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TRANSCRIPT

Energy 360°

“The Transition: The Changing Politics of Climate”

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FEATURING

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Quill Robinson: Welcome to Energy 360: The Transition a CSIS miniseries, exploring the energy implications of Donald Trump's victory. In the 2024 election, President Biden ran on the most ambitious climate agenda in U.S. history in 2020 and went on to sign the largest investment in climate action and history, the Inflation Reduction Act in 2022. In 2024, American voters gave Donald Trump and his fellow Republicans control of the House, Senate and White House. Do climate advocates need a new theory of change? How are and how should democratic policy makers approach climate going forward? This week, Joseph and I discussed the evolution of climate politics and the future of climate policy with Matt Yglesias. Matt is the author of the Slow Boring Substack Newsletter and a Senior Fellow with the Niskanen Center. Let's dive in.

President Biden was elected with a strong climate mandate in 2020. In 2022, he was able to pass and sign into law the Inflation Reduction Act, which was the largest investment in climate change in U.S. history. This fall, Republicans won the house, they won the Senate, and they won the White House. This may be a rebuke of this historic climate agenda. That's something that we're going to dive into today. So Matt and Joseph, good to be chatting with you, but before we talk about what happened this fall, I'm curious what was the organizing principle behind the Inflation Reduction Act, the IIJA, and the Biden Climate Agenda? And Matt, I'd like to start with you. What was that organizing principle and that strategy that was behind that particular effort?

Matthew Yglesias: Yeah, I think you sort of have to draw a distinction between what's the organizing principle of the Inflation Reduction Act as a legislation and what was the organizing principle of the Biden administration. Because the legislation is the conjunct of Biden's priorities, which was that climate change is very, very, very important that the relationship with labor unions is also very, very important as kind of a mix in that that geostrategic competition with China is very, very important. Conjoined with Joe Manchin's priorities, which are somewhat different, and Manchin represents a traditional coal state, a state that has a lot of hopes for a natural gas industry. He's a guy who has a lot of enthusiasm for nuclear, for hydrogen, for other things like that. You get a law whose legislative tax is, I think very much Manchin-ism. He was the pivotal vote there, but the Biden administration overall strategy, I think has other elements to that, right? I mean, he put forward Sarah Bloom Raskin to be regulatory chief at the Federal Reserve, and she earlier during the pandemic had said that the Fed should essentially discriminate against fossil fuel companies in its emergency financial assistance. Biden tried to halt all oil and gas leasing on federal lands. Now he got blocked by that in court, so these things didn't happen. Manchin wanted a kind of growth and abundance oriented climate

legislation. The courts wouldn't let him stop drilling the Senate wouldn't confirm some of his financial regulatory nominees. So Biden came around to a position that I think was very sensible actually. But the kind of animating principles of his administration were quite a bit more extreme than that, I would say. And you started by talking about his climate mandate, and I don't think the election was a rebuke of efforts to address climate change, but I also don't think Biden winning was exactly a mandate to pursue them. These are just policy issues that are not that important to most voters, I think compared to their daily experience with economic life.

Quill Robinson: That's an interesting point. I think many people on the left interpreted 2020 as a strong mandate to do ambitious climate policy. Do we believe that there is a climate voter now or is there not really a climate voter? Can you say a little bit more about how that sits in the minds of the American people?

Matthew Yglesias: Sure. I mean, what consistent thing that we see is that voters say that climate change is real. They say that they believe that it's happening. They say that they would like the government to address it. They also express very limited willingness to sacrifice their short-term financial interests or convenience in order to pursue that agenda.

Quill Robinson: Most wouldn't even pay what \$15 a year to.

