

Center for Strategic and International Studies

TRANSCRIPT

Energy 360°

“The Transition: Deregulation, DOGE, and Permitting Reform”

DATE

Thursday, December 12, 2024

FEATURING

Josh Siegel

Energy and Climate Change Reporter, POLITICO

CSIS EXPERTS

Michael Catanzaro

Senior Associate (Non-resident), Energy Security and Climate Change Program, CSIS

Joseph Majkut

Director, Energy Security and Climate Change Program, CSIS

Quill Robinson

Assistant Director and Associate Fellow, Energy Security and Climate Change Program, CSIS

*Transcript By
Rev Transcript
www.rev.com*

Quill Robinson: Welcome to Energy 360: The Transition a CSIS miniseries, exploring the energy implications of the 2024 election. I'm your host, Quill Robinson. Deregulation is a top priority for the incoming Trump administration. They have pledged to unleash American energy by lifting restrictions on American energy production and to undo the Biden climate agenda. This week, Joseph and I discussed deregulation, the proposed department of government efficiency or DOGE and permitting reform with two top experts. Michael Catanzaro is Chief Executive Officer of CGCNA, Washington DC based public affairs firm, and a Senior Associate with CSIS's Energy Security and Climate Change Program. From 2017 to 2018, Catanzaro served as Special Assistant to the President for Domestic Energy and Environmental Policy at the White House National Economic Council. Mike also served in senior roles in the House of Representatives, Senate and DPA. Josh Siegel is an energy and climate change reporter for Politico. Josh is also the host of the Politico Energy podcast. Let's dive in. Mike, you served in the first Trump administration. You worked directly on energy and environmental issues in the White House. What was the most important success of the first Trump administration when it came to deregulation and what tools and what strategies worked and what seemed not to work?

Michael Catanzaro: Well, first, thanks for having me on the podcast. Yeah, I think that the approach you saw in the first Trump administration is going to be very similar to what you see this time around. It is basically deregulating and when you deregulate as well as you regulate, you have to go through a process, through the Administrative Procedure Act. You have to go through notice and comment. It could be a time consuming process. I think the difference this time around is last time there was not a lot of preparation coming into the new administration. I think there was maybe a surprise that Trump won. There was some confusions regarding the existing transition team. The day after the election, there was a new completely new transition team that was established for various reasons we don't have to get into. But because of that, the effort was kind of set back. The number of BOS were issued early on, which is pretty standard fare, but it took some time to get up and running to get people in place and to really start that process to take a review, look at what was already on the books, and then look in the past eight years from the Obama administration and try to again go through that APA process, undo what you did, and then of course you're going to find yourself in court because anytime you deregulate as well as regulate, you're going to be challenged legally on that and it's going to happen again this time around. But I think this time around where the administration's going to be a lot better prepared. It's not just going to be EOs that are being written as we speak, but it's going to be the policy implementation. So once you get people in and they've done a lot on the personnel front and getting people vetted and getting ready to get

people in place on time, hopefully you can get people confirmed quickly, they have a Republican senate and then they can hit the ground running and instead of taking 2, 3, 4 years to try to undo what your predecessor did, maybe it takes one to two years. If you take litigation into account, I think that's going to be really the difference. The process by which they do it will be the same. But again, I think if you have more focus experience people in place at the right time, hopefully that will mean that they'll be successful again in attempting to deregulate as they will. I quote Steven Miller the other day, he said there's going to be a radical complete and total deregulation of the American energy industry. So the will is certainly there to try to do that whether the way possible is another story.

Josh Siegel: Yeah, I do think you've seen a shift among most Democrats who do recognize that the times have changed, that the demand for energy, particularly clean energy to meet their clinicals requires sort of a new approach. And I do think the majority of Democrats who come across on the Hill understand that, and obviously they put forward their subsidy driven investment strategy focusing less. Obviously, the bio administration did put forth some aggressive regulations on power plants, on transportation, but yeah, you don't really hear on the hill as much as sort of that being kind of the key determinant. If they can meet their climate goals, they really play up the investments that they made and how they feel like this industrial strategy might be a more durable approach. And then, yeah, as far as the permitting conversation, I mean you see folks like Martin Heinrich who's going to be the top Democrat on the energy committee. Sheldon Whitehouse to maybe a lesser extent, but Brian Schatz a real climate hawk. I mean, these folks are really upfront and actually very direct to the environmental community where they say the need to build requires this mindset shift. And I know environmental groups like to play defense, but this is a time to go on offense. I know Scott Peters likes sees that raising a lot democrat of California I think presents itself potentially more bipartisan opportunities even going into a full Republican control setting. We'll see how the Republicans approach reconciliation and whether permit they're successful and bringing some permitting into that. But I do think regardless, you'll see some attempts at bipartisanship on the regulatory space if you want to include permitting as part of that.

