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THE SURGE

BY THE COMPETITIVE ENTERPRISE INSTITUTE

Welcome to the latest edition of The Surge!

- Conservatives and free-market organizations make it perfectly clear: the PROVE IT Act will mean new taxes, higher prices, and the government punishing energy use.
- The Securities and Exchange Commission announced that the New York Stock Exchange has withdrawn its controversial "Natural Asset Companies" proposal.
- How does one-third the CO2 emissions cause three times the climate damage?
- This winter, Americans face serious risks with the electricity grid.

These are just some of the issues covered below. Please let others know about The Surge and they can subscribe here.

Best,

CEI's Energy and Environment Team

SPECIAL FOCUS: CARBON TARIFFS

Some legislators, including a handful of Republicans, continue to push carbon tariffs. The PROVE IT Act (S. 1863) is legislation that would require the Department of Energy to measure the carbon intensity of both domestic and international goods. This information would be disseminated through regular studies and a public database that would have to be updated at least every five years.

On January 18, the Senate Environment and Public Works Committee voted to advance the legislation out of committee by a vote of 14 to 5.

Far from some benign information-gathering endeavor, this legislation would create the complex administrative framework necessary to impose taxes on imported goods and a domestic carbon tax.

This Special Focus section features two articles on carbon tariffs and the PROVE IT Act.

CEI Leads Major Coalition Effort Opposing Carbon Tariffs and the PROVE IT Act

A coalition of over 40 free-market oriented and conservative organizations, led by CEI, sent a coalition letter to Congress opposing carbon tariffs and the PROVE IT Act. The following is an excerpt from the letter.

> It is shocking that legislators would contemplate advancing policy that would increase taxes, drive up prices for American families, harm workers and those on fixed incomes, and punish energy use.
>
> Yet this is precisely what a carbon tariff does. A carbon tariff is two taxes in one. First, a carbon tariff is a tax on imported goods, borne by American consumers, workers, and businesses. Once the structure for imposing a carbon tariff has been established, it can then be used to impose a domestic carbon tax.
> To think that the government would develop the administrative infrastructure to impose a domestic carbon tax without following through is naïve, at best. If the United States were to impose a tax on imports based on their carbon intensity, then there would be an expectation that domestic goods would be subjected to a comparable tax-based scheme. In fact, a domestic carbon tax might be required to meet international trade obligations.
>
> The PROVE IT Act is not a benign government measurement scheme that will exist for knowledge purposes. It would create a detailed carbon-emissions measuring system for *domestic* and foreign goods, putting into place exactly what is needed to implement a carbon tariff *and* a domestic carbon tax…
>
> Maybe even worse than the imposition of all these new taxes is the purpose of the taxes. They are taxes to punish energy use. Since more than 80 percent of the world's energy comes from coal, natural gas, and oil, which produce carbon dioxide emissions, a carbon tariff is a tax on the energy that makes modern life possible.
>
> It would make medical care, housing, communications, food, and transportation less affordable, especially for people who already struggle to pay their bills. It would have a disproportionate impact on the poor and hurt those on fixed incomes, the elderly, and local institutions like hospitals, libraries, and schools.
>
> The PROVE IT Act and carbon tariffs are not just bad policy, but bad politics.

> After all, supporting new taxes and opposing affordable and reliable energy is a toxic concoction.

What Conservatives and Free-Market Experts are Saying About Carbon Tariffs

The coalition letter, with over 40 conservative and free-market organizations, makes one thing perfectly clear: conservatives oppose carbon tariffs. Here are just some recent articles of interest:

- Senate Opens Door to Massive Carbon Tax Despite Critical Economic Concerns, Diana Furchtgott-Roth, The Daily Signal
- Cramer-Coons-Whitehouse "PROVE IT Act" Proponents Are DC's Biggest Pushers of Carbon Taxes, Americans for Tax Reform
- AEA Joins Broad Coalition Urging Senators to Reject the PROVE IT Act, American Energy Alliance
- Statement for the Record: PROVE IT Act,Travis Fisher and Gabriella Beaumont-Smith, Cato Institute

TOP OF THE AGENDA

New York Stock Exchange Withdraws "Natural Asset Companies" Rule Change

On January 17, the New York Stock Exchange (NYSE) withdrew its proposal "to amend the NYSE Listed Company Manual to adopt a new listing standard for the listing of Natural Asset Companies ("NAC")."

Comments on the Securities and Exchange Commission's order to determine whether to approve or disapprove the NYSE's proposed change were due on January 18. Therefore, given that the withdrawal was last minute, plenty of experts developed comments on the proposal. CEI's Stone Washington in his comment stated:

> While the NYSE is seeking "to permit the listing of common equity securities of Natural Asset Companies" as the proposal suggests, it also seeks to create a new corporate enterprise out of thin air…
> When a corporation seeks to be listed, the NYSE must first assess a host of factors that qualify a corporation for public entry. Given that NACs do not exist, it is impossible for them to meet even the most basic requirements. Amending the Manual to accommodate non-existent and fictional firms is inappropriate, since it is akin to "putting the cart before the horse."

