Testimony

of

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on

"Exposing the Woke, Wasteful, and Bloated Bureaucracy"

before

The Committee on the Budget

United States House of Representatives

11th May 2023

Chairman Arrington, Ranking Member Boyle, and Members of the Budget Committee, thank you for inviting me to testify today on the wide topic of Exposing the Wake, Wasteful, and Bloated Bureaucracy. My name is Myron Ebell, and I am director of the Center for Energy and Environment at the Competitive Enterprise Institute, which is a nonpartisan, nonprofit public policy organization that focuses on regulatory issues from a free market perspective. I have watched (and opposed) the expansion of the regulatory or administrative state as it relates to environmental, energy, and climate issues for over three decades and will draw on that experience in my testimony today.

Let me begin by congratulating you, Chairman Arrington, and House Republicans for passing the Limit, Save, Grow Act (H. R. 2811). In my view, the hundreds of billions or perhaps trillions of dollars of subsidies for every variety of commercially unviable energy and for electric vehicles contained in the so-called Inflation Reduction Act of 2022 create grave threats to America's energy infrastructure. Because access to abundant, affordable energy remains a foundation of prosperity, therefore repealing the "energy transition" provisions in Senator Manchin's bill is critical to America's economic future. Much more is needed, of course, in the way of regulatory repeals and reforms and of budget cuts, but the point I want to stress is that unless the energy provisions in the Limit, Save, Grow, Act are enacted, our economic prospects are dim. In my testimony, I will explain some of my reasons for this conclusion.

It is perhaps remarkable that in the three decades since President George Bush signed the UN Framework Convention on Climate Change at the Rio Earth Summit in 1992 and the Senate

ratified it later that year all the efforts to remake the U. S. energy economy in the name of climate salvation have not made much progress. To summarize the situation up to 19th January 2021, things were looking pretty good. The Senate never ratified the Kyoto Protocol of 1997. The McCain-Lieberman cap-and-trade bill became the Waxman-Markey cap-and-trade bill and died in 2010. President Obama joined the Paris Climate Treaty without the advice and consent of the Senate and tried to implement Clean Air Act rules for power plants and vehicles; but President Trump took us out of the Paris Climate Treaty and eviscerated President Obama's Clean Air Act rules. Periodic CO2 (or carbon) tax proposals went nowhere, and their House sponsors tended not to serve in the next Congress. The Green New Deal made a big splash in 1999 until the Senate voted unanimously against it.

On the other hand, it is true that hundreds of billions of dollars have been wasted on reducing greenhouse gas (GHG) emissions, much of it in the form of federal subsidies for commercially unviable renewable energy; and in the absence of federal limits on GHGs, many states have enacted various types of controls. Advocates of these energy-rationing policies proudly point to the fact that total U. S. emissions have declined by more than 15% below 2005 levels. That is true, but there is more to the story. Much of the decline in GHGs can be accounted for by the huge switch from coal to gas in generating electricity. The EPA's attempts during the Obama administration to regulate power plants played a part in that switch, but so too did the shale oil and gas revolution, which has made the United States the world's largest producer of oil and gas. In addition, some of the decline in U. S. GHG emissions can be accounted for by the outsourcing of energy-intensive goods to other countries. Steel, aluminum, and manufactured goods that used to be produced domestically are now imported from other countries, most often from China. (By the way, this is true of other countries that have reduced GHG emissions. For example, Britain has made the largest reductions in percentage terms, but a study by the UK's Office for National Statistics concluded that most of the reductions are accounted for by outsourcing energy-intensive goods.)

This generally sunny outlook changed to ugly storm clouds on the horizon during the 2020 presidential campaign when former Vice President Joe Biden said, "I guarantee, I guarantee we're going to end fossil fuel." If only that were just another empty campaign promise: President Biden's first actions in office included rejoining the Paris Climate Treaty (again without bothering with the advice and consent of the Senate), cancelling the Keystone XL pipeline, and suspending oil and gas leasing in federal subsurface and offshore areas. He announced in an Executive Order a "a whole-of-government approach to put climate change at the center of our domestic, national security, and foreign policy," and prematurely made a second-round commitment under the Paris Climate Treaty to reduce U. S. GHG emissions to 50 to 52% below 2005 levels by 2030. The EPA was ordered to restart the Clean Air Act rules designed to put coal and gas-fired power plants out of business and put an electric vehicle in every garage. When everyone started talking about Net Zero Emissions, President Biden was quick to get on the bandwagon by pledging that the United States would achieve Net Zero Emissions in the electricity sector by 2035 and in the entire economy by 2050.

Few to none of President Biden's promises have any standing in law or the Constitution. To take four examples: the Paris Climate Treaty has not received the consent of the Senate and so cannot be ratified according to Article II, Section 2 of the Constitution; federal courts have ruled that

suspending federal leasing is illegal; the EPA's climate rules likely face the same fate in the Supreme Court as the "Clean Power" Plan; and the congressionally-unauthorized climate offices, programs, activities, and initiatives now consuming the time and effort of civil servants in every federal department and agency can (and should) be swept aside in the next set of appropriations bills.

