

On the Grid: Sharpening America's Competitive Edge 09/15/23



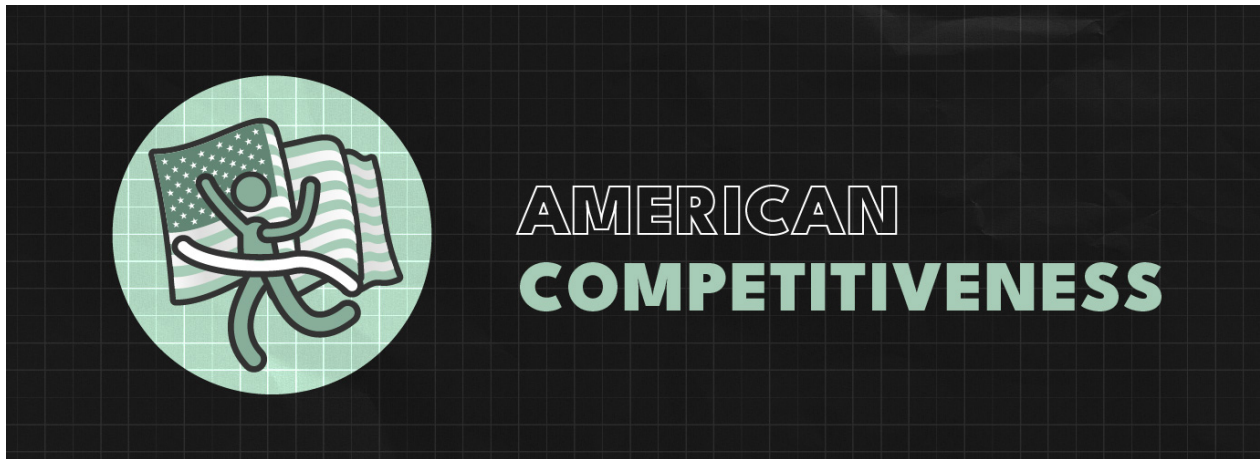
Mary Sagatelova
Senior Advocacy Advisor
[@MarySagatelova](https://twitter.com/MarySagatelova)

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Congress kicked off a busy first week with House Speaker Kevin McCarthy struggling to avert a government shutdown that no one wants except the most extreme Right wing of his own Republican caucus. Senate and House Democrats, Senate Republicans, and even most House Republicans want to stick with the June debt ceiling deal that agreed on limits for government spending. Unfortunately, the same select group of House Republicans that are demanding impeachment proceedings against President Biden begin are refusing to budge on government funding. This would jeopardize the US economy and, with it, the growing clean energy sectors that are giving the country a competitive edge.

In this week's On the Grid, we dive deeper into how a globally competitive US clean energy sector creates massive economic, security, and leadership opportunities for the US, American workers, and

American companies—opportunities a US government shutdown could jeopardize.



Last year, Breakthrough Energy, Boston Consulting Group, and Third Way released groundbreaking analysis outlining a pathway for the US to secure advantages across 10 clean energy technologies and lead in the \$130 trillion global clean energy market.

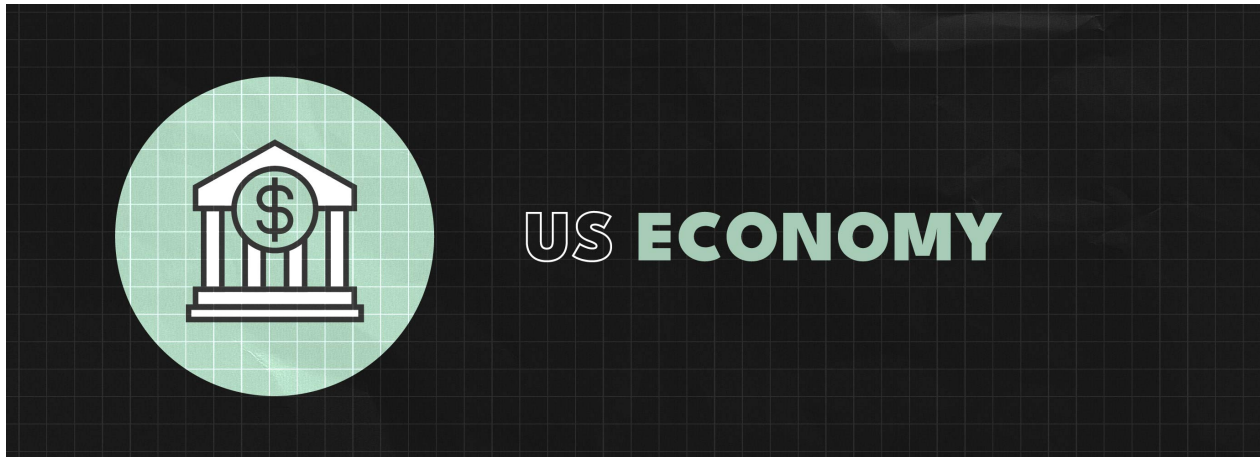
Our *When America Leads* report evaluates the entire value chain—from sourcing raw materials to the manufacturing process to product off-take— and matches our findings with policy recommendations so American companies can compete in these rapidly emerging global markets.

