

# On the Grid: Congress Clocks Back In 09/08/23



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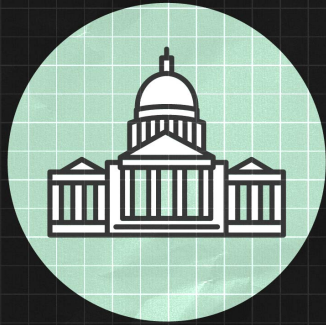
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Congress has begun moving its gears again as lawmakers return to Washington after the August recess. Next week, they'll reconvene with a packed agenda: permitting reform, routine reauthorizations, and mounting pressure to pass funding packages or a stopgap measure to avoid a full-fledged government shutdown at the end of the month.

In this week's *On The Grid*, we delve into the challenges facing Congress and the ramifications of a government shutdown on clean energy and climate action. We'll also continue our spotlighting some trends that are already shaping the clean energy landscape.

*P.S. Do you want to help shape the clean energy landscape? Want to join an amazing team of dedicated and passionate experts as we tackle some of the toughest challenges in the climate and clean energy space? Apply for [Third Way's Climate and Energy Team](#)!*



## CONGRESS

The Senate reconvened this week, with the House set to follow next week, facing a packed agenda and a tight schedule to get it all done. Here's a quick overview of key items to watch around clean energy as lawmakers hit the ground running next week:

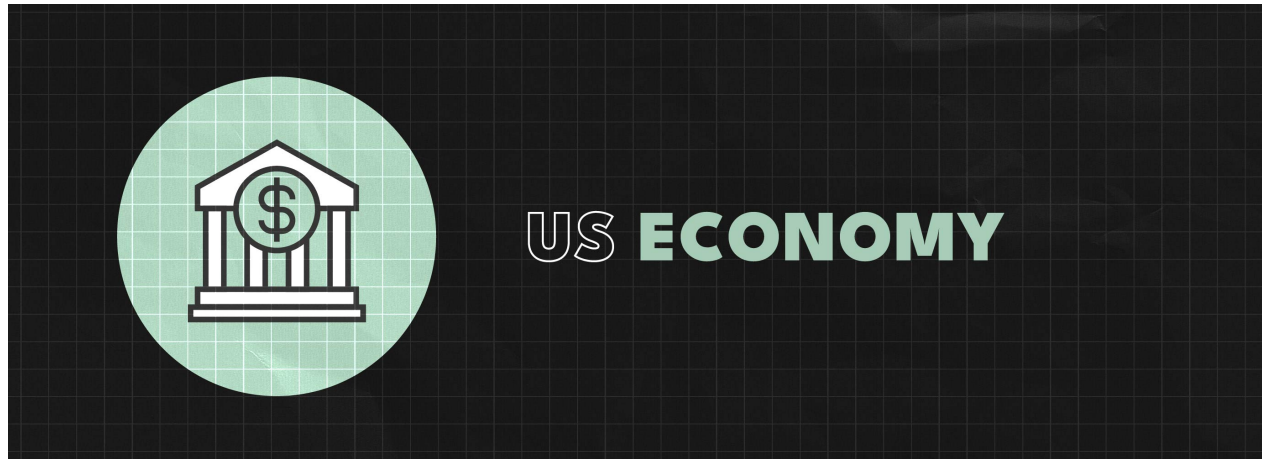
**Permitting Reform:** Democrats and Republicans alike have flagged permitting reform as a top priority. Both parties agreed to begin streamlining complex regulatory processes as part of debt ceiling negotiations in May, but momentum is dwindling. While there was some progress on specific issues, like transmission, before the August recess, a broader permitting package is unlikely to come together before the end of the year. In the meantime, Democrats are looking to new strategies—namely federal rulemaking and executive action—to cut through red tape and deploy clean energy infrastructure and transmission lines much faster.

**National Defense Authorization Act (NDAA):** Before breaking for the Summer, both the House and Senate passed their respective versions of the annual defense policy bill, with significant clean energy provisions attached. Breaking a longstanding tradition of not politicizing defense policy, the Far-Right wing of the House Republican Caucus is threatening to derail the bill by including amendments to advance their extremist social agenda. Senate Republicans did not insist on these measures. This bill includes bipartisan provisions to help accelerate the deployment of advanced nuclear. Now, the Chambers will have to iron out the differences in conference. We hope to get a finalized bill by the year-end deadline.

**Farm Bill:** With the 2018 Farm Bill set to expire at the end of September, both the House and Senate Agriculture Committees are committed to reauthorizing the newest version, but neither chamber has released draft language. The reauthorization gives policymakers the unique opportunity to accelerate the production and deployment of the sustainable aviation fuel industry—you can read *Third Way's* memo on how—and uplift farmers and rural communities. It's unlikely that Congress will meet the September 30th deadline, pushing it to the end of the year with little impact and potentially extending it into next Spring.

