

On the Grid: Setting the Stage 5/05/23



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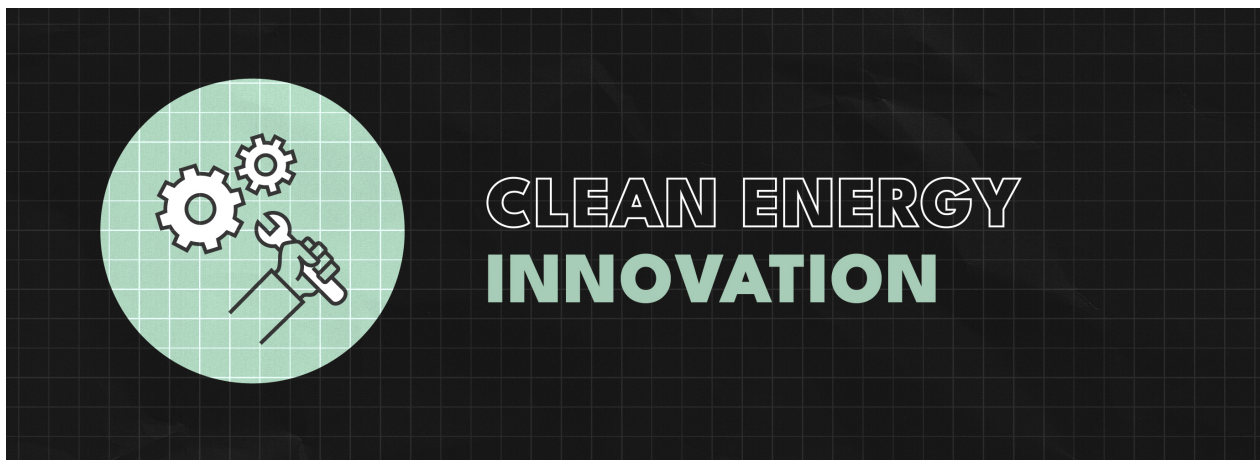
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As federal investment in clean energy infrastructure ramps up, one thing remains clear – we *need* to cut through the regulatory maze to speed up energy projects and build way more transmission lines, CO₂ and hydrogen pipelines, and energy storage. Permitting and regulatory reform is the only way the US will keep up with our growing energy demand, meet ambitious climate goals, and capture a significant portion of a \$130 trillion global market.

In a flurry of Senate action this week, Senators Manchin (D-WV), Barrasso (R-WY), and Capito (R-WV) each introduced separate permitting reform bills. Here's a run of the main differences:

- Senator Manchin’s *Building American Energy Security Act of 2023* sets strict review timelines, establishes a 150-day statute of limitations for legal challenges for energy projects, and directs the President to designate 25 high-priority energy projects for prioritized permitting, emphasizing a technology-inclusive approach.
- Senator Capito’s *RESTART Act* implements strict timelines on NEPA reviews to expedite energy projects, limits authority under Section 401 of the Clean Water Act, and prohibits agencies from considering the economic damages of carbon emissions in their regulatory decisions.
- Senator Barrasso’s *SPUR Act* narrows in on the fossil industry, mandating onshore and offshore oil and gas operations, advancing LNG production, prohibiting mining restrictions, and making uranium eligible for a critical mineral designation.

From our perspective, the most important thing is that any reforms net out to very significant scaling of clean energy and reduction in carbon emissions—even if some fossil fuel projects are accelerated to get the overall package done. Policymakers will continue to debate the details, but action needs to happen and happen quickly. We’ll explore what’s on the line in this week’s *On the Grid*.

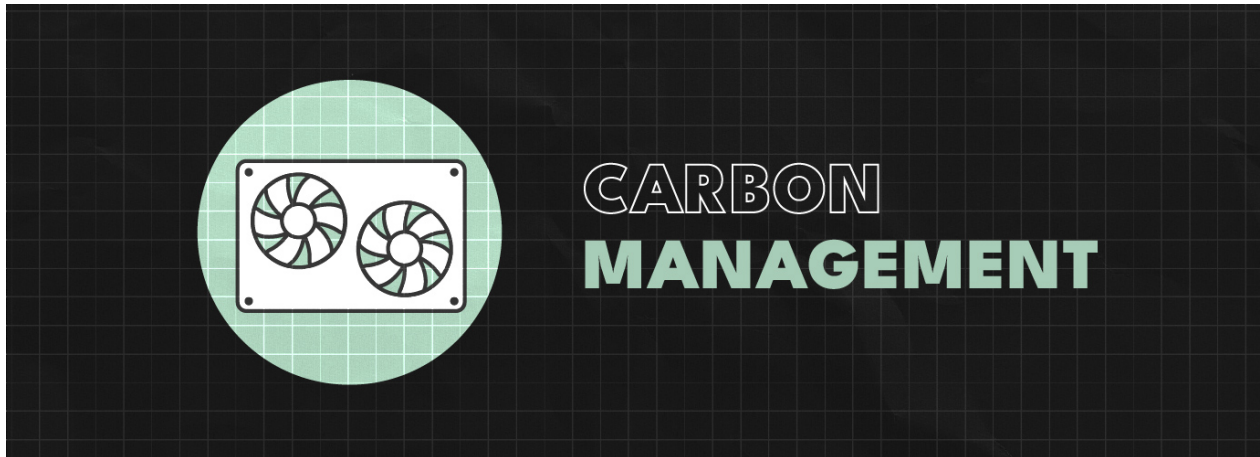


The Loan Programs Office (LPO) has been a major force behind America’s clean energy boom. Over the past two decades, LPO has galvanized more than \$50 billion in loans and loan guarantees for clean energy projects that have generated nearly 9.5 million MWh of clean electricity and created over 45,000 good-paying permanent jobs. But if we want to reach net-zero by mid-century, we need to get much more funding out the door much faster.