The Biden Administration embraced a technology-inclusive clean energy agenda and is championing many of the policies we recommend to support and enable the private sector's transition to clean energy. Since the Inflation Reduction Act, we have seen \$213 billion in actual new clean investment across the economy, representing a 37% jump from the previous year and a remarkable 165% rise from five years ago. In clean energy manufacturing alone, we've seen a huge surge in capital, a testament to the power of government support on market confidence. Here's a quick snapshot:

- Critical mineral production has seen a \$1.95 billion investment in the last year, a 130% increase from the previous year.
- Solar manufacturing has seen a \$2.1 billion investment in the last year, an 189% jump from the previous year.
- Zero-emissions vehicles saw \$7.7 billion in investment in the last year, a 33% increase from the previous year.

The investment levels we've seen in the last year are staggering, and our *When America Leads analysis* finds that at least another \$500 billion will be invested within the decade, creating well-paying jobs, bolstering economies, and putting American businesses and workers in a better position to compete in global markets. This resurgence in American manufacturing is not just

revitalizing our economic landscape, it's reigniting a distinct sense of national pride as we build more clean technology right here at home.



The latest Consumer Price Index (CPI) report dropped this week, showing a 3.7% increase in prices compared to last year, up from a 3.2% annual inflation rate in July. The slight uptick in inflation is largely due to surging oil and gas prices, which have risen more than 10% as extreme heat shuts refineries and OPEC+ continues to cut exports and limit supply. Clean energy prices are also on the rise as inflation, supply-chain issues, and higher interest rates push costs over 50% higher than they were when contracts were initially negotiated. Companies are now seeking permission from regulators to increase electricity prices to adjust; otherwise, they'll be forced to walk away.

With a structural transition like the one we are embarking on to move away from fossil and from reliance on China, there will always be demand-supply imbalances “in the short run.” But this same upward pressure on oil prices is getting more suppliers excited about shifting to clean energy. Look at the massive investment cycle in virtually every part of the clean energy sector. Inevitably, demand growth will accelerate, moving faster than supply...then supply growth will accelerate. The suppliers got the email that pricing is juicy or policy is motivating buildout and will ramp up production. In fact, some analysts are now talking about an oversupply of battery cells. We expect all this will add up over the medium term to consumers taking notice and accelerating their shift to clean energy (EVs, heat pumps, etc.).



- [Jim Tankersley](#) in *The New York Times* outlines how the Biden Administration's clean energy agenda and legislative track record is spurring investment in American manufacturing, driving clean technology industries forward, and catalyzing emerging markets.
- [Matt Yglesias](#) in *Bloomberg* highlights how macroeconomic factors are introducing challenges to clean energy deployment and the need for the US to be more strategic in order to achieve climate goals.
- [Nick Fountain and Willa Rubin](#) in the *Planet Money* podcast discuss the perceived trade-off between controlling inflation and potential layoffs, outlining the history of this theory and diving into how, contrary to common belief, the past year saw a decline in inflation while unemployment remained low.



[Third Way's Climate and Energy Program](#) highlights Dr. Ellen Hughes-Cromwick, Third Way's Senior Resident Fellow, as she discusses the potential of a UAW strike and what that would mean for US auto workers.



Third Way Climate & Energy

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"What's at stake here is our competition in the EV market," Third Way's @EllenHughesCrom says as she gives her insights on what a UAW strike could mean for the EV transition on @PowerLunch.



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UAW ready to strike at big 3 plants

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