



# Energy and Politics In the Age of Conflict

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# Russian-Ukraine War: Consequences



Sustained high oil prices likely for the foreseeable future, with potential to induce a global recession.

- **ICE Futures Europe:** “More than 1,200 contracts for the option to buy May Brent futures at \$200 a barrel traded on Monday.”
- **Reuters:** “The combination of high energy prices and other disruptions to global supply chains has significantly increased the threat of a mid-cycle slowdown or an **end-of-cycle recession** in Europe and the United States.
- **Mohamed El-Erian:** “(The) economic consequences of the war will not be confined to the countries fighting it. Already, the West has started to feel the **‘stagflationary’ blowback.**”

# War and the Politics of Energy



War is a good metaphor for energy politics: polarized, entrenched, compromise difficult to achieve.

Republicans: Typically favor greater domestic oil and gas production; continued role for U.S. fossil fuel development.

- *Important to keep energy affordable, strengthen national security.*

Democrats: Priority is decarbonization of the economy, pushing energy transition through government-directed policy.

- *Policies to encourage greener energy, including tax credits, subsidies, and mandates.*

## Never the Twain Shall Meet?

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Parties remain in their corners; as of now, no sign of compromise.

House GOP:

- “We have **the world’s largest oil and gas reserves**, we can produce these energy resources more cleanly and efficiently than anywhere else in the world, and **we should produce them**. We will make clear that more U.S. production means greater energy security for our allies, lower prices for consumers at home, and more strength abroad as we undermine the Russia-China alliance.”

President Biden:

- “Loosening environmental regulations or pulling back clean energy investment won’t -- let me explain -- won’t -- will not lower energy prices for families. But **transforming our economy to run on electric vehicles** powered by clean energy with tax credits to help American families winterize their homes and use less energy, that will -- that will help.”

# Congress

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How does Russia-Ukraine war affect Congress?

## **Energy/revised 'Build Back Better' bill?**

- Climate change tax credits (45Q, wind, solar, hydrogen)
- Manchin: possible domestic oil and gas production/pipeline components?

## **Additional Russian sanctions?**

- PNTR status and tariffs; additional domestic oil and gas production?

## **China legislation**

- House-Senate conference will be complicated, Republicans adamantly opposed to House version.

## **Nominations**

- EPA, DOE, FERC, the Fed.

## **Oversight hearings**

- Oil and gas CEOs likely called to testify about prices.

# Biden Administration



## What actions can we expect from the Biden Administration?

- Additional releases from Strategic Petroleum Reserve
- LIHEAP funding
- Federal Trade Commission
  - Launched investigation of oil/gas industry at Biden's request last November
- Emergency authority
  - Reinstate crude oil export ban?
  - Price controls?
  - Expedite LNG exports to Europe?

# Regulatory

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Biden Administration's regulatory agenda will get more aggressive as Congress stalls.

**First phase:** Undo Trump rulemakings, reinstate Obama-era policies. Proving harder than they might have imagined.

- Running into problems with courts
  - Leasing moratorium
  - Social cost of greenhouse gases

**Second phase:** Pursue affirmative Biden agenda, promises made on campaign trail.

- New regulations from FERC, EPA, Interior, CEQ, SEC, among others

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Phase 2: Conforms to Biden first-day EOs, decarbonization the focus.

Policies addressing GHGs from oil and gas upstream, midstream, downstream.

- Interior: Leasing is stalled due to legal uncertainty surrounding moratorium and social cost of greenhouse gases.
- FERC: New certificate policy governing pipeline reviews/approvals.
- EPA/DOT: New rules covering GHG emissions from cars and trucks.



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New policies incorporating climate change/GHGs into permitting, disclosure, and risk analysis.

- CEQ: NEPA reforms requiring full life-cycle analyses of GHGs.
- SEC: Disclosure of climate change risks from publicly traded companies.
- Federal Reserve: Contemplating “climate stress testing” of banks.

# Regulatory

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EPA constrained by courts on climate/GHGs, but can use other levers to achieve goals.

## **NAAQS**

- PM/Ozone review: backdoor/indirect CO2 reductions.

## **Section 111**

- Thinking about “in-the-fence-line” GHG measures for new natural gas units.

## **Section 112**

- Considering using environmental justice to advance new HAP rules.

## **Section 115?**

- Not likely.

## The Courts



Courts are complicating Biden regulatory agenda

- Republican state attorneys general leading the charge.
- Expect more from this group and industry as Biden reg agenda ramps up.
- Trump/McConnell judges showing their muscle.
  - Leasing moratorium
  - Social cost of greenhouse gases
  - Supreme Court – Penn East, GHG case
  - FERC certificate policy?
  - NEPA reforms?

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# **Questions/discussion**