Joseph Majkut: This raises a point of what I think is an important distinction when we talk about deregulation. We can mean a lot of things. There are the regulations which can kind of feel ticky tacky, right? I've got a project I need to go through a NEPA review here, how this actually changes my behavior other than it makes me fill out a bunch of forms, slows investment and slows progress in the American energy system. Then there are regulations really are pursuing some sort of general benefit

that might be regulations on the fuel efficiency or the greenhouse gases that come from automobiles or from power plants. Mike, how do you think about deregulatory agenda and tools or the progress that we might make on deregulation different for those different kinds of regulations?

Michael
Catanzaro:

Yeah, it's a great point, Joseph. The distinction you make is absolutely right. I mean, on the one hand you don't really have regulations. You have permits and authorization that agencies have to issue. Of course, once they issue those, they're litigated and that's one of the key problems with the ING system is there's way too much litigation that you address the litigation problems something Congress has to do. You're going to get a long way to really transforming the system in a positive way. But those bigger, larger rules that you're talking about, the incoming administration will absolutely take those on, and I think they look at those as being harmful in a broad way to the economy and different sectors of the economy, whether it's the auto industry, whether it's the electric power sector, the oil and gas industry across the board, you're going to see deregulation, removal in some cases, complete removal and taking off the books or the attempt to take off the books rules like the tailpipe emissions rule from EPA, the cafe rule at NHTSA, maybe undoing the California waiver, those types of things. The methane rule for oil and gas, I think that's going to be mended not ended. I think there's a pretty broad consensus on the part of the oil and gas industry, whether it's the majors, the super majors, the independents, they would like to see some methane regulation on the books. But you're right, again, you're going to see a lot of attempts to try to get permits out on the one hand as quickly as possible. You're going to see that from EPA, from interior, from FERC across the board, but then on the deregulatory side, in terms of those major regs, that is going to be a huge focus. It's going to take some time because some of those are extremely complex. You have to go and you have to build a very robust record for why it is that you're undoing the regulation. And we know we have supreme court decisions that have kind of changed the landscape there. It's no longer the case that if you have a reasonable interpretation of a particular rule, you can say, well, the previous administration got it wrong. Court A go with us. That's not the case anymore. You got to have the best interpretation of a rule. Maybe we can get into that a little bit, but that's the distinction. You're right, and again, from a permitting perspective, congress needs to help but on the deregulatory fronts from these other regs, the administration is going to move hopefully swiftly and we'll see if they're successful or not.

Quill Robinson:

Mike, so I want to zoom out from the practical level to the strategic level here. In a recent New York Times article, Myron Ebell who led the EPA transition team for the first Trump administration was quoted as

saying, well look at what Biden did and put a knot in front of it. So this is obviously a strategy of subtraction, right? But I'm curious, as we look to incoming president Trump's strategic goals of unleashing American energy, restoring American manufacturing being dominant in AI competing with China, I'm wondering to what extent is this strategy of subtraction going to be successful and then where might it fall short when it comes to reaching some of these goals?

Michael
Catanzaro:

Yeah, you're right. It is going to be mostly a policy of subtraction, and I take Myron's point fairly literally. Again, there's going to be that review that's inevitable when you come in, you look back and see what we should probably try to undo most of what our predecessor did. But there are also some serious problems that do require the policy of addition as you point out. And in one of those you mentioned AI data centers really the kind of scary projected increase in demand that we're going to see from that sector. And I know right now we don't have the generation capacity. We barely can meet where the demand we have today, let alone what we're going to see over the next three, four or five years. They're going to have to be policies put in place to deal with that. We saw what FERC did most recently with the talent Amazon deal. They basically said, hey, PJM, you got to go back to the drawing board on this one. And that's fine, I suppose, as far as it goes depending on where you come out on that issue. But I think what's lacking is again, a policy FERC, how you deal with those issues going forward. So there's going to have to be, again, we're seeing this transformation occurring particularly in the electric grid, and I don't think it's just a matter of deregulating. I think you're going to have to see some new policies and hopefully it's not from an administrative standpoint. Again, if FERC tries to take this on by itself, again, you're going to get caught in the law of regulation and all the uncertainty that stems from that. So this is where Congress, as Josh was saying, on a bipartisan basis, is really going to have to step up. I think there's more and more a sense on both sides of the aisle that when it comes to particularly AI data centers and the grid, that something has to be done. I think you will see an attempt under regular order next year to do some sort of energy bill outside of regulation, and that's where again, this policy of addition as opposed to subtraction, I think could take form.