Matthew Yglesias: Advocates learned that carbon pricing was unpopular and was not a politically viable strategy, but they didn't interrogate why that is, right? So if the issue is people don't want to pay higher taxes for the sake of a climate agenda, well then people also don't want supply side measures that are going to raise their prices. People don't want to hear, okay, the reason we are not going to let you buy the stove that you want is because of the climate agenda. That this is all just of a piece that people would like to address climate change, but they're a little shortsighted. They're a little selfish. They don't want to make big sacrifices for it. And that's true across all the modalities of climate that you can have. So you never heard Joe Biden or Kamala Harris say, I hear that people are upset that their mortgage interest rates are higher than they used to be, but one of the reasons interest rates are higher is that we have these big investments in clean energy infrastructure and I think it's just worth it for you to pay a higher rate on your mortgage. That's because she's not politically suicidal. But there's this kind of embedded knowledge there that if you just put it squarely to people that there's a trade-off here, that there's a cost to our policies that they wouldn't like that. That's a very limited form of climate voter. That's a very tight political constraint. And I think IRA was very well designed to minimize backlash. There was no tea party, there was no hashtag resistance.

People were not outraged by this policy agenda, but it also didn't motivate them. You couldn't get people to the polls by saying, you need to vote for Kamala Harris to save these clean energy investments. It's something that there's a community of people who feels very strongly about it, but it's just not that many people.

Joseph Majkut: That's actually a really interesting insight, right? As it seems to me like some of the most fervent criticism of the IRA has come from climate policy wonks who preferred other solutions.

Matthew Yglesias: Yes.

Joseph Majkut: Either on a technology basis or sort of policy design basis, economists who are focused on carbon pricing saying there's no way that this investment led strategy can reduce emissions effectively or cost effectively, or it's small government people who just don't want to see this level of intervention in the economy or want to use tax dollars for other purposes or to tax fewer dollars altogether.

Matthew Yglesias: I mean, I think if you have a realistic baseline, there's actually something pretty impressive about the fact that this is hundreds of billions of dollars in spending, and the pushback to it, as you say, is very wonkish and sort of technical from different directions, but it's not enraging people the way the Affordable Care Act did. The flip side of that though is that it's not that technically sound a set of policies. It's not a maximally efficient way to generate these emissions reductions. I mean, we'll see what happens in Congress, but the strategy for defending it is very heavily pitched on appealing to a handful of Republican members having picayune concerns about jobs in their district. The whole strategy is like, let's not talk about what animated us to do this in the first place, and that's politics for you. Ed Kilgore taught me the line "You can't take the politics out of politics", and that is definitely true, but I do think the whole thing is a little bit at odds with Democrats' self-image. They like to think of themselves as this very high-minded, wonky kind of party that Republicans play all this hardball politics, and they also like to believe that voters are really fired up about climate change. But you can see what they've actually done here is pretty shrewd putting forward of their elite's policy priority in the face of a public that is kind of indifferent to this, and they got a lot of money spent. They didn't really do it in a particularly cost effective way, but they did in a way that is low salience designed to minimize backlash. Harris lost if you think about how could she have won, I think about stuff on immigration stuff, on certain social cultural issues far, far more than are people mad about the 45 Q tax credit? Not really. They backed off the idea of very tough regulatory mandates on electric cars.

They sanded off the really hard points and this plan to have elements of the manufacturing tax credits and other things survive through a very narrow house majority. I mean, it might work. It's not crazy, even though it does not appeal to me, or I think you, Joseph, who would kind of like to see a more sound kind of policy emerge out of this debate.

Quill Robinson: Matt, on your point on trade-offs here and also the politics of this going forward, there was a narrative for a long time, and I think it's a narrative or an argument that the Biden-Harris Administration made that even if it wasn't for climate change, we'd want to usher the energy transition along anyways, that the economic benefits are there when it comes to clean energy. And many advocates will still say, well, solar or wind are cheaper than fossil fuel, so we should transition anyways. On the other hand, I think folks like Chris Wright, the likely Secretary of Energy and many others who are sort of in the Trump orbit now will make the argument that if we're thinking about how to allocate resources to alleviate human suffering, to lift people up, they're better spent on things other than climate mitigation. Now that the IRA has gone into effect, now that we've done very ambitious, expensive climate policy here in the United States, are we putting that argument to bed that we would do it anyways now that we're sort of realizing the true cost of going down this path? Or is it just that this is extraordinarily costly version of patients?

