush appointee, did not tip her hand on the issue.

Pruitt could also potentially find himself pulled into the controversy over which companies must act as the point of compliance for the law. Challengers led by Icahn's CVR Energy, Valero Energy and small retailers have proposed that the agency should address this question in every annual volume rule. In a separate proceeding, EPA proposed denying a petition to make the change, but it asked for comments on the decision. EPA is now reviewing those comments.

Millett was skeptical about the challengers' argument that the text of the law created an obligation for EPA to deal with the issue in every rule. But she sounded sympathetic to complaints that EPA could drag its heels in rendering a decision, and she pressed EPA on its position.

D.C. Circuit decisions often take months to emerge, making it likely that EPA could publish a volume proposal in the coming weeks before the Court's ruling.

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## **Decision time for GOP on Trump's wall and government shutdown [Back](#)**

By Burgess Everett | 04/24/2017 07:18 PM EDT

Republicans had been caught in one of their biggest dilemmas of the year: Whether to cross President Donald Trump and ignore his demand for border wall funding or join him and invite a government shutdown while the GOP controls all of Washington.

With four days before government funding expires, administration officials had stepped up their insistence that a must-pass spending bill include initial funding for his U.S.-Mexico border wall — surprising Republican leaders who had been quietly moving forward with Democrats on legislation without money for the wall.

But then Trump gave GOP lawmakers an escape hatch, telling conservative journalists at a White House reception Monday evening that he would be comfortable delaying a fight over the wall until September.

That will be welcome news to Senate Republican leaders, who met for nearly an hour on



Monday to go over their plight. They emerged "optimistic" about getting a deal with Democrats, said Sen. Roy Blunt (R-Mo.). And now, it might not require delivering Trump some bad news.

One Republican senator said Majority Leader Mitch McConnell of Kentucky has not indicated whether he supports Trump's request for wall money. But the senator, who would only speak anonymously, said the preference of most GOP leaders is to deliver Trump only border technology and staffing and leave the fight for "new money on a new wall for later."

"I think that's where we are," the senator said.

Still, the administration's hard-line position had received some rhetorical support on Capitol Hill. As they returned Monday from a two-week recess, Senate Republicans bashed Democrats for vowing not to vote for any bill funding the wall despite a number of Democratic senators who voted to authorize a border fence in 2006.

"They ought to quit playing games. They ought to provide for at least this down payment to continue completing work that they've already voted for," said Senate Majority Whip John Cornyn of Texas). "Seems to be kind of a no-brainer."

Replied Sen. Patty Murray of Washington, the No. 3 Senate Democrat: "We are not going to accept border wall money. We're just not."

Trump's previous insistence on funding for the wall, pushed by top administration officials over the weekend and reiterated Monday by White House press secretary Sean Spicer, had derailed bipartisan talks on a large spending package to fund the government through September.

Meanwhile, Republicans blamed Democrats for complicating negotiations by making new demands on providing permanent Obamacare subsidies for low-income people. The dispute may require Congress to pass a short-term funding bill to avoid a shutdown on Friday night; Blunt said that decision would be made by the end of Tuesday.

Democrats laid out a hard line against the border wall more than a month ago, placing Republicans in the uncomfortable political position of picking between a potentially disastrous shutdown fight or leaving Trump's priorities behind.

Senate Minority Leader Chuck Schumer of New York said Monday night that he had interpreted Trump's comments to conservative media outlets as "taking the wall off the table" in spending talks. "Now the bipartisan and bicameral negotiators can continue working on the outstanding issues," he said in a statement.

Even conservative Democrats were largely opposed to Trump's demands.

"If the president is able to get the Mexicans to pay for it, God bless him. I don't think it should be a high priority for us to pay for it right now with all the different demands we have," said Sen. Joe Manchin of West Virginia, perhaps the closest congressional Democrat to Trump.

Republicans had quietly signaled for weeks that they preferred to skirt a battle over the \$1.4 billion in requested wall funding — but Trump's tweetstorms about the wall and his emissaries' public statements had made it impossible to ignore.

"If the wall is not built, which it will be, the drug situation will NEVER be fixed the way it should be! [#BuildTheWall](#)," Trump tweeted on Monday, hours before he signaled new flexibility.

It's still not clear how hard congressional Republicans wanted to fight for wall funding, especially as lawmakers in both parties are willing to support more funding for border security that's not explicitly for a wall on the Mexican border. Such a move would allow both parties to save face but would still amount to a major letdown for Trump as he approaches his 100th day in office on Saturday.

"One way or the other, I assume there will be security dollars in the budget. The question is whether they are specifically for a wall or something else," said Sen. John Thune of South Dakota, the No. 3 Republican in the chamber. Asked whether he supports putting wall funding in the spending bill, he said: "If we could get that, then yeah."

