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THE SURGE

BY THE COMPETITIVE ENTERPRISE INSTITUTE

Welcome to the latest edition of The Surge!

- Coalition leads fight against Clean Power Plan 2.0
- What are experts saying about the PROVE IT Act?
- Has ESG gone guerilla warfare?
- Yet another Biden gimmick to reduce gas prices
- Wind subsidies are increasing, but wind power production isn't
- The scandalous science behind nuclear regulation you need to know about

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

R.J. Smith – In Memoriam

Robert James "R.J." Smith, whose passion for environmental conservation and free-market economics helped spawn a movement known as "free-market environmentalism," passed away April 8, 2024, at George Washington University Hospital due to complications from a stroke. An author, lecturer, and former student of renowned Austrian economist Ludwig von Mises, R.J. touched the lives of thousands around the globe as a stalwart promoter of private approaches to environmental protection and conservation.

TOP OF THE AGENDA

CEI Leads Coalition Urging Congress to Stop EPA's Power Plant Rule

The Competitive Enterprise Institute today led a coalition letter to Congress in support of an effort to undo the EPA's power plant rule, which was published this month and set to go into effect in July. The letter, signed by over 40 free-market-oriented and conservative organizations, argues that the rule will undermine energy affordability and reliability and that the EPA lacks authority from Congress to impose such a rule.

Sen. Shelley Moore Capito (R-WV) and Rep. Troy Balderson (R-OH) are expected to introduce Congressional Review Act resolutions of disapproval to overturn the EPA rule.

"The Environmental Protection Agency's recently finalized power plant rule will kill America's existing supply of baseload generation from coal," the letter explains. "At the same time, the rule will deter investment in new baseload generation from natural gas. That means the rule will drive up consumer energy costs, impair grid reliability, and chill economic growth. The rule is also an unlawful power grab that defies the Supreme Court's decision in West Virginia v. EPA."

The rule requires coal power plants that intend to operate after 2039 to install by January 1, 2032 equipment capable of capturing 90 percent of carbon dioxide emissions, despite the fact that the technology so far has proven limited in scope, dependent on tax subsidies, and plagued with technical difficulties.

In West Virginia v. EPA, the Supreme Court made it clear that the Clean Air Act "does not authorize the EPA to act as the nation's grid manager or resolve the national debate on climate policy with respect to a fundamental industrial sector," the letter states. "If Congress wanted the agency to possess such authority, it would have said so in clear terms. Congress has not done so, yet the EPA is still trying to assert an expansive transformation of its regulatory power."

The House and Senate will likely take up the resolutions of disapproval this summer.

SPECIAL FOCUS: THE PROVE IT ACT

[The CEI PROVE IT Act Web Page: A New Resource for Policymakers and the Public]

The Competitive Enterprise Institute's new web landing page on the PROVE IT Act aims to inform and educate about this pro-tax, anti-energy legislation that would lead to the creation of carbon taxes on both imported and domestic goods.

It includes extensive resources, such as briefing materials, coalition opposition letters, and expert opinions..

Here are what some top experts outside CEI are saying about the PROVE IT Act:

“A carbon tax would hurt the poor and raise domestic prices relative to the prices of many imports. It would be another add-on levy, with exemptions for political friends and punishments for enemies. The PROVE IT Act is a first step toward the tax, and Congress would be wise to reject the bill.”
- *Diana Furchtgott-Roth, The Heritage Foundation*

“Congress shouldn’t be pushing new taxes and punishing energy use. But that’s what the PROVE It Act would lead to. And economically illiterate ‘tough on China’ talk by some bill proponents doesn’t hide this reality. The PROVE IT Act fails to acknowledge that taxing imports ultimately burdens American families and businesses by hiking prices. Then there’s the inevitable domestic carbon tax, which would be devastating to the country. It’s time to ditch this backdoor carbon tax scheme and focus on making life better for everyday Americans.” - *Thomas J. Pyle, American Energy Alliance*

“It’s clear that carbon accounting is the first step for tax and tariff impositions that would devastate the American economy. The Committee even rejected an amendment from Ranking Member Sen. Shelley Capito (R-WV) that would have prevented the data from being used to implement taxes and tariffs…All Americans must beware of this kind of posturing that opens the door to bureaucratic expansion and drives us toward a carbon tax structure.” - *Carla Sands, America First Policy Institute*

Check out the new web page to learn much more about the PROVE IT Act and the wide opposition to this dangerous and harmful bill.