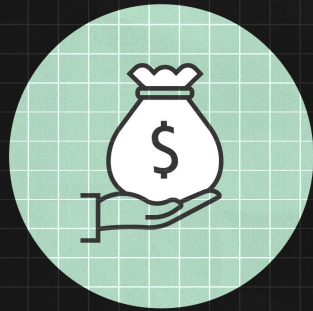
**Federal Aviation Administration (FAA) Reauthorization:** Also facing a deadline for reauthorization at the end of the month, policymakers have the opportunity to leverage the FAA reauthorization

bill to drive decarbonization across our aviation sector. This is critical for the long-term competitiveness of the US aviation industry and efficiency and would help shift the market towards cleaner fuel alternatives like sustainable aviation fuel (SAF) and hydrogen. While this is typically a bipartisan priority, negotiations have stalled as the Senate looks to resolve disputes over pilot training. As such, we expect an extension past the original September 30 deadline.



Before breaking for August recess, House Members had only managed to pass one of 12 appropriation bills. The Senate? Zero. Now, as lawmakers are reconvening, they're under pressure to pass appropriations packages by the September 30 deadline or, at the minimum, a continuing resolution (CR) to avoid a government shutdown. But with the parties deeply divided on funding levels, and House Republicans slipping "climate poison pills" into bill text – audaciously partisan moves far removed from public opinion – it seems unlikely that we'll see a resolution emerge before the end of the month. Instead, we expect a multi-day government shutdown starting October 1st, with a series of continuing resolutions likely to follow to keep the government running through April 2024. At this point, the Fiscal Responsibility Act will kick in and cut spending across the board by 1%.

The significance of a prolonged lapse in federal spending cannot be overstated. In the short-term, if important budgetary items are unfunded, we risk selloffs in US financial markets, wavering consumer confidence, and a consequential pullback in consumer spending. But even with debate centered around budget appropriations, keeping key clean energy tax credits, like those in the Inflation Reduction Act, off the table, clean energy sectors are in line to take a direct hit over time. An impasse in funding risks unleashing a wave of uncertainty that will have far-reaching consequences for our economy; weakening our economic growth, slowing private investment, delaying clean energy projects, and damaging our global reputation.



## CLEAN ENERGY FINANCE

We've seen immense funding for decarbonization and clean energy in the last several years, from once-in-a-generation federal investment to billions in private backing spurred by legislation like the Inflation Reduction Act and Bipartisan Infrastructure Law. The prevailing narrative is that, given this financial boost, clean energy technologies will seamlessly enter and dominate the market. But the truth, as [Michael Liebreich](#) writes in BloombergNEF, is that it is much more of a challenge and a much more nuanced reality. Here's a quick rundown of the reasons the transition will be much harder than we think, or as Michael puts it, the Five Horsemen of Transition:

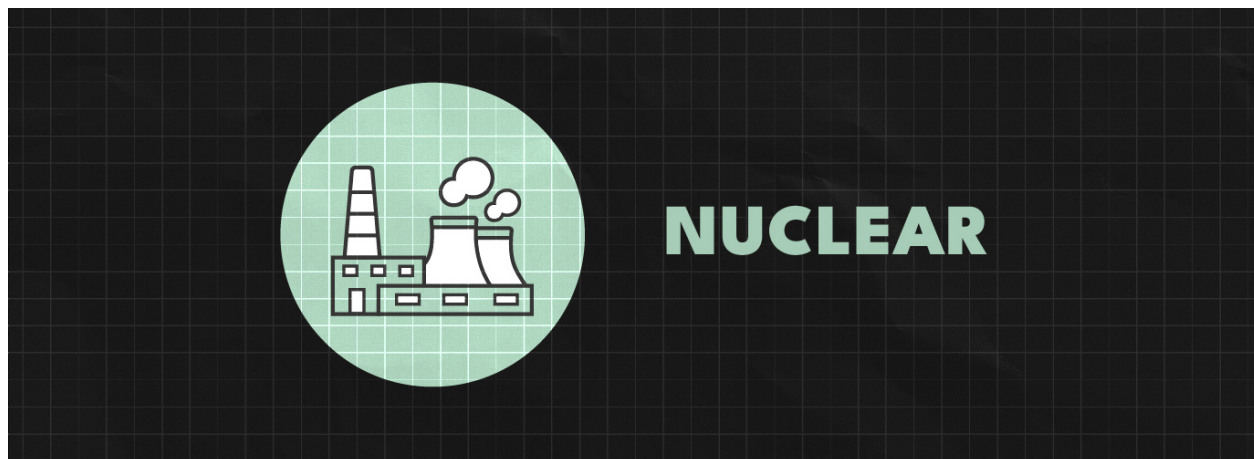
- **Cost:** The dramatic cost reduction in solar and wind costs, which have benefited from decades of innovation, policy incentives, and large-scale production, has created the misconception that the speed of deploying other clean energy technologies is comparable. Reaching that point will require high capital costs, followed by cheaper fuel and maintenance costs, all of which take time.
- **Electrical Infrastructure:** A net-zero economy will be much more electrified than it is today, necessitating a *huge* expansion of our electrical infrastructure that will cost an estimated \$21.4 trillion. If we want to integrate more clean power sources, we need to ensure that our transmission system is ready to connect and bring clean sources online.
- **Critical Minerals:** The shift towards cleaner energy will drive demand for critical minerals, five times more by 2040 than we use today. And though investment in mining has surged in the US and abroad, there are still gaps, particularly with getting these mines operational, which take an average of 16 years.
- **Politics:** Political commitment to climate action is foundational to a clean energy transition—and that commitment is wavering globally. We have a global challenge of prioritizing long-term climate goals when facing more immediate concerns like inflation, jobs, and economic stability.

