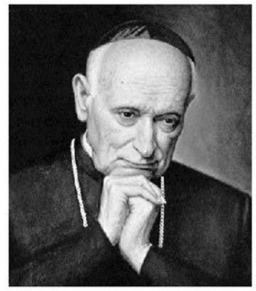
Mindszenty  Report

July 2022
Cardinal Mindszenty Foundation
Vol. LXIV-No. 7

Energy Crisis and the Green New Deal

Welcome back to the 1970s—a time of disco music, flared pants, and inflation. Don't expect vinyl records to come back, however. They will be too expensive. Inflation is now at a level not seen since the Carter years—8.6 percent for the year ending May 31, according to the U.S. Bureau of Labor Statistics.

Whatever the causes—or excuses—for inflation, prices are rising. How long this inflationary cycle lasts is anyone's guess. Clearly it is not "transitory" and "manageable," as many leading American economists and bankers asserted last year, including Federal Reserve chair Jerome Powell, Treasury Secretary Janet Yellen, others in the Biden administration, and Paul Krugman at the *New York Times.*

The one thing that average Americans do know is that prices are going up. This is painfully evident every time Americans fill up their automobiles, which is most of us who still drive gasoline-fueled cars.

From January 2021 to January 2022, crude oil prices increased 45 percent. *The average price of gasoline in the U.S. ($5.10 per gallon as of mid-June) has more than doubled since President Biden was inaugurated*, when it was only $2.39 per gallon according to AAA data. Americans have not seen such high gasoline and diesel prices since the U.S. Energy Information Administration started keeping track in 1993. It's not only gasoline and diesel prices that are skyrocketing. Natural gas prices are up 30 percent in the last year. Household electricity prices have hit all-time highs.

Even more worrisome is the warning by the North American Electric Reliability Corporation that *most of the U.S. could experience power outages this summer.* The electrical grid has become less reliable due to green energy policies that have forced the closure of fossil-fuel and nuclear generators.[1] Solar and wind power are far less dependable and supply only a small fraction of electrical needs. Expect rolling blackouts.

When President Biden came into office in January 2021, America had become energy independent. We are now a nation of energy dependence. This has led the administration to demand that Saudi Arabia, Venezuela and embattled U.S. oil companies produce more oil. The Biden administration states that its goal is to make America energy independent once again, but by this the administration does not mean oil and gas independent, but energy independent based on renewable "green" energy such as solar and wind power. The rosy projection of energy independence is premised on what is euphemistically called the "Green New Deal."

Biden effectively pledged himself to the Green New Deal in the 2020 Democratic primaries. On his first day in the White House, Biden announced that the United States was rejoining the Paris Climate Agreement with the goal of reaching a net-zero-emissions economy by 2050. The goal was to have zero carbon emissions for electricity, transportation, buildings, industry and land development. This quixotic goal is to be achieved through policies to ensure carbon-pollution-free electricity by 2035.

The Biden administration is pursuing this net-zero-emissions agenda even as it faces an energy crisis. *Its solution for $5.10 per gallon gasoline is to stop using gasoline!*

Causes of the Energy Crisis

Under President Trump, America became an energy exporter. As a presidential candidate, Trump met with economist Stephen Moore, who told him that with new policies America could become energy independent in four years. Trump replied, "I don't want America to be energy independent. I want America to be energy dominant."[2] By the time Trump left office in January 2021, America was producing more oil than it was consuming. We imported no net oil from Saudi Arabia and the OPEC cartel nations.

When Trump left office the price of oil was at $46 per barrel. As of this writing it is over $120 per barrel. The Trump administration accomplished its goal of making the country oil independent by lifting drilling restrictions, especially in Alaska and on federal lands in the continental states. He approved needed pipelines, while lifting and blocking what he considered extreme environmental regulations. He backed the shale oil and gas revolution.

Biden reversed these policies. In his first month in office, Biden instituted what he called a "moratorium" on energy production in regions of Alaska and a similar pause on federal lands and waters. He removed streamlining reforms for federal permitting processes. He reinstated the "social cost of carbon," a regulation requiring companies to estimate the damage created by one ton of carbon dioxide emission. Then he canceled the Keystone gas pipeline, which had been given final approval under President Trump.

The Biden administration began filling numerous positions in the executive branch with environmental activists. Typical of these appointments was Brian Deese as director of the National Economic Council. Prior to his appointment, Deese worked for BlackRock, the investment company that has worked to shut out coal, oil and natural gas companies from the U.S. financial system. Most notably, Biden appointed former Massachusetts U.S. Senator and failed presidential candidate John Kerry as his special climate envoy, and activist Gina McCarthy as White House national climate adviser.[3] Some of his nominations were so extreme on environmental issues that they were unable to obtain confirmation in a barely Democrat-controlled Senate.

Implausibly Blaming Putin

As rising gasoline prices fueled inflation, Biden faced a political problem of his own making. His polling numbers, which had begun declining with his botched withdrawal of troops from Afghanistan, continued a precipitous fall as inflation rose. Fuel prices and the rate of inflation were already rising before Russia invaded Ukraine in late February, which led to sanctions on Russian oil and gas.

