

On the Grid: The Shifting Landscape 2/3/2023



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This week, the President traveled to [Baltimore and New York](#) to announce long-overdue funding for the aging Frederick Douglass and Hudson River tunnels. These investments are part of a new era of strategic industrial and infrastructure investments for the United States, funded by the Inflation Reduction Act and Bipartisan Infrastructure Law. If implemented well, they could usher in a more secure, more globally competitive America, powered by clean energy, which will benefit people across every income and educational bracket. As the *New York Times* [Editorial Board](#) said last Saturday, “a healthy democracy recognizes and promotes opportunity for everyone.”



US ECONOMY

Amid global economic uncertainty, the US economy has remained resilient. Our Economic Program worked with Senior Resident Fellow Dr. Ellen Hughes-Cromwick to provide us with a handful of items we should keep an eye on:

THE RED FLAGS:

- A key survey of US manufacturing purchasers suggests that manufacturing activity is contracting for the third consecutive month, as companies received fewer orders and continued to work through backlogs piled up from supply chain disruptions. Rather than hiring new workers, companies instead focused on working through inventory build-ups.

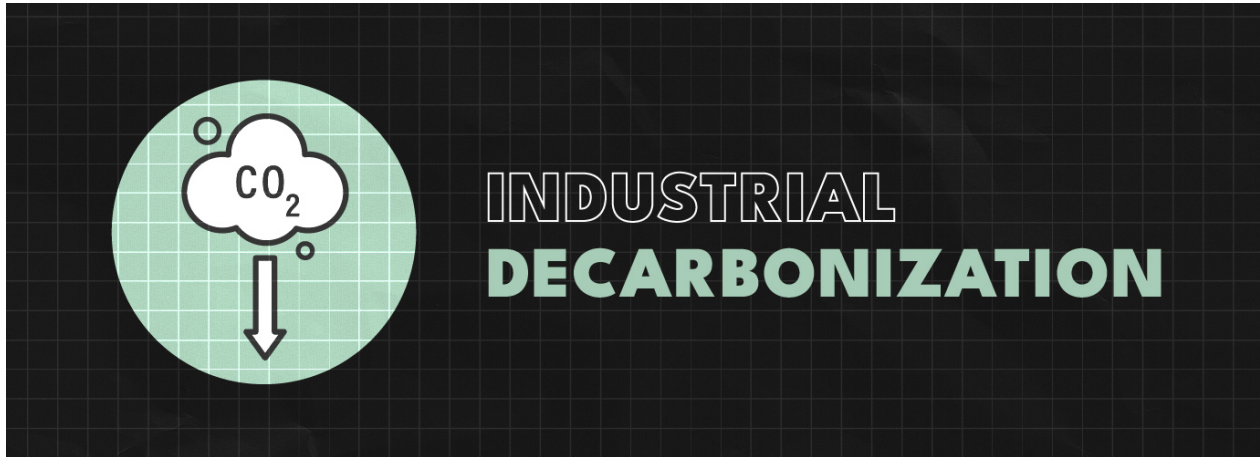
THE GOOD NEWS:

- As Federal Reserve Chair Jerome Powell stated on Wednesday, the economy is strong, growing at a 1% pace.
- This has been brought on by a strong job market, with hiring up 4%, per the Job Openings and Labor Turnover Survey (JOLTS), with nearly 2 job openings for every worker.
- The Employment Cost Index, which broadly reflects wages, salaries, and benefits, increased by 5.1% over 2022, helping workers keep up with the increased cost of living. And with a strong job market and low jobless claims, and inflation easing, the economy is on track for a soft landing.
- Employers added 517,000 jobs last month, nearly triple what economists expected. Together with a 3.4% unemployment rate, the lowest since 1969, it's clear that the labor market is strong, with few signals that a recession is likely in the near term.

THE CHALLENGE AHEAD:

- The labor market remains hot, and the Federal Reserve will likely continue to raise interest rates further to ensure growth does not keep inflation well above their 2% target.