IN THE SPOTLIGHT

Has ESG Gone Guerrilla Warfare?

There has been much discussion recently over declining institutional support for environmental, social, and governance (ESG) investing theory. Many indications suggest that US shareholders are divesting from ESG-themed funds. Some of the largest asset managers have publicly toned down their embrace of ESG in the face of rampant inflation and GOP-led state pushback. The mere mention of "ESG" has also been raised less and less during quarterly boardroom calls, while elite CEOs like Larry Fink of BlackRock now refuse to utter the term ESG over concerns that it has become too politicized.

While many see this as a sign that ESG is on the decline, it can be easy to overlook what is occurring underneath the surface. Proponents are merely shifting tactics in the face of political pushback. ESG is still alive and well, even at many of the firms that are publicly backing away from it. Left-wing shareholder activism has shifted underground, as institutions adopt guerrilla tactics.

One tactic that proponents of guerrilla ESG are using is subterfuge. This is when proponents of ESG give the impression that they are publicly backing away from their support, only to embed deceptive, less offensive terminology used to more easily advance ESG goals in shareholder proposals. In their proposals, they swap politically toxic ESG phrases like "DEI" with "diversity," "climate change reform" with "sustainability," and "stakeholder capitalism" with "conscientious capitalism."

"Some have used different language that avoids phrases like ESG; others have avoided even talking about it in public venues," according to Justin Worland writing for Time magazine. "But in operational plans and corporate-strategy sessions investors and business executives in most industries say they haven't backtracked at all, particularly on environment- and climate-related issues."

This has largely become the modern approach of corporate ESG. To avoid a head-on confrontation with powerful political dissidents over ESG matters, business executives have cloaked their support or embraced ESG by another name.

While public support for ESG has largely been on the downturn, one shouldn't assume that ESG isn't being adopted behind-the-scenes. Shareholders should be wary of deceptive wording and ulterior methods used to advance ESG within corporations. These layers of complexity show that there is more to the ESG struggle than meets the eye.

Biden’s Oil and Gas Production Problem

The Biden administration has an oil and gas production problem—and it’s not what you might think.

The problem is that production is higher than ever, despite the administration’s most ardent efforts to the contrary—but the President can’t take credit.

US oil and gas production in 2023 hit all-time highs with average crude oil production of 12.9 million barrels per day and natural gas production hitting all-time highs of 105.5 billion cubic feet per day. However, production of both oil and gas has been trending upward over the last two decades with minor interruptions in the pattern, most notably during the COVID-19 shutdowns in 2020 production. In fact, production of both natural gas and oil has more than doubled since 2005 and 2008, respectively.

Quite simply, these positive trends existed well before the Biden administration. The administration has actually taken an array of actions to constrain oil and gas production. In the short term, the administration’s actions, along with their messaging, could have an immediate effect by signaling to the oil and gas industry that they should think twice about their next steps. However, the full effect of those actions will likely take several years.

For example, the full effects of a pause on natural gas export permits will take time to materialize, as will constraints on oil and gas permitting on federal lands. The failure to approve new pipelines and the litany of other policies that the administration has put into place will constrain the long-term growth of US oil and gas production long after Biden leaves office unless changes are made quickly to reverse course. And even this will likely be insufficient to mitigate a lot of the damage that has been caused.

Fewer Memorial Day Gimmicks, More Oil Production Will Bring Down Gasoline Prices

The Biden administration treats high gasoline prices as a public relations problem rather than a real hardship for millions of Americans, hence the gimmicky announcement just before Memorial Day weekend of releasing gasoline from federal stockpiles in the Northeast.

At least the administration understands the law of supply and demand when it says putting more fuel on the market will reduce prices. But these stockpiles were designed for temporary emergencies – like Middle East turmoil or major storms – and are not nearly enough to help hard-pressed drivers very much or for very long. The total of 42 million gallons of gasoline to be released through July 4th may sound like a lot in press releases, but Americans use 376 million gallons each and every day.