Biden tried to deflect blame onto Russia's dictator Vladimir Putin. In a speech at North Carolina Agricultural and Technical State University in Greensboro, North Carolina, on April 14, Biden defensively stated, "What people don't know is that 70 percent of the increase in inflation was the consequence of Putin's price hike because of the impact on oil prices."[4] As is often the case, Biden's words were a jumble. His point, though, was clear enough: Blame Putin for the high price you are paying at the gasoline pump.

Even the *Washington Post* did not find Biden's claim credible.[5] First, the Consumer Price Index for meat, poultry, fish and eggs rose 13.7 percent from March 2021 to March 2022. In this same period, prices for used cars and trucks rose 35.3 percent, airline fares rose 23.6 percent, and other foods and clothing showed substantial price increases. Gasoline prices skyrocketed 48 percent in this period. Overall energy prices rose 32 percent. Energy prices in March (the month following Russia's invasion of Ukraine) did rise. But if energy prices had not risen at all in March, the 12-month general inflation rate would still have been 7.6 percent. Putin cannot be blamed for much of the inflation. This has come on Biden's watch and was an unforced error.

Grudging Permits for Oil Leases

In mid-April, facing an irate public, the Biden administration through the Department of Interior announced that it would open up the sale of oil and gas leases on federal land (which it had previously halted). This announcement provided opportunities to lease approximately 173 parcels on roughly 140,000 acres. This opening is still an 80 percent reduction from the original acreage under consideration. In making the announcement, Interior Secretary Deb Haaland complained, "For too long, the federal oil and gas leasing programs have prioritized the wants of extractive industries above local communities, the natural environment, the impact on air and water, the needs of Tribal Nations, and, moreover, other uses of our shared public lands."[6]

This view that oil and gas development on federal lands has neglected the natural environment or the needs of Tribal Nations is arguable. What is not arguable is that opening up a limited acreage of federal lands for oil and gas development does not address the immediate problem of rising fuel prices. It takes years for wells to be developed. Leasing does not ensure development.

While releasing some additional federal land for oil and gas leasing is a small step in the right direction, the political environment is hardly conducive to energy development. As it was releasing more land, the administration announced that company royalties on federal land leases were being raised to 18.75 percent, up from 12.5 percent. A six-point royalty increase is not a great incentive to do business with the federal government.

Furthermore, *the political environment is toxic with anti-oil sentiment.*[7] Rep. Pramila Jayapal, chair of the Congressional Progressive Caucus, and Rep. Barbara Lee (D-CA) issued a statement warning that Big Oil should not be allowed to "shamelessly" profiteer during this energy crisis.[8] Senators Bernie Sanders (I-VT) and Elizabeth Warren (D-MA) chimed in, warning Big Oil that a "windfall profits tax" could come their way if they don't behave.

Oil Petroleum Institute policy analyst Frank Macchiarolo commented that while the Biden administration has opened some federal lands to leasing, it has at the same time created "new barriers to increasing energy production."[9] Special climate envoy Kerry rationalized the administration's slight loosening of oil and gas leasing on federal land as a "temporary measure to try to relieve the price pressure" and keep "the population committed to moving" to green energy.[10]

In other words, opening some federal lands to oil and gas leasing does not mean that the administration's fundamental hostility to fossil fuels has abated. In May the administration canceled the sale of oil and gas leases for more than 1 million acres and for two locations in the Gulf of Mexico, blaming a lack of industry interest and "conflicting court rulings." Unsurprisingly, the oil and gas industry and its sources of capital are gun-shy. "If investors and producers are acting as though they don't hear the current administration's demands for more drilling now, it's in large part because they heard [officials'] condemnations for drilling in the past," explained two industry observers in a June op-ed.[11]

To give the appearance of doing something to relieve hard-pressed Americans, Biden authorized releases from the Strategic Petroleum Reserve three times in six months. This temporary expedient, which will not solve the longer-term problem of fuel price inflation, signaled that the administration knows it is in political trouble with consumers over rising gasoline costs. However, the move did nothing to reduce fuel prices.

Coal, oil and natural gas meet close to 80 percent of the nation's energy needs, according to the U.S. Energy Information Administration. Petroleum fills 90 percent of transportation fuel needs. From a global perspective, fossil fuels—gasoline, diesel, heating oil, natural gas and coal—currently provide 83 percent of energy requirements for electric power, transportation and heat. Consumption is going up, not down. Electric vehicles won't make much difference. *Eliminating fossil fuels as energy sources is a fantasy.*

SEC's Regulatory Overkill

Undeterred by these hard facts, the Biden administration further signaled its commitment to ending reliance on fossil fuels in the Security and Exchange Commission's proposed rule requiring all publicly traded companies to provide data on their direct CO_2 emissions, as well as to report the "risks" that these emissions pose to the company.[12] In addition, the rule would require companies to project indirect emissions from suppliers and buyers.

