October 27, 2023

THE SURGE

BY THE COMPETITIVE ENTERPRISE INSTITUTE

Welcome to the latest edition of The Surge!

- Should the Biden Administration have a climate change slush fund?
- What is the true cost of electric vehicles?
- Should China be considered a developing country in connection with international environmental obligations?

These are just some of the issues covered below. We hope you enjoy The Surge!

Best,

CEI's Energy and Environment Team

TOP OF THE AGENDA

Blocking the Biden Climate Change Slush Fund

Overview of the Issue. The Biden administration is using what has become a U.S. Department of Agriculture (USDA) slush fund to spend billions of dollars to push its climate agenda. Regardless of how the money is spent, no administration should have a slush fund to spend money on programs that have never been specifically authorized by Congress.

Key Background. There is an annual $30 billion funding mechanism called the Commodity Credit Corporation (CCC) that funds most farm bill programs. This $30 billion usually far exceeds what is required for the authorized programs. The Agriculture Secretary has very broad discretion to use the remaining balance, usually around $15 billion a year for almost anything he wants.

In general, past administrations had not used this discretionary spending authority. This started to change some in the Obama administration and it really got out of control when the Trump administration used it to spend $16 billion in one year for trade aid to help farmers deal with retaliatory tariffs. This set a bad terrible precedent and the genie was let out of the bottle. Critics of this move pointed out that future administrations could try to use this slush fund for purposes like climate change.

Well, here we are and that's exactly what the Biden administration is doing. It has spent $3.1 billion on a program created completely out of whole cloth, called Partnerships for Climate Smart Commodities. It has also just announced it is using the slush fund to spend over $2 billion for trade promotion and global hunger.

Solutions. Congress should stop the use of this discretionary spending. This would help to stop the Biden administration from using it as a climate change slush fund and more importantly, it would stop any administration from spending money to create programs that should be created by Congress.

The House agriculture spending bill (H.R. 4368) includes language to help put a stop to this USDA slush fund.

In July, Sens. Chuck Grassley, (R-IA.) Roger Marshall (R-Kan.) and Mike Braun (R-Ind.) introduced a bill, the "U.S. Department of Agriculture Spending Accountability Act" (S. 2244). The bill would require Congress to specifically authorize the use of the CCC.

CEI MAKING ITS CASE

CEI's Daren Bakst Participates in ACC and Federalist Society Debate/Panel on WOTUS

At a recent event hosted by the American Conservation Coalition and the Federalist Society, CEI's Daren Bakst made the case that the U.S. Supreme Court got it right in *Sackett v. EPA* and the federal government needs to stop undermining private property rights by trying to regulate every water imaginable.

To view the event, click here.

IN THE SPOTLIGHT

U.S. to Import More Oil From Venezuela, While Biden Administration Blocks Domestic Energy Projects

As the Biden administration restricts domestic oil and gas leases sales, the administration has just suspended certain sanctions on Venezuela's oil and gas operations.

Sens. John Barrasso (R-WY) and Joe Manchin (D-WV) pointed out the paradox of the United States looking to unfriendly countries to increase oil and gas supplies while the Biden administration is simultaneously blocking domestic efforts to tap the nation's own supplies. And the administration has the audacity to boast about its war on domestic oil and gas, as it did recently regarding the cancellation of oil and gas lease sales.

The federal government should instead be removing obstacles to domestic energy production and unlocking America's energy potential. This would help ease prices and reduce the likelihood of having to be dependent in any way on unfriendly countries.

Will Climate Change Policies Ground Air Travel?

Air travel is likely to continue increasing in the decades ahead, particularly among citizens of poorer nations where air travel had long been out of reach for most. But there are potential headwinds in the form of climate policies that prioritize reducing aircraft emissions over affordability.

In an article for Human Progress, CEI's Ben Lieberman points out:

> [M]ore than a few climate change hardliners have admitted that greatly curtailing air travel is the only acceptable goal. Preserving the mobility gains of the less fortunate is not of concern to them, and in fact, developing nations come up only in the context of the perceived need to shield the poor from the damage done by flying. Others are questioning the morality of building more airports, which of course would disproportionately hamper nations that do not yet have adequate aviation infrastructure.