- **Corruption, Predatory Delay, and Regulatory Capture:** Decarbonizing our economy will inevitably create losers, those that will be disadvantaged by the shift away from fossil fuels to clean energy sources, and as such, these groups can and often do, employ deceptive tactics to resist the transition.

Liebreich paints a realistic picture of the key challenges standing in the way of net-zero—ones we’re already seeing play out in the marketplace.

Firms like Orsted A/S are dialing back investment or abandoning projects altogether, citing supply chain disruptions, high-interest rates, labor shortages, and uncertainty from the US government. And clean energy giants like General Electric, Vestas, and Siemens are facing challenges in the transition, not unlike those outlined by Liebreich, reporting billion-dollar losses since last year, largely owing to significant failure rates in its components, soaring maintenance costs, and staffing issues.

As he puts it, we can overcome these challenges with the right leadership, focus, innovation, and resources. Legislation like the Bipartisan Infrastructure Law and Inflation Reduction Act is getting us over some of these initial hurdles, but this will take time and patience.



This Administration is not only deeply committed to nuclear energy and the potential it has to decarbonize some of our most challenging sectors but also the opportunity it gives us to strengthen our international energy leadership. That’s why, last year at the COP27 stage, Special Presidential Envoy for Climate John Kerry announced Project Phoenix, a new initiative to help Europe accelerate the transition away from coal-fired power plants to small modular reactors (SMRs). The program leverages idle infrastructure to produce cleaner, more reliable, and secure energy while preserving local jobs through workforce retraining. Building on that, Secretary Kerry announced the first few countries this week—Czechia, Slovakia, and Poland—to participate in this initiative, all of which will receive support for coal-to-SMR feasibility studies.

This announcement is the latest in a long string of achievements by the Administration to intertwine foreign diplomacy with our energy and national security interests. From partnering with Japan to support Ghana’s shift to nuclear, allying with Romania to deploy SMR technology, and



extending financing aid to Poland to help build out their SMR network, this Administration is pivoting our foreign policy in a clear direction and better positioning the US to edge competitors and bad-faith actors like Russia and China off the global nuclear stage.



- Dr. Elizabeth Cerceo, in *the New York Times*, offers a refreshing take on the anxious pushback to clean energy sources, highlighting how fossil fuel companies take advantage of the public's fears and suggesting a gentler approach to discussions around the clean transition.
- Matthew Zeitlin, in *Heatmap*, emphasizes how shorter days diminish the potency of solar power while hot temperatures elevate electricity demand, further straining its capacity, pointing to the larger, looming issue as we continue to push heat index extremes.
- The Ezra Klein Show featured Jason Bordoff, founding director of the Center on Global Energy Policy at Columbia University, and Meghan O'Sullivan, director of the Belfer Center for Science and International Affairs at the Harvard Kennedy School, to discuss the geopolitics of clean energy and how investments in cleaner technologies not only drive decarbonization but strengthen our national security.



Third Way's Climate and Energy Program highlights Boston Metal, a global metals technology company that fundraised \$262 million too help decarbonize steel production, one of our most carbon-intensive industries.



**Third Way Climate & Energy**  
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This is great news!

Did you know steel causes 7% of global carbon emissions?

Clean steel will not only be a key tool in helping us reach our decarbonization goals but the transition to clean steel will bring thousands of jobs to the US manufacturing sector.



**Jesse D. Jenkins** @JesseJenkins · Sep 6

More clean steel news: Boston Metal, a startup that has developed a method to make low- or no-carbon steel using electricity, said it closed a third round of funding at \$262 million.  
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