CEI's James Broughel argued in his comment:

> The problems I previously flagged with OMB's ecosystem services guidance are highly relevant to the SEC's current proposal. The OMB guidance aims to assist

> regulatory analysts with monetizing, i.e., assigning dollar values to, unpriced natural assets. That methodology draws heavily from the UN System of Environmental Economic Accounting framework (SEEA). Similarly, the proposed EPRs [Ecological Performance Reports] would also rely on the SEEA approach to place values on nonfinancial natural assets not traded in markets. This raises comparable concerns about conflating priced and unpriced assets, introducing various forms of bias into reporting, and consequently misallocating resources across society.
>
> The SEEA approach is, to put it bluntly, pseudoscience. It is to economics what astrology is to astronomy.

There are many comments worth reading, including a state attorneys general comment.

While it is great news that the NYSE withdrew its proposal, NACs are an issue that could come up again soon and will need to be closely monitored.

IN THE SPOTLIGHT

A Dishwasher Decision That Is Great News For Consumers

CEI General Counsel Dan Greenberg has a new op-ed discussing an important victory for consumer freedom:

> A recent court ruling set new limits on the power of federal bureaucrats to impose unwanted mandates on consumer appliances.
>
> In a Jan. 8 decision, the Fifth Circuit Court of Appeals found that Department of Energy regulators had failed to consider whether their regulations aimed at saving energy would actually work — and, specifically, how people would respond to federal mandates that make it harder for dishwashers to do their job…
>
> Perhaps most significantly, the court found that the regulators had taken such an expansive view of their own authority that the Department of Energy may have been improperly regulating other consumer appliances for decades.

Reliability Is A Concern For Much Of The United States This Winter

The North American Electric Reliability Corporation's (NERC) latest annual Winter Reliability Assessment sheds light on the vulnerabilities of the electrical grid across North America in the face of extreme winter weather.

NERC deems that "a large portion of the North American BPS [Bulk Power System] is at risk of insufficient electricity supplies during peak winter conditions."

The areas at elevated risk include most of the central portion of the U.S., most of the

Northeast and parts of the South, as well as parts of Canada.

Reliable electric grids are always important, but in the winter the stakes are even higher. This NERC report serves as a stark reminder that policymakers have failed to prioritize reliability in favor of energy transition aims.

Virginia Senate Democrats Block Repeal Of EV Mandate

Democrats on a Virginia state Senate committee voted down Republican attempts to roll back the state's vehicle emissions law on Tuesday. The law, passed in 2021, will phase in a requirement that all new cars, pickup trucks, and SUVs offered for sale be zero emissions vehicles by 2035. This mandate, commonly referred to as an electric vehicle (EV) mandate, would prohibit the sale of new gas-powered cars.

Several repeal bills that are still alive in the Virginia House of Delegates could protect consumers' freedom to buy new gas-powered vehicles in the state, but it's unclear if they are likely to pass.

At the federal level, the House of Representatives in September passed H.R. 1435, the "Preserving Choice in Vehicle Purchases Act," by a bipartisan vote of 222-190. The legislation would prevent the Environmental Protection Agency (EPA) from granting waivers to states that directly or indirectly limit the sale or use of new vehicles with internal combustion engines.

It's clear that at the state and federal levels, lawmakers need to take action to protect against this attack on freedom and ensure that gas-powered cars are available to the American public.

How Does One-Third the CO2 Emissions Cause Three Times the Climate Damage?

The Environmental Protection Agency (EPA) published revised estimates of the social cost of carbon dioxide, methane, and nitrous oxide — the three main greenhouse gasses emitted by industrial civilization. The EPA's new estimates of the social cost of carbon dioxide (SC-CO2) are not only higher than those published by the U.S. government less than three years ago, but also weirder.

In a nutshell, the EPA's new report estimates about three times as much societal damage from each ton of CO2 emissions than the government's previous analysis. Yet the EPA also projects less than one-third the total quantity of CO2 emissions during the 300-year (2000–2300) analysis period.

A basic idea in analyses of the social cost of greenhouse gasses (SC-GHG) is that the damage from the next ton of emissions depends entirely on the cumulative quantity of tons projected in the baseline. To infer dramatically higher per-ton social costs from dramatically smaller quantities of total emissions is quite paradoxical. Far from explicating this less-is-more paradox, the EPA's 170-page report does not even acknowledge it.

Nuclear Phaseouts Strike Again

While there has been some good news in the US recently on nuclear power issues, including a partial removal of the Illinois nuclear ban, the same cannot be said of Spain, where the future for nuclear is looking bleak.

On December 26, the Council of Ministers (the main decision-making body of the Spanish government), approved the Seventh General Plan for Radioactive Waste. This plan contained the final schedule for the decommissioning process of the country's reactors. The first closure will occur in 2027, with the final closure slated for 2035. Closing nuclear plants and attempting to replace them with wind, solar, and storage is no way to run a grid, as Germany recently showed the world.

Spain must either maintain (and possibly expand) its electrical output or commit to a lower quality of life for its citizens. Spanish electricity consumption is expected to grow slightly in the coming years. Closing its nuclear power plants will result in rising prices, increased grid vulnerability, and the risk of blackouts.

FEATURING OUR FRIENDS

Global Disaster Losses: 1990-2023 An Update That May Surprise You, Roger Pielke Jr., Substack.

New Report Highlights Green Failure in Europe and Warns America, Rick Whitbeck, Real Clear Energy.

Global Warming: Observations vs. Climate Models, Roy Spencer, The Heritage Foundation.

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