The SEC proposal for mandatory climate disclosure runs 510 pages. By way of comparison, in 2020 the SEC issued a 29-page guidance on climate change disclosures. The new proposal requires companies to provide quantified data on carbon emissions along with their traditional financial reporting. Quantification is required on three levels: direct emissions; the amount of electricity a company consumes; and greenhouse emissions by suppliers and customers. SEC Chairman Gary Gensler defends the proposal by arguing that investors need this information. The SEC's proposal incorporates recommendations made in a report by Michael Bloomberg's Task Force on Climate-Related Financial Disclosures, which called for "markets to channel investment to sustainable and resilient solutions."[13]

The sole Republican SEC commissioner, Hester Peirce, offered a cogent 6,000-word dissent observing that such requirements have little relevance to the financial return on an investment. She argued that the sole purpose of the proposal is to "direct capital to favored businesses to advance political and social goals."[14]

The SEC claims that these proposed new requirements are to protect investors and therefore fall within the SEC's congressional mandate. In practice, they will allow environmental activists to force climate policies on corporate America, provide environmental activists media-friendly ammunition, and afford opportunities for trial lawyers to file shareholder lawsuits against companies. Already banks are shying away from investing in fossil fuel companies. While the administration talks about more energy, investment is walking away.[15]

Advantages of Natural Gas

These requirements "run contrary to the SEC's mandate to maintain fair, efficient markets and facilitate capital formation,"[16] writes Rupert Darwall, author of Real Clear Foundation's November 2021 report *Climate-Risk Disclosure: A Flimsy Pretext for a Green Power Grab.* Announced on March 21 this year, the proposed regulation awaits final SEC action following an extended public comment period.

The green energy movement's reflexive opposition to natural gas pipelines in the U.S. actually harms its stated goal of reducing greenhouse-gas emissions. "If you're blocking pipelines, you're blocking the biggest green initiative on the planet," points out Toby Rice, CEO of the U.S.'s largest natural-gas producer, EQT Corp.[17] A similar point could be made about nuclear power.

Energy companies have given up on two major gas pipelines in the Northeast in the last two years due to challenges by environmental groups. Three other pipelines in the Northeast have been blocked, resulting in the need to import more-expensive liquefied natural gas from abroad. Nevertheless, the White House Council on Environmental Quality in April revised its National Environmental Policy Act regulation to require agencies to consider the "indirect" climate impact of pipelines and other infrastructure projects, making pipelines even harder to approve.[18]

Yet *natural gas is far cleaner than coal, which is used in large parts of the world when gas is unavailable or solar and wind power can't meet demand.* Better supplies of natural gas have become even more urgently needed as the war in Ukraine has disrupted Europe's supply of natural gas. The U.S. needs more pipelines in order to export liquefied natural gas. Biden's invocation of the Defense Production Act in early June to promote domestic green energy will do nothing to solve the gas pipeline problem.

How Perilous Is Climate Change?

Commentator Joel Kotkin notes that the Green New Deal is an "openly anti-capitalist version of the Great Depression-era original."[19] The goal of the Green New Deal is to cut human consumption and limit economic progress. Today's green elites, including the corporate aristocracy, embrace the concept of "degrowth" (a favored progressive term) through less economic expansion, declining rates of population growth, and a radical end to upward mobility. These elites and activists welcome centrally imposed scarcity, while taking advantage of regulatory and tax policies that allow them to make money. How else can one explain Amazon founder Jeff Bezos, who has given millions of dollars through his Earth Fund to environmental activist groups?[20]

People who question the extent and threat of climate change have been banned by social media and are considered anti-science pariahs. Nonetheless, there are serious critics of the science behind the climate change movement. Steven E. Koonin, former Undersecretary for Science in the Department of Energy under Obama, raises substantial questions about climate science in his data-packed book *Unsettled: What Climate Science Tells Us, What It Doesn't and Why It Matters* (2021). Koonin summarizes and assesses the state of climate science today: The literature shows that *heat waves in the U.S. are no more common now than they were in 1900.* Nor are hurricanes, tornados, floods, blizzards, precipitation or other environmental disruptions. He details the inadequacy of climate science modeling and objects to the media and politicians who fan the flames of alarm. He warns against rushing headlong to an emissions-free economic system, as proposed by the Green New Deal.

Far from dooming the world to climate catastrophe*, fossil fuels have contributed enormously to the long life expectancy and high standard of living enjoyed in developed nations today.* Alex Epstein's new book *Fossil Future: Why Global Human Flourishing Requires More Oil, Coal, and Natural Gas—Not Less* argues persuasively that fossil fuels have virtually ended climate catastrophe by causing climate-related deaths to fall 98 percent in the last century.

There is a fundamental difference between the politics of the original New Deal and today's Green New Deal: Franklin D. Roosevelt offered hope ("the only thing we have to fear is fear itself"); the Green New Deal plays only on fear. The politics of fear does not work in the long term and is not working today. Maybe the progressive "woke" should awaken to this reality.

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Ask for 5/22

The Mindszenty Report is published monthly by
Cardinal Mindszenty Foundation
7800 Bonhomme Ave.
St. Louis, MO 63105
Phone 314-727-6279 Fax 314-727-5897
Subscription rate: $25 per year
Outside the U.S.A. $35
We accept credit card payments.

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