Matthew Yglesias: I mean, I think the pace really kind of matters here. I mean, I think that people will over time switch to electric cars because they have better performance characteristics. And because the cost of batteries really has fallen. Renewable energy, at a minimum, it is cheaper to run a mixed grid of gas and renewables than to run the old-fashioned grid of coal. That is a lower emissions future. What the future holds for batteries for advanced geothermal, for small modular reactors. I mean, it's difficult to say. What climate advocates have been trying to do though is hit these sort of IPCC determined targets, right? And that is very costly. You can't say that there are economic benefits to retiring existing fossil fuel infrastructure before it's usable lifespan. That's just by definition. I have a gas furnace in my house when it expires. I will replace it with an electric heat pump. I have looked at it. I agree with the clean energy people. That is in fact a better technology and a better option for me going forward. But throwing out a usable gas furnace to buy a new one for no reason, that's not cost effective for me as a household. That's why there's these tax credits to try to nudge people to go a little bit faster down all these lines. And I think in the spirit of intellectual honesty, one just has to admit that that is costly. You are trying to say it is a worth bearing price. You know how true that is? I think depends a lot on the specifics. There's like 90 billion different margins on which this operates. I mean, one reason the wonks like

pricing is that it lets you set what is the marginal value of emissions reduction and then let people find the cost-effective reductions rather than the Senate Finance Committee trying to decide for you. That's politics.

Joseph Majkut: The Senate Finance Committee constitutionally has the mandate to figure out how much you are replacing your gas furnace is worth to society.

Matthew Yglesias: Yes, exactly. Some of my best friends work in the United States Senate and it's no hate, but it's actually very odd. You could imagine a world. So Donald Trump is possessed by a new spirit of policy rigor, and he says, I really believe in the growth benefits of the Tax Cuts and Jobs Act. In fact, I want to make the corporate income tax even lower than TCJA did because I've read these tax foundation studies about how great that is. To pay for it, I want to completely repeal the Inflation Reduction Act, but that doesn't get me enough offset and it'll be bad for the climate. So I'm going to repeal the whole thing and put a carbon tax in that's going to let me do my deep pro-growth tax cuts. It's going to balance the budget and it's going to address the Democrats stupid climate concerns. The Libs will be so owned, and I'll be like, that's great. I don't think that's going to happen. But I mean

Quill Robinson: I see Joseph smiling here.

Matthew Yglesias: Right, but it's just still true that once you are operating in a world where fiscal constraints matter, a revenue source that has significant co-benefits for foreign policy, for environmental policy and so forth should start to look very attractive. We unfortunately had the great carbon pricing debate at the depths of a really severe economic downturn where there were no interest rates and Democrats cooked up a climate policy that was perfectly designed for the circumstances of 2010 and did it in 2022. Now, I don't know. It's hard to convince people of this.

Joseph Majkut: So I actually, I think I really agree with you that to the extent you can critique the IRA for being overly generous or miscalibrated or whatever it is, spending a lot of money at a time where money is more scarce and the inflationary effects of spending are pretty clear there being this sort of lagging of climate policy design or energy policy in general to macroeconomic reality seems to be a problem.

Matthew Yglesias: If you had done this in 2009.

Joseph Majkut: It would've made a lot of sense.

Matthew Yglesias: It would've been great. The unemployment rate would've been lower. People would've been like, I don't know. We're building some stuff maybe people don't totally need, but it's fine. And then by year 10 of the policy, you could start phasing it out, having kickstarted all these industries.