The Inflation Reduction Act (IRA) has stepped up. Pumping in an additional \$100 billion in loan authority and creating a new office to repurpose existing fossil infrastructure, LPO is bridging the financing gap and deploying much-needed innovative clean energy technologies at scale, supporting the Biden Administration’s ambitious clean energy goals. Critical mineral processing, for instance, has gotten a big boost from LPO to build up domestic production capacity, helping US clean energy industries circumvent Chinese government-dominated supply chains. Ironically, the

most vocal Republican policymakers calling for the Biden Administration to cut reliance on China are also likely to cut LPO's funding in the FY24 spending package, dropping later this month.

You can read more about LPO's critical role in funding and supporting cutting-edge clean energy projects in Third Way's newest [memo](#) and dive deeper into why House Republicans' move to cripple the office puts American energy at risk.



This week, [Occidental Petroleum Corp.](#) held the groundbreaking for *Stratos*, the company's newest \$1.1 billion carbon capture project. Once it begins operation in 2025, the new facility will capture 500,000 tons of carbon dioxide annually—the equivalent of consuming 56 million gallons of gas—and utilize the captured carbon to manufacture plastics.

The Texas-based company is well-positioned to take advantage of tax credits in the Inflation Reduction Act that incentivizes companies to capture and store atmospheric carbon. Not only does Occidental [expect](#) up to 45% of its initial costs per metric ton to be covered by the tax credits, but it has expanded its initial plan to build 70 new direct air capture facilities by 2035 to 100 new facilities.

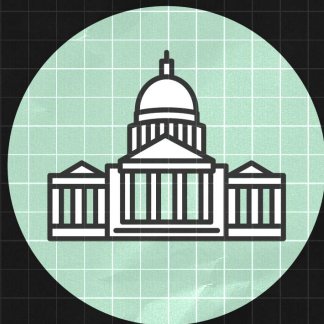
“This is the first critical step towards large-scale carbon removal so that we eventually head towards a carbon-negative direction,” [Dr. Rudra Kapila](#), Third Way's Senior Policy Advisor for Carbon Management, said about the project. “We need removal at the megaton scale. If we want to make a real impact and put a serious dent in the billions of tons of carbon emissions in the atmosphere, then we have to start building more of these facilities.”



US ECONOMY

Over the past few weeks, three banks have failed, prompting federal regulators to step in to prevent a complete collapse. Now, with a fourth bank showing signs that have rattled markets, spooked investors are much more cautious in their financial endeavors. Clean energy firms, who are heavily reliant on early-stage financing to get off the ground and bring their technology to market, have found themselves staring down the barrel.

With financial conditions only continuing to tighten, it's becoming much tougher for clean energy firms to secure the funding they need. It's an uphill battle, but legislation like the Inflation Reduction Act, Bipartisan Infrastructure Law, and CHIPS and Science Act, have stepped up to de-risk investments in an otherwise challenging investment environment. For more context on the ongoing financial turmoil in the banking sector and how that impacts clean energy, you can read this tweet thread, put together by Senior Resident Fellow Dr. Ellen Hughes-Cromwick.



CONGRESS

This week, Senate Majority Leader Chuck Schumer led Senate Democrats in unveiling a proposal, ceremoniously dubbed the China Competition Bill 2.0, that will strengthen our ability to counter the Chinese government's economic and military influence. The legislation, to be introduced in the next few months, will follow a 5-pronged approach that strengthens our export control laws to limit the flow of advanced technology from the US to the Chinese government and ensures domestic economic investments, like those in the CHIPS and Science Act, are not outsourced to China.

That's why Third Way led a diverse coalition of over 60 advocacy groups, utilities, and energy technology companies, urging policymakers to increase baseline funding for the Department of Energy's innovation activities in FY24, ensuring American industries stay globally competitive.

Leader Schumer's proposed legislation is a great start to counter the Chinese government's influence, but we need much more to protect our industries and build out domestic supply chains. We must invest, *heavily*, in research, development, demonstration, and deployment.



- The New York Times Editorial Board makes the case for overhauling the permitting process in order to modernize and expand the electric grid.
- Matt Lichtash in *Utility Drive* offers an alternative to the “announce first, solve barriers later” approach to electric vehicle deployment.
- Shayle Kann on Canary Media's *Catalyst* podcast discusses transmission bottlenecks with Rob Gramlich, founder of Grid Strategies, outlining how challenges in congestion, interconnection, and buildout are forcing project developers to abandon projects.




Third Way's Climate and Energy Program breaks down the importance of building our capacity for high-assay low-enriched uranium fuel.



Third Way Climate & Energy
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Last year, [@Energy](#) announced it intends to draft a [#HALEU](#) Request for Proposal. Fast forward to 2023. This action cannot come soon enough.

Let's discuss why  1/