Why is China Considered a Developing Country Under the Montreal Protocol?

The 35th meeting of the parties to the Montreal Protocol on Substances that Deplete the Ozone Layer is taking place in Nairobi, Kenya, with potential implications for consumers and international relations. In 2016, the Kigali Amendment was added to the Montreal Protocol to phase down hydrofluorocarbons (HFCs).

The UN treaty has exceptions for developing nations, which are treated far more leniently. These countries are subject to a much slower phasedown of HFC production and thus can continue to use them long after the U.S. and other developed nations will have to move on to costlier substitutes.

Shockingly, China is still classified by the UN as a developing nation, based on its status when the Montreal Protocol was created in 1987. This gives Chinese manufacturers a big advantage under Kigali as compared to their American and other developed-world counterparts. Thanks to the disparate treatment, Chinese manufacturers can continue using HFCs in manufacturing processes for years after their competitors in the developed world will have to undertake a costly transition to new equipment relying on substitutes for HFCs.

Adding insult to injury, China can use its developing nation status to apply to the UN for foreign aid to help it in meeting its requirements under the Kigali Amendment. Fortunately, during the Senate debate in 2022 over ratification of the Kigali Amendment, Sens. Mike Lee (R-Utah) and Dan Sullivan (R-AK) introduced an amendment to it requiring the State Department to formally request that the UN change China's status from developing to developed country. The amendment passed unanimously.

This formal request to change China's status is now on the agenda at the current meeting in Nairobi. Not surprisingly, China is strongly opposing it.

Pope's Letter on Climate Change Misses the Mark

Pope Francis has made it clear that climate change is a central issue during his papacy. He released his Apostolic Exhortation, Laudate Deum, on the feast day of Saint Francis of Assisi, emphasizing environmental justice and the need to combat rising global temperatures and extreme weather events. Unfortunately, the Pope assigns a large amount of blame to the United States and endorses dubious climate predictions while overlooking other issues like materialism and the potential consequences of limiting fossil fuels and nuclear energy.

CEI's Patricia Patnode argues in a new piece:

> Is it a petty interest to want consistent and reliable electricity, especially when we have an overabundance of resources to keep the lights on? In 2023, with all of our global wealth and energy generation

choices, darkness is not a penance anyone should be forced to pay, especially due to government folly.

FEATURING OUR FRIENDS

TPPF Study: "Overcharged Expectations: Unmasking the True Costs of Electric Vehicles"

The Texas Public Policy Foundation (TPPF) released a new study entitled *Overcharged Expectations: Unmasking the True Costs of Electric Vehicles* to analyze how regulatory credits, hidden costs, and subsidies disguise the real cost of electric vehicles (EVs).

Here are some key findings as listed by TPPF:

- The cost of producing electric vehicles (EVs) is far higher than the prices they are being sold for. Nearly $22 billion in federal and state subsidies and regulatory credits suppressed the retail price of EVs in 2021 by an average of almost $50,000.
- EVs receive nearly seven times more credits under federal fuel efficiency programs than they provide in actual fuel economy benefits.
- Regulatory credits with bonus EV multipliers from federal fuel efficiency and greenhouse gas emissions standards and state EV sales mandates provide an average of $27,881 in benefits per vehicle for producers of EVs.
- Direct state and federal subsidies for EVs average $8,984 per vehicle over 10 years.
- Home and public charging stations used by EVs put a significant strain on the electric grid, resulting in an average of $11,833 in socialized costs per EV over 10 years, which are shouldered by utility ratepayers and taxpayers.

More From Our Friends

Review of Proposed Minimum Efficiency Standards for "Consumer Boilers" (Mark Krebs, MasterResource)

California Regulations Increase the Cost of a Truck by 1/3, Even Before the All-Electric Mandate (Institute for Energy Research)

The Inflation Reduction Act Could Turn Electricity Markets into Subsidy Clearinghouses (Travis Fisher, Cato Institute)

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