In fact, the recent history of releases from government stockpiles (usually oil from the Strategic Petroleum Reserve sites in Texas and Louisiana) has often left experts debating how much, if any, prices moderated in response. In 2022, for example, the releases did not stop gasoline and diesel prices from reaching $5.00 per gallon in the summer of that year.

The 42 million gallons of gasoline to be released pales in comparison to the lost potential from the Biden administration's opposition to oil leasing on federal lands, including Alaska's Arctic National Wildlife Refuge (ANWR). By some estimates, ANWR drilling could reach 880,000 barrels or more per day and stay productive for two decades. Since each barrel of oil can be refined into about 20 gallons of gasoline, the 42 million gallon release equates to no more than a few days' worth of peak production from ANWR. And ANWR is the largest, but far from the only potential source of oil on federal lands and offshore areas that is being placed off limits. And note, this would be new oil added to the market rather than previously produced oil that had been held in storage.

Doubtless, there will be future summers where gasoline prices are as high or higher than they are today. Eliminating the government obstacles to increased domestic oil production makes infinitely more sense than draining existing stockpiles in a futile attempt at a short-term price drop.

The Scandalous Science Behind Nuclear Regulation

Nuclear power could be a game-changer for energy affordability, grid reliability, and carbon reduction. However, it's been stifled for decades based on one deeply flawed scientific model: the linear no-threshold (LNT) model. The theory underlying this model suggests that any exposure to ionizing radiation, no matter how small, increases cancer risks and that risks rise in a linear way with exposure levels. It's not true.

The sordid history of LNT is a cautionary tale of how flawed science, ideological bias, and political motives can distort the search for truth. Yet this dubious model remains and its influence extends beyond academic debates. LNT shapes onerous radiation regulations that dictate cleanup standards, nuclear plant oversight generally, and public perceptions of radiation risk, leading to exaggerated fears, higher energy costs, and perennially thwarted progress in the nuclear industry.

Science is supposed to self-correct through a culture of healthy skepticism and procedures like peer review. Yet these corrections often fail. Given the revelations about LNT's past and the many studies challenging its core assumptions, policymakers need to revisit the foundations of LNT-based regulation. Responsible reforms would lift burdens on the nuclear power industry and potentially dispel radiation phobias, opening the door to a more science-based approach to nuclear safety.

House Bill Fights Appliance Regulatory Overreach

The American people face a wave of new federal appliance regulations, and all of them are bad. Fortunately, the House of Representatives passed H.R. 6192, the "Hands Off Our Home Appliances Act," which would push back against any such future measures and make it easier to fix problems with past ones.

In the last year alone, we saw proposed and finalized Department of Energy (DOE) efficiency regulations targeting stoves, dishwashers, ceiling fans, washing machines, water heaters, room air conditioners, refrigerators, light bulbs, and furnaces. Many threaten to increase up-front costs substantially, while others would likely compromise appliance quality, features, performance, reliability, and choice.

The bill would make it easier for the Department of Energy (DOE) to revisit and correct past regulations that have backfired, of which there are several. Most notably, the agency's past dishwasher requirements have led to machines that now take two or more hours to complete a load of dishes, roughly double the time before regulators started meddling with them. By the way, rather than concede that its past dishwasher rules have harmed consumers and seek ways to remedy the damage, DOE is doubling down by finalizing another rule likely to make things worse.

Until such time as we can discuss pulling the figurative plug on this unnecessary and harmful appliance regulatory program, H.R. 6192 is a good start towards putting it on a more rational path and keeping the focus on consumers. The responsibility now lies with the Senate to take up and cast their votes on the bill.

Biden Is Coming for Your Air Conditioner

Before 2020, buying and installing a new residential central air conditioner typically cost well under $10,000. Many jobs, including both purchase and installation, fell in the $6,000 to $7,000 range—about half the current price—says Martin Hoover, a co-owner of Atlanta-based Empire Heating & Air Conditioning.