Joseph Majkut: One of the things, I think this is a bit of a turn for the conversation, but one of the things I'm really interested in watching as the next administration takes power is I think they have a little bit of a, it's still 2016 view of the world in so far as over the Trump's first presidency and then over the Biden administration, you had dramatic expansions of U.S. oil and gas production, the expansion of the LNG export fleet. It's not clear to me what supply side intervention we're going to make in a deregulatory way dramatically changes or even recreates that economic experience because we did it.

Matthew Yglesias: It's a little, you listen to Scott Besant and his answer to all questions about trade-offs and how to make, because Trump has said he doesn't want to cut Medicare. He doesn't want to cut Social Security. He seems to have abandoned Affordable Care Act repeal, but he wants all these tax cuts. TCJA extension, he's promised all this other stuff. And so you ask them, it's like, well, how are you going to do this? And they'll be like, oh, it's energy dominance. And they're talking as if Biden was able to halt new oil and gas leasing on federal lands, and they can reverse that. But we had this huge increase of production under Obama, further increase under Trump, and it's just increased more under Biden. I'm sure at the margin you can do different stuff on the regulatory front that'll be friendlier to the domestic industry, but there are limits to it. We are also still, even as the U.S. has become the world's number one oil producer, we're relatively high cost producers still compared to the Gulf. There's just constraints. I mean, I don't think you can make oil dramatically cheaper by increasing American production. Maybe Saudi Arabia could make oil dramatically cheaper by increasing Saudi production. I'm not sure if they can.

Joseph Majkut: Probably don't want to.

Matthew Yglesias: They don't to. We don't want them to. The stuff Republicans like to brag about that we're now such a large energy producer means the economics of the situation are different. It's not the George W. Bush administration where cheap oil is an unvarnished wind for the United States. The people in the Texas oil and gas industry, just like the people in the Gulf like to have prices high, they like to have investment, et cetera, et cetera. So on some level, all the innovation type stuff from IRA

just think remains incredibly relevant. Whatever your kind of political perspective. It is possible to generate a new boom in geothermal electricity, that would be really good. It's not clear to me that there's that much more oil we can drill no matter what you do.

Joseph Majkut: Or you're just not going to see the transformative change that we have seen over the past few years. So you wrote a piece today titled "We Need Reality Based Energy Policy." Reality based energy policy, if you've spent a lot of time on sort of internet climate, energy debates can mean a lot of things.

Matthew Yglesias: Absolutely.

Joseph Majkut: Could mean this climate change stuff is complete bunk. We don't need to worry about it. It could mean the reality of climate change is so severe that we need an energy policy aligned with two degrees centigrade or one degree centigrade global warming targets. Talk to us and help clarify what you think is the reality.

Matthew Yglesias: So climate change is genuinely occurring. It is bad. In so far as it is possible to have less warming, that is good. It's also not an extinction level human threat by any means necessary we should be reducing emissions. And I think really importantly, the United States is only one of many countries, and we can't force India, China not to use fossil fuels. Not only can we not force say Africa, not to have economic growth and poor more fossil fuels, to the extent that we can influence the trajectory of Sub-Saharan Africa, it would be morally unconscionable for us to try to keep their emissions low. Very poor places, it's quite hot, it is getting hotter. They could use air conditioning and cars and other stuff like that. By reality based, I mean essentially acknowledging trade-offs and trying to think about the costs and benefits of different measures. There are things that you can do to promote zero carbon energy that have no economic costs, that have negative economic costs, that are deregulatory in nature. There are some things you can do that have small costs and large benefits, or at least speculatively might have large benefits because if you invented a magical way to create 24/7 0 carbon electricity, that was also cheap. You can't make India use it, but I bet they would. So we can do things that alter the calculus, but we are also in a world where we do not have a cooperative relationship with China. We do not have 0% interest rates anymore, all these things. So you have to think more seriously about it. Particularly with regard to Democrats, I mean, I think a really sort of low key scandal that scandal, I don't know, is that when the Biden administration does sanctions enforcement on Iran, Venezuela, Russia, they balance their geopolitical concerns with an interest in cheap energy. Then domestically, they're balancing an interest in cheap energy against environmental concerns,