Adding to the confusion is Trump's idea of cutting off the Obamacare subsidies if Democrats don't fund the border wall. About \$7 billion is needed to provide low-income people with insurance assistance; seeking leverage, Trump has suggested he could cut off the payments, which would cripple the 2010 health care law as well as the individual insurance market.

Some Democrats, particularly House Minority Leader Nancy Pelosi of California, are pushing for a concession from Republicans for a permanent fix on the subsidies, though Democrats are far more likely to receive a temporary patch given the GOP's opposition to propping up Obamacare. Democrats made Republicans an offer on the matter on Sunday, but a Democratic aide said Republicans have not responded.

And on Monday, some Republicans seemed more enamored with fighting for the border wall on the spending bill and leaving the Obamacare fight to a more comprehensive discussion about replacing the law. The House could vote in the coming days on a repeal-and-replace bill.

The wall is "part of the president's priority, and we're talking about .14 percent of discretionary spending," said Sen. Steve Daines (R-Mont.). The Obamacare subsidies, he said, should be "resolved, frankly, in the overall repeal-and-replace" discussion.

Given the state of negotiations and high political stakes, some Republican allies are hoping that Congress will punt the budget fight to the fall and regroup.

Tim Phillips, president of the conservative Americans for Prosperity, said his organization wants House Speaker Paul Ryan of Wisconsin and McConnell to drop negotiations with Democrats on a larger deal and pass a "continuing resolution" to fund the government at current spending levels through the end of September. He fears that if Democrats and Republicans resolve their differences, the end result will be increased spending rather than the fiscal restraint long vowed by the GOP.

"We want a clean CR that sticks to the discretionary spending caps that too often in the past have been ignored," Phillips said. "We're not for a shutdown."

*Josh Dawsey, Seung Min Kim, John Bresnahan, Rachael Bade and Heather Caygle contributed to this report.*

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## Court pauses suit over EPA air regulation [Back](#)

By Alex Guillén | 04/24/2017 05:41 PM EDT

The D.C. Circuit Court of Appeals today granted EPA's request to pause a lawsuit over the agency's 2015 order that required 36 states to rewrite part of their Clean Air Act implementation plans.

EPA [last week asked](#) to put the case on hold and postpone oral arguments, which had been scheduled for May 8. The regulation, known as the "SSM SIP call," meant states had to remove any language in their plans that shielded sources like power plants from lawsuits over excess pollution emitted during periods of startup, shutdown or malfunction.

In a [brief order](#), the three-judge panel paused the case and directed EPA to file status reports every 90 days on the agency's review of the regulation. The order was issued by Chief Judge Merrick Garland, a Clinton appointee, and Judges Patricia Millett and Robert Wilkins, both Obama appointees.

EPA has successfully gotten federal courts to pause other lawsuits on the 2015 ozone standard, a regulation limiting toxic wastewater discharges from coal plants and a rule regarding ozone-harming refrigerants. The agency has also asked judges to pause other cases involving the Clean Power Plan, the mercury rule and truck emissions.

**WHAT'S NEXT:** EPA will review the SSM SIP call regulation and must regularly update the court on its progress.

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## Draft doc shows tension between Trump, allies over fossil fuels [Back](#)

By Andrew Restuccia | 04/11/2017 06:59 PM EDT

President Donald Trump's abrupt turnaround on U.S. climate policy is fueling tension with several of America's closest allies, which are resisting the administration's demands that they support a bigger role for nuclear power and fossil fuels in the world's energy supply.

The dispute blew up at this week's meeting of G-7 energy ministers, where Trump administration officials pushed to include stronger pro-coal, pro-nuclear language in a proposed joint statement on energy policy. The fight had been simmering behind the scenes for weeks as the White House, Energy Department and State Department clashed with negotiators from other G-7 countries over the statement, according to an internal document obtained by POLITICO and interviews with diplomats.

After a tense back-and-forth at the meeting in Rome on Monday, the G-7 energy ministers — which included representatives from Canada, Great Britain and several European Union countries — wound up scuttling the statement altogether.

The feud comes as Trump, who often touts his "America first" approach to foreign policy, is considering whether to pull the United States out of the climate change accord that the Obama administration and leaders of nearly 200 other nations negotiated in Paris in 2015. Some Trump advisers have suggested that he should [remain](#) in the deal — but in return, should demand [concessions](#) to aid the fossil fuel sector.

G-7 officials, led by the Europeans, refused to agree to stronger language touting fossil fuels without assurances from the United States that it would stay in the Paris climate change agreement, according to officials briefed on the discussions.

The U.S. emphasis on coal "was seen as an issue for all of us," one G-7 country negotiator told POLITICO, noting that Canada, Europe and Japan all expressed frustration about the Trump administration's position. The United States' refusal to discuss or mention the Paris agreement in the joint statement was EU's "biggest" red line during the meeting, the negotiator added.

The meeting underscored the increasingly wide gulf between the Trump administration and its allies over climate change. The leaders of the other G-7 nations have all called for a shift away from fossil fuels and toward renewable energy. Meanwhile, Trump has dismissed climate change as a Chinese hoax and sought to revive the ailing U.S. coal industry.

The draft joint statement obtained by POLITICO, which is dated March 31 and is labeled as a "second draft," provides an unfiltered look at the Trump administration's energy policy priorities.

In one instance, the U.S. rewrote the part of the statement to stress that fossil fuels "including coal and natural gas will remain part of the global energy mix for the foreseeable future," striking vaguer language from an earlier draft that said countries would rely on fossil fuels for "some time, as countries progressively reduce greenhouse gas emissions of their energy system."

In another section, the U.S. added a mention of fossil fuels and nuclear power to a line calling on countries to "work together on policies to deploy clean, reliable and affordable energy."

The U.S. also proposed completely eliminating a line stating that since renewable energy will help cut carbon dioxide emissions, the G-7 nations would "take the lead in tackling the challenges of electricity systems with high shares of variable renewable energy and in addressing the resilience of the electricity system" as the energy industry transitions to cleaner sources.

And U.S. officials added a section promoting nuclear power that reads in part, "We note the importance of civil nuclear energy for providing reliable and clean baseload energy."

While the U.S. appeared to back language calling for phasing out "inefficient fossil fuel subsidies that lead to wasteful consumption" over the medium term, it proposed striking a line calling on G-7 countries to "increase efforts to phase them out by 2025."

Ultimately, the Trump administration's demands proved too difficult to overcome, and the G-7 nations scuttled the joint statement. Carlo Calenda, Italy's economic development minister and the chair of the summit, instead released a written summary of the meeting, which noted that the delegation heads of every country but the United States reaffirmed their commitment to the Paris deal.

Energy Secretary Rick Perry, who led the U.S. delegation to the meeting, said the Trump administration "is in the process of reviewing many of its policies and reserves its position on this issue," according to the summary.

It's not the first time the U.S. has been the odd country out in an international meeting since

Trump took over. During a March G-20 meeting of finance ministers in Germany, Treasury Secretary Steven Mnuchin pushed for the removal of language calling on countries to help finance efforts to tackle climate change.

In the run-up to the G-7 meeting, Trump administration officials had asked foreign officials not to pack the joint statement with mentions of renewable energy and climate change, noting that they wouldn't be able to sign off on the text because the White House was still weighing its stance on the Paris deal, according to people familiar with the deliberations.

But sure enough, early drafts of the joint statement included frequent mentions of climate change. And U.S. officials sought to revise the drafts, sparking a fierce round of edits between representatives of the G-7 nations ahead of this week's meeting. One diplomat who worked on the text called it a "slow and complicated process."

At one point during the gathering, tempers flared so high that a European official accused a U.S. official of trying to "internationalize" the Trump administration's focus on fossil fuels, according to one person briefed on the exchange.

Indeed, Trump administration officials have adopted the president's "America first" approach in making the case to industry lobbyists that remaining in the Paris agreement is the [best choice](#) for the country, arguing it gives the U.S. [leverage](#) to win broader support for technologies to slash emissions from fossil fuels.

During a recent meeting on the Paris agreement, George David Banks, a top White House international energy adviser, pointed to a map of the United States in his office and said, "That's the only thing that matters to me," according to an industry official who attended.

Banks, an advocate of staying in the Paris deal, has been meeting with industry officials for weeks to discuss their views on the agreement. The meetings have had some success: Several coal companies recently [endorsed](#) remaining in the pact.

But it remains to be seen whether Trump will ultimately decide to keep the U.S. in the agreement. Steve Bannon, Trump's chief strategist, is said to be opposed to remaining in the deal, while the president's daughter Ivanka and his son-in-law Jared Kushner are said to be supportive of staying.

White House press secretary Sean Spicer has said Trump will make a final decision by late May when he and other world leaders will travel to Italy for a G-7 summit.

Asked for comment, a White House official said Trump "has emphasized the value of the U.S. energy sector as a strategic tool in U.S. foreign policy." The official added: "All U.S. energy resources and technologies, including coal and nuclear, should play an important role in achieving universal access to affordable and reliable energy."

*Kalina Oroschakoff contributed to this story.*

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