President Biden's Net Zero Emissions commitments, like the commitments made by leaders of many other countries, are preposterous. The best that the proponents of the "clean energy transition" to Net Zero can do in the way of expert support is point to a bunch of ridiculous studies that use computer models to conclude that "Net Zero by [fill in the date] is possible."

Let's compare computer models where almost anything is possible to reality. Last year, Jeff Currie of Goldman Sachs in London told CNBC that in the decade 2011 to 2021 the share of global energy consumption supplied by coal, oil, and natural gas had declined from 82% to 81%. During that decade, Currie estimates that global investment in renewable energy totaled $3,800,000,000,000. Thus $3.8 trillion reduced the world's dependence on fossil fuels by 1%. That is not the whole story, however. In the past decade, total global energy consumption increased by over 12%, which means that total fossil fuel consumption increased by nearly as much. Moreover, many economists have made the "low-hanging fruits" argument, namely that the first reductions in greenhouse gas emissions will be cheaper to achieve than later reductions. Thus reducing fossil fuel consumption by another 1% is likely to be more expensive than the first 1%, and so on.

The goal of Net Zero Emissions is preposterous but it is far from harmless. The amount of damage that is being done and could be done in pursuing Net Zero is stupendous. This brings me back to Senator Manchin's so-called Inflation Reduction Act, which passed the House and Senate last year without a single Republican vote. The bill expands and extends every existing tax subsidy for energy, extends and expands electric vehicle subsidies, and creates some new subsidies. CBO scored energy spending over the next decade at $391 billion. Credit Suisse (when it was still in business) estimated that the costs could total $800 billion. Goldman Sachs came up with an even higher number—$1.2 trillion.

These professional cost estimates vary so widely because the subsidies are open-ended. Whether it turns out to be a few hundreds of billions of dollars or over a trillion, the energy subsidies in the "Inflation Reduction" Act will constitute government waste on an impressive scale. That is bad, but it's relatively harmless compared to the damaging effects that spending all that money will have on America's energy infrastructure.

The energy subsidies in the "Inflation Reduction" Act generally have a perverse consequence. While resembling most other subsidies by lowering the cost of the specific products being subsidized, primarily wind and solar power in this case, they have the perverse effect of raising overall electricity prices. This is not conjecture, but established fact. Three of the countries that have gone the furthest in installing wind and solar—Denmark, Germany, and Britain—had the highest electric rates in the world in 2022, which were roughly three times average rates in the U. S., according to Statista. In the U. S., the Energy Information Administration's Electric Power

Monthly shows a clear correlation in the States (admittedly with several anomalies) between more wind and solar power and higher electric rates.

Increasing energy costs are not, however, the worst consequence of providing the Climate Industrial Complex with hundreds of billions or even trillions of dollars of additional handouts. The worst consequence is that the electric grid is already becoming less robust and reliable as a result of massive misinvestment in wind and solar power and corresponding underinvestment in conventional power.

There have been warnings recently from grid operators about the increasing likelihood of generation shortages leading to blackouts during periods of peak demand. James Danly, a Federal Energy Regulatory Commissioner, brilliantly summarized these warnings in written testimony to the Senate last week:

> Most of these market-distorting forces originate with subsidies—both state and federal—and from public policies that are otherwise designed to promote the deployment of non-dispatchable wind and solar assets or to drive fossil-fuel generators out of business as quickly as possible…. We know that there is a looming resource adequacy crisis. Our market operators have been explicitly telling us as much for years. Both MISO and ISO-NE have warned about upcoming scarcity and PJM, the nation's largest wholesale market, and the one that serves Washington, D.C., has recently raised the alarm about impending shortfalls…. As an engineering matter, there is no substitute for reliable, dispatchable generation. Intermittent renewable resources like wind and solar are simply incapable, by themselves, of ensuring the stability of the bulk electric system. As the wholesale markets' prices are distorted by subsidies, the generation assets with the attributes required for system stability will retire and system stability will be imperiled. Given these market failures, there will be, in time, a catastrophic reliability event.

To summarize, I will repeat what I have said many times over the past two decades. If global warming really turns out to be a crisis (which appears less and less plausible), then wind turbines and solar panels and EVs and big battery storage cannot possibly be the answer. It would be less damaging to our economic well-being to take all the money being spent on these dead-end technologies and bury it in the ground or burn it in a power plant.

For these reasons, I conclude that enactment of those provisions in the Limit, Save, Grow Act that repeal the energy and EV subsidies in the "Inflation Reduction" Act are absolutely indispensable if our country is to have a bright future. Mr. Chairman, this concludes my testimony. I am happy to try to answer any questions.