Despite the economic growth we've seen, most Americans remain concerned about the state of the economy, with 71% saying they believe the country is on the wrong track. As Paul Krugman writes in the *New York Times*, "there is a yawning gulf between public perceptions and economic reality."



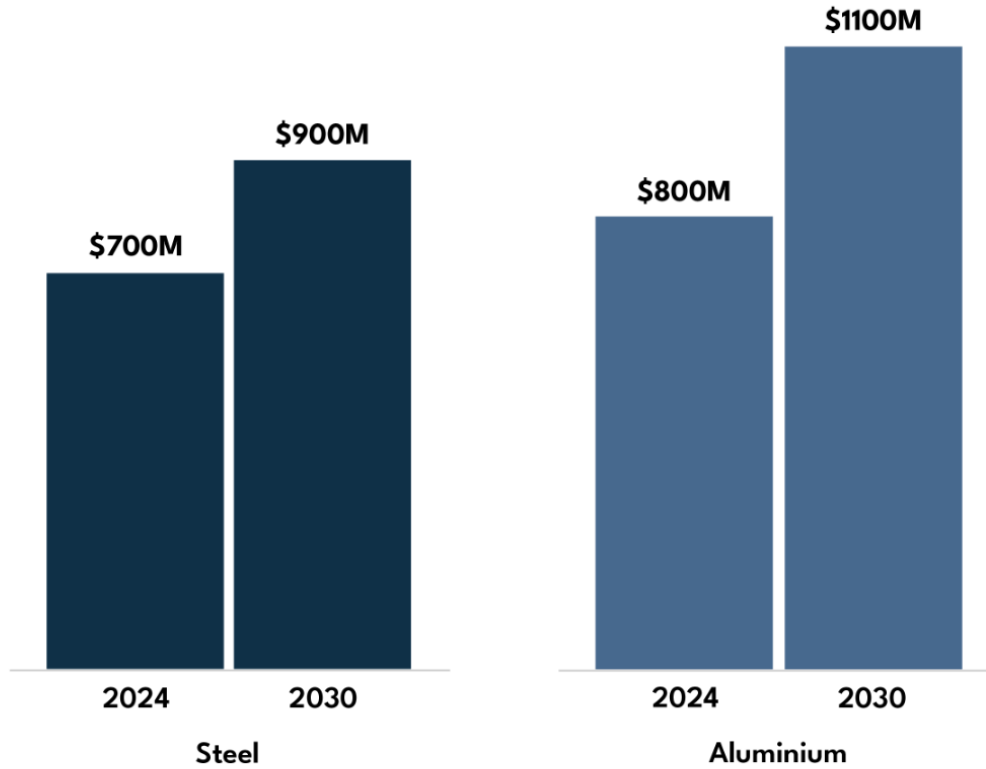
Europe has begun considering how to create a carbon border adjustment mechanism (CBAM), a trade policy that levies a fee on imported goods made with more carbon emissions than domestic products. Aluminum and steel account for 13% of global emissions and will likely be part of any CBAM policy. Interestingly, a carbon border adjustment that includes these commodities could benefit the American steel and aluminum industries, which are among the cleanest in the world.

Our newest memo, based on a recent Global Efficiency Intelligence (GEI) report, outlines some of the immense revenue and emissions-cutting potential:

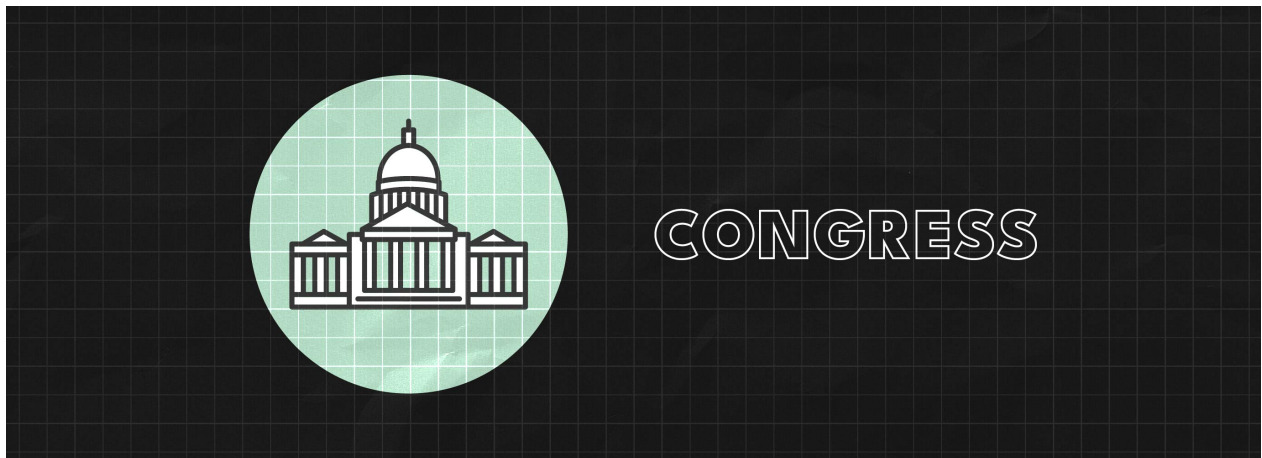
- The embodied carbon of steel and aluminum imports will be cut by 27% and 59%, respectively, by 2030.
- Foreign imports of steel and aluminum will each decrease by 55% by 2050, allowing cleaner, American-made products to capture a greater US market share.
- American steel and aluminum producers will see a combined revenue boost of \$14.5 million.

Revenue Generated Through Import Fees

Millions of US Dollars per Year



Source: Global Efficiency Intelligence.



The House Energy and Commerce Committee held its first hearing focused on the state of American energy security, with policymakers weighing in on tactics to strengthen American leadership and bolster economic competitiveness.

THE RED THREAD: Permitting reform was a central topic underscoring conversations, with policymakers across the political spectrum, *albeit for different reasons*, underscoring the urgent need to address the long project permitting and approval processes that are impeding clean energy construction.

OPPORTUNITIES FOR BIPARTISANSHIP: While there is a lack of consensus on a range of clean energy policies, Tuesday's hearing signaled several opportunities for policymakers to work together, particularly on workforce investment, carbon management, and reestablishing American leadership on nuclear energy. Smart, strategic reforms to improve the efficiency of the Nuclear Regulatory Commission and establish a reliable domestic nuclear fuel supply chain can be a bipartisan issue.

This week's hearing, likely the first to many, set the tone for the next two years of a split chamber Congress. You can watch the full hearing [here](#).



A note from Senior Vice President Josh Freed:

This week, the United Kingdom marked the third anniversary of the implementation of Brexit, and Prime Minister Rishi Sunak's Tory government reached the 100-day milestone. Coincidentally, we were in London to meet with a variety of the nation's political and energy policy leaders and participate in UK Nuclear Week events. We encountered the UK's third conservative government in less than 12 months, struggling and without a clear direction on clean energy policy, and a Labour Party beginning to develop a pragmatic, center-left clean energy agenda.

The government is simultaneously trying to deal with a very constrained budget, rising inflation, escalating energy prices, austerity measures that gutted local services and are crippling the vaunted National Health Service, and a shortage of workers from Europe caused by the end of free movement with the European Union.