and they are not integrating these two topics. Even though the trade-offs are all the same. You could achieve a strictly dominant equilibrium where domestic drilling fees are lower and sanctions enforcement on Iran is tougher, but they don't engage in those trade-offs because they're not actually doing climate policy. They're doing environmental interest group management. For whatever reason, the Sierra Club cares a lot about drilling fees on federal lands and doesn't care about sanctions enforcement in Venezuela. Their attention to things is fitful and odd.

Joseph Majkut: It's like a U.S. based environmental group. It makes sense that they sort of are focused on the areas where they think they might have a lot of influence.

Matthew Yglesias: I mean sort of.

Joseph Majkut: You might want political leadership to mediate that.

Matthew Yglesias: Right? I mean, an effective political leader, I think is able to talk to his supporters and run them through this stuff. Or another thing. So these guys, environmentalists really don't like the domestic fossil fuel industry and the domestic fossil fuel industry wants to do LNG exports. So they want to block the domestic fossil fuel industry from getting what it wants. But credible studies indicate that LNG exports will lower global emissions. This is a negative economic cost emissions lowering policy that environmental groups are opposing.

Joseph Majkut: And many of the emissions reductions are not in far fallen places where you're doing some fancy coal substitution. It's just like fewer emissions in the United States than the margins. Renewables and gas power are in competition with each other.

Matthew Yglesias: It's funny because they will come back on me and be like, Matt, here we are advocating for cheaper energy by blocking LNG exports, which will keep the gas stuck in America, and okay, but you're arguing for higher emissions and climate advocates and environmentalists are aware that energy costs matter to people, but they don't like to think about the economic benefits of abundant energy. So they're really interested in things like, well, if we don't let people build new data centers that will keep electricity demand low, which will keep energy costs low for American consumers as we try to continue decarbonizing the grid. Or if we block LNG exports, that's really cute because it's a blow to the fossil fuel industry, but it also keeps prices low. And it's like that's fine, and people do like cheap energy, but we're making economic policy here. Energy is really important to the American economy, to the global

economy, and just making energy scarce globally is bad. AI policy is a whole other subject, but to say, well, we're just going to not develop a whole industry here. We're going to push it offshore because that makes our local net zero targets easier to hit. That doesn't make sense. That's not reasonable economic policy. And I've talked about people on the Harris campaign about this. I've talked about people in the Biden White House about this. I get a lot of I know. I know, I know. But I do economic policy and that's climate policy. And so it's like John Podesta and what's his name, his deputy. They're doing climate policy in one corner of the building, and Leo Brainerd and Janet Yellen are doing economic policy in another that's very Democrat brain.

Joseph Majkut: Or the way that they're combined is mediated through the manufacturing jobs created by the IRA, which is very secondary to, hey, here is an element of our trade surplus and lower prices that allow for investment, right.

Matthew Yglesias: Right. Well, and there's this very, again, because labor unions are important to Joe Biden, if there's 50 guys who don't want to lose their jobs because of some climate policy and they're in a labor union, you could be like, whoa, okay, that's important. But all the reasons that union members like to have jobs. The 96% of private sector workers who are not in labor unions also don't want to lose their jobs. It's good. I think in some ways the blue collar unions had a constructive influence on climate policy by standing up for the importance of a manufacturing sector, but it gets sometimes counterproductive and just other times weirdly limited. Just everybody wants, I mean, people may be don't want their boss to screw them over. They want to get a raise, but they don't want their company to go out of business. That doesn't help.