DOE in January 2023 issued a new efficiency standard for residential systems. It necessitated a major redesign that increased costs by $1,000 to $1,500, according to Mr. Hoover. DOE bureaucrats say the regulation will deliver net benefits for homeowners, but it isn't clear that consumers will ever earn back in long-term energy savings the steeper upfront costs they're paying.

Next up is an Environmental Protection Agency regulation scheduled to take effect in 2025. It will require air-conditioning equipment makers to use new refrigerants deemed sufficiently climate-friendly. In response to questions from investors, manufacturers in earnings conference calls have estimated that the price of compliant equipment will increase at least 10%—hundreds of dollars per system.

Wind Subsidies Are Rising, But Wind Power Production Isn't

New data recently released by the Energy Information Administration shows a decrease in wind power production in 2023. Despite record highs in installed wind capacity and continually rising subsidies, production is falling. These aren't problems that subsidy dollars can solve, they're inherent to the technology. Despite this, lawmakers have continually tried throwing money at the problem. From 2016 to 2022, the federal government spent approximately $18.7 billion on subsidies for wind power alone. This is a massive amount of money. It's even more considerable given that wind's intermittency heavily limits its benefit to reliability.

During that period, wind subsidies were much higher than the subsidies for any of the conventional power sources: natural gas, coal, and nuclear. Specifically, the wind subsidies were about 2.5 times greater than both coal subsidies and refined coal subsidies, and greater than both coal and refined coal subsidies combined. The wind subsidies were also about double the subsidies for natural gas and petroleum liquids and about 6.5 times greater than nuclear subsidies.

Renewables received 46 percent of overall power subsidies, despite constituting a very small portion of overall power generation.

This isn't subsidies per kilowatt hour of generation. It's total subsidies. If it were per kilowatt hour of generation, the disparity would be even more extreme given how much more output conventional sources have. To be clear, policymakers shouldn't be increasing the subsidies for reliable sources to account for this disparity. The way to fix power markets is to subsidize everything less (ideally not at all). The solution to grid reliability problems is certainly not to subsidize the least reliable sources the most.

Congress Can Remove Federal Obstacles to Alaskan Energy Production

The people and economy of Alaska and the nation took a big hit when regulators at the U.S. Department of Interior cancelled a host of oil leases in the state, followed by a rule to restrict oil and gas production on millions of acres in the National Petroleum Reserve in Alaska.

To its credit, the House of Representatives passed a bill at the start of May (H.R. 6285, Alaska's Right to Produce Act of 2023) that would reinstate the canceled oil leases and nullify the agency's rule restricting production in the National Petroleum Reserve.

In addition to this legislation, Congress could also fight back by blocking federal funding for these actions taken against Alaskan energy production. In addition, Congress could take a hard look at the Interior Department's 2025 budget plans, currently being negotiated. As Senator Lisa Murkowski (R-AK) stated during a Senate Appropriations Committee hearing, "if Interior is going to use its funding to make these kinds of decisions that penalize my state in this way, then I feel like what we need to be doing here is looking for ways to cut the department's budget until the department gets the point."

Congress needs to take action to remove the Biden administration's obstacles to energy production. This would bolster domestic energy supplies and mitigate unnecessary risks associated with relying on foreign sources.

FROM OUR FRIENDS

Electric Vehicle Subsidies and the State of US Industrial Policy, Travis Fisher, Cato Institute
Biden EV Charging Station Plan Off to A Bumpy Start, Gabriella Hoffman, Independent Women's Forum
FERC Transmission Order "Gift" To Solar and Wind, Sarah Montalbano, Independent Women's Forum
Biden Is Selling Gasoline from the Northeast Reserve to Lower Prices for the Summer Driving Season, Institute for Energy Research
Managers of Large Public Retirement Funds Need to Grow a Backbone, Benjamin Zycher, American Enterprise Institute
Is Climate Change to Blame for Natural Disasters? The Science and Politics of Extreme Weather, Roger Pielke Jr. and M. Anthony Mills, American Enterprise Institute

Houston Storm Shows Downside of Forced Electrification, Diana Furchtgott-Roth, The Heritage Foundation

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