Joseph Majkut:

For those listeners interested in this connection of AI data centers, energy load growth, and our broader national strategic imperatives. I can't help but advertise the work that we're doing here at CSIS, both our colleague Cy McGeady and recent events we've had with leadership from the AI world from the Hill. I think Mike is completely right. This is going to be an overwhelming priority for policymakers in the next few years and probably will create some opportunities to fundamentally shift energy policy here in the United States. Before we get there,

though, Josh, we had a event here a year and a half ago, and we had a Republican member of Congress talking about methane emissions reductions. We had a Republican member of Congress talking about methane emission reductions. He was very, very enthusiastic about the whizzbang technology we can use to reduce emissions in oil and gas industry in the agricultural space, in the waste management space. I would say he was reluctant about the sort of broader EPA agenda and the way EPA was writing methane emissions rules. Now, Mike, the member said something really interesting. He said, Chevron doctrine is going to be undone. He called that. That did happen in Loper Bright and that actually creates an opportunity for Congress to step in and say, here's how we as representatives of the people want these environmental problems addressed. And in fact, the member said here at CSIS, if EPA can't write a methane rule, Congress needs to figure out what the methane standards should be for the country. Do you think there is space for a bipartisan conversation on particular issues like methane, like car efficiency? This is a longer term question than what's happening next year, but do you think that the changes in how we do administrative governance could create real opportunities for change in Congress?

Josh Siegel:

I would agree it's early. I mean, in talking with members after the Chevron decision came down, I mean there was a general consensus from both sides that we need to be more deliberate and direct on how we're writing law and we need to respond to Chevron, and maybe this does provide more opportunities to assert ourselves on climate where the regulatory authority is less clear. But yeah, I think it remains to be seen just where the focuses end up being in that we'll see going into the next Congress. But on methane for example, I mean I do agree at a high level, the Republicans will say, we need to clamp down on methane, and they do acknowledge that the big oil companies want to see some regulation, but Republicans in Congress have been upfront, including Shelley Moore Capito who's going to be the chairman of the Environment and Public Works committee. I mean, she told me the methane fee program that's a part of the Inflation Reduction Act is going to be one of their top targets for repeal in the reconciliation discussion. So I still think there's sort of a reluctance among most Republicans to say that the government should have any hand in whether it's penalizing companies, there's funding as a part of that program to help the companies adopt these technologies, but they seem to oppose that subsidy approach in that case as well. We do know that there are a lot of smaller oil companies who will struggle to comply with a fee, and I think there's some response to that among Republicans. So I still think at a high level, the Republicans will say we need to do something about methane, but I'm unsure still how that translates into policy.

Quill Robinson: Josh, one of the interesting things about that is a couple of weeks ago, Vivek Ramaswamy and Elon Musk wrote a piece in the Wall Street Journal talking about their vision for DOGE, the Department of Government Efficiency. They actually referenced Loper Bright as well as the EPA versus West Virginia decision notable because it actually in practice, those placed the onus on Congress. Interesting to see how DOGE will play out as an entity. Before we dive into what DOGE might do, interested to hear what you're hearing about DOGE from members of Congress. It seems like there's a lot of enthusiasm among Republicans, but how are they thinking about the role of this new sort of ambiguous entity that has this bold task of cutting waste and making the federal government more efficient.

Josh Siegel: Right now? It's a pretty kind of broad bucket of things that they're talking about that they'd like to see DOGE pick up on. I mean, we saw permitting, some members were mentioning permitting is something they want to see DOGE deal with the EPAs climate regs, and particularly on EVs and transportation as something Elon Musk has an interest in. My question is just sort of how does it interact with, I mean, we already know the agencies are going to be doing a lot of deregulation on their own, so, and we know that the members are going to be promoting and pushing permitting reform. So how, what Elon and Vivek are talking about, how does it interact with that? How is it not value add to what would be done normally? I think there's a lot of questions, but people Republicans seem excited. I mean, especially with Elon playing such a heavy role and they're very respectful of what he's done with Tesla.

Joseph Majkut: What are you hearing from the other side of the aisle? One can imagine that Democrats passed a lot of legislation. It's clear that a lot of that depends on the government being a competent and speedy implementer of their policies, and I could see a real desire on the left to improve the way that we govern as well. Are we looking at something that's going to be another victim of partisanship in Washington?

Josh Siegel: I think you are seeing some Democratic members. Ro Khanna has stood out, obviously connected Silicon Valley based on his district in California as someone who's been very active on social media and interacting with Doge and wanting to play a productive part in it. But I do think you are seeing a lot of Democrats, particularly appropriators, who are really defending Congress's power of the purse, and really there might be some turf wars in that way. So I think it might depend on how they go about it. I mean, is there an attempt to bring in the Democrats? Are the Democrats knee jerk against what they're doing? I mean, I think right now it's a mixed bag based on members I've spoken

with going to be an interesting one to watch. I do agree. You could see some overlap potentially. Again, especially with Elon's involvement. The politics are so interesting given he is an EV entrepreneur and is an important player in the broader climate agenda.

Quill Robinson: Mike, I'd love to get your take on this both practically and conceptually. Just first on the conceptual point, deregulation is something that resonates with a lot of Republicans, and as Josh said, even some Democrats right now, sort of the Reagan era, Paul Ryan, cutting budgets, lowering taxes, starving the beast approach