Joseph Majkut: So I'm interested in your view on how this election is going to change the dialogue if it will. As we see the Trump administration very focused on abundance and the idea of permitting reform being a principle objective of the administration deregulatory stuff generally, it seems to me that a lot of the barriers that we hear about from the finance people, from the companies in that world, as well as from the traditional oil and gas space, have consistently, we need permitting reform. We need it easier to build stuff. How do you see that debate playing out? Because to do real permitting reform, you need more than 60 votes in the Senate.

Matthew Yglesias: It's interesting. There's been a deal on the table. There's some chance that they'll try to go do it in the lame duck. I have some questions as to where Republicans really stand. Trump has actually articulated a lot of traditional conservationist criticisms of renewable energy. He talks about offshore wind killing whales, about onshore wind killing birds,

about solar panels just spoiling the landscape, et cetera, et cetera. We're not really going to have Donald Trump and the Center for Biodiversity doing a love in together, but there's going to be a temptation among Republicans to try to do some kind of oil and gas only permitting thing, both because that's their core constituency and because they have picked up all these people, but you're not going to get the votes that way. I mean, the whole basis of the Manchin-Barrasso compromise is that you want to get to 60 votes. So you have to do something like what they did, which have wins for all different sectors of the economy. That was true when Biden was President. It would've been true if Harris was President. It will be true when Trump is President. I find a lot of this discourse coming out of Elon Musk and his DOGE to be very confusing. I mean, they're just talking around these boring facts about Congress. He's just going to compile a list of regulations that he thinks are dumb, and then they're going to not have them. But I've got a list. We've all got a list.

Joseph Majkut: Yeah, Trump on the treadmill.

Matthew Yglesias: Yeah, right. But why do we subsidize ethanol? Well ask Republican Senators from farm states, right? That's Congress, right? And it's messy work. There have been people willing to deal. I mean, I have heard that Chuck Schumer wants to get this done, and I've heard that Chuck Schumer does not want to get this done, and a lot hinges on those kinds of questions.

Joseph Majkut: But do you think that there is an intersection there over not just this sort of immediate permitting reform bill, but over the broader project of we need to build a lot of stuff and we're in this new era of economic competition, mercantilism, geopolitical fervor. There are sources of U.S. strength and influence across all these different energy, and I would argue in long-term commitment to the decarbonization project, even if individual leaders are less interested, I wonder how much we're actually going to see as a sort of productive period over the next few years.

Matthew Yglesias: I mean, I would hope so. I mean, if you and I were in charge, we could fix all these problems. Theoretically, if you get a bunch of people in a room and you say, we are in an era of geopolitical competition with China. We want to win that competition, and we also want to make progress toward decarbonization, and we're worried about inflation and interest rates, the themes that people say they are interested in, I think it is not that hard to write down on a piece of paper, a set of pricing plus deregulatory strategies that move the ball forward on all of those goals simultaneously. Notwithstanding the fact that we live in a world of trade-offs, but it's not a purely zero sum world. You would

have a lot of visual impact on the landscape. I visit my in-laws in Texas and very conservative part of the country where as people like denote on Twitter, paradoxically, they're the most rapid clean energy build out in the universe, talk to normal people in rural Texas, they're not that excited about these high voltage transmission lines. They enjoy the landscape. The non-Texas West has all this federally owned land. It's really hard to build anything on federally owned land. In Texas it's all privately owned, but it's very underdeveloped and people like looking at it. And then when you have these transmission projects go, they'll complain and say like, ah, we got to find a way to stop this. I think it's good public policy that random NIMBYs can't stop it. It's not obvious to me that the voters appreciate this quite as much as abundance oriented wonks on the internet do. But if you really care about economic growth and you really care about emissions, you should be able to get it done. I mean, I don't particularly mind the transmission lines. I'm not the guy who moved to the hill country because I like the unspoiled vistas

Quill Robinson: Thanks, Matt. Really appreciate you joining us today.

Matthew Yglesias: Oh yeah, thank you.

Quill Robinson: Thanks so much for joining us on The Transition. We'll see you next episode.

(END.)