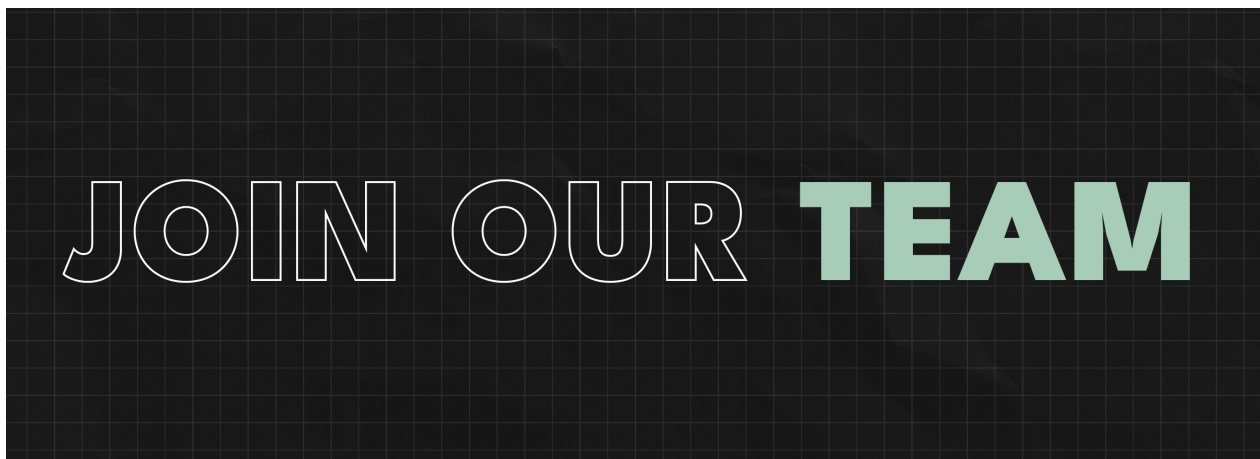
The UK has the potential to build a diverse, domestic clean energy sector, featuring floating and fixed offshore wind, advanced nuclear, hydrogen, clean steel, and more. Unfortunately, while the

rhetoric remains relatively strong and public support for nuclear, solar, and wind power is on the rise, there is a distinct lack of vision from both Downing Street and the Treasury.

Companies that want to develop and build in the UK, particularly emerging technologies like advanced nuclear, carbon management, or floating wind, need clarity on the government's commitment to capital and leadership. This is especially problematic when the UK needs to develop policies to complement the US's Inflation Reduction Act and the EU's new investment plans under development in Brussels.



- [Paul Krugman](#), in *The New York Times*, offers a perspective on rural voters and the displaced distrust they place in Democratic lawmakers who have, by large, passed legislation that is actively improving communities and expanding economic opportunities.
- [Emma Marris](#), in *The Atlantic*, provides an analysis of the 1.5 °C warming target and offers a new perspective on the consequences of surpassing it.
- [Ed Crooks](#), on *The Energy Gang* podcast series, is joined by Dr. Katy Huff, Assistant Secretary for DOE's Office of Nuclear Energy, Carl Perez, CEO of Exodys Energy, and Melissa Lott, Director of Columbia's Center on Global Energy Policy, to discuss the ongoing global renaissance for nuclear energy and the role for America's nuclear industry.



The clean energy policy conversation is expanding...and so are we! The Climate and Energy Program is looking for people with talent and a passion for climate solutions to fill two new roles on our team. If you've got anyone in your mental Rolodex who you think might be a fit, please send them our way. And if you wanted to circulate these job postings more broadly with your networks, we wouldn't mind that either!

Deputy Director of Development: This person will cultivate and steward relationships with individual and philanthropic donors as well as set and oversee the execution of the development strategy for the Climate & Energy Program to maintain and grow our individual donors and foundation fundraising, working with the Senior Vice President for Climate, Third Way's development, and the Climate policy and Communications teams. This person will oversee the Development Advisor, who manages institutional philanthropic giving and grant accounts manager's fulfillment of all relevant grants. *Our ideal candidate will have 5+ years of energy policy experience and experience managing staff.*



The Climate and Energy Program held a Twitter Space this week, featuring Ryan Fitzpatrick, Director for Third Way's Climate and Energy Program and E&E reporter, Nico Portuondo, following the House Energy and Commerce Committee's first full hearing, assessing American energy leadership and strengthening economic, environmental, and national security. Listen to the recording [here](#).



Third Way Climate & Energy
@ThirdWayEnergy



Missed yesterday's first [@HouseCommerce](#) hearing of the year? No worries, listen to our Twitter Space where Third Way's [@rdfitzpat](#) and E&E's [@NicoPortuondo](#) discuss the major highlights that were raised in the Republican-led hearing below.



Third Way Climate & Energy Host

Will E&C Republicans really prioritize climate?

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