

The American Energy Alliance
1155 15th Street NW, Suite 900
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February 1, 2022

The Honorable Sherrod Brown
Chairman

The Honorable Patrick Toomey
Ranking Member

Senate Committee on Banking, Housing, and Urban Affairs
534 Dirksen Senate Building
Washington, DC 20510

Dear Chairman Brown and Ranking Member Toomey,

As public policy groups who fight for free markets, sound science, and affordable energy, we write in opposition to the nomination of Sarah Bloom Raskin as Vice Chair for Supervision at the Federal Reserve. With inflation at the highest level in years, it seems like a particularly poor time for the Federal Reserve Board of Governors to be distracted from its primary mission and take on a dubious authority more suited to a centrally-planned economy than that of the central bank in the world's largest market economy. The nomination of Sarah Bloom Raskin threatens just that.

Ms. Raskin endorses using the powers of the Federal Reserve outside of its statutorily-defined role. Anyone confirmed by the Senate should be committed to executing the law, rather than to pursuing a personal vendetta against certain types of energy.

Currently, 79 percent of primary energy consumption in the United States comes from natural gas, oil, and coal.¹ Ms. Raskin would have the Federal Reserve discriminate against these sources of energy—condemning America and the rest of the world to higher energy prices and greater dependence on Russia, OPEC, and China.

In May 2020, Ms. Raskin wrote, “The Fed is ignoring clear warning signs about the economic repercussions of the impending climate crisis by taking action that will lead to increases in greenhouse gas emissions at a time when even in the short term, fossil fuels are a terrible investment.”² The world is currently experiencing high energy prices and economic repercussions precisely because of thinking similar to that of Ms. Raskin. Oil and natural gas production is a capital-intensive business and currently it is considered “unwoke” by some in the finance world to fund these businesses. As the pandemic wanes and economic growth increases, we are seeing increasing demand, but supply is not increasing as rapidly—leading to the highest global oil prices in more than seven years.

¹ See Energy Information Administration, *Monthly Energy Review December 2021*, Table 1.1. https://www.eia.gov/totalenergy/data/monthly/pdf/sec1_3.pdf

² Sarah Bloom Raskin, *Why Is the Fed Spending So Much Money on a Dying Industry?*, New York Times, May 28, 2020.

Ms. Raskin was incorrect when she stated in May 2020 that “even in the short term, fossil fuels are a terrible investment.” The stock prices of many oil companies have doubled since then. The stock price of Peabody Energy, the largest private coal company in the world, has tripled since then. Generally, fossil fuels have become a great investment in the brief time period since Ms. Raskin claimed they were a terrible investment.

Ms. Raskin’s terrible investment advice is one reason why the Federal Reserve should not be in the business of trying to pick winner and loser industries. The Federal Reserve Act did not charge the Federal Reserve with trying to pick winners and losers and there is no reason to believe it would choose wisely.

As noted above, nearly 80 percent of America’s energy currently comes from natural gas, oil, and coal. Precipitous action to end financing for these industries would have dire economic consequences such as we are currently seeing in Europe. In Europe, natural gas prices have recently been eight times as high as here in the United States, and more and more energy-intensive industries are halting production. For example, Alcoa recently announced it is halting primary aluminum production in Spain for two years because of high energy prices.³ The halting of industrial activity in the United States is exactly the type of action that would occur if Ms. Raskin’s advice is followed to deny funding to natural gas, oil, and coal companies.

We urge President Biden to withdraw the nomination of Ms. Raskin, and if he does not do so, we urge the committee to vote against her confirmation. Congress has charged the Federal Reserve with maintaining a stable environment for the effective operation of the financial system, but this is very different from actually directing the flow of capital as Ms. Raskin would like to do. Ms. Raskin’s confirmation would be a recipe for financial instability.

Sincerely,

Thomas J. Pyle
President
American Energy Alliance



Myron Ebell
Director, Center for Energy and Environment
Competitive Enterprise Institute



John Berlau
Senior Fellow and Director of Finance Policy
Competitive Enterprise Institute

³ Nathan Allen, *Alcoa to halt primary aluminum production in Spain for two years*, Nasdaq, Dec. 29, 2021, <https://www.nasdaq.com/articles/alcoa-to-halt-primary-aluminium-production-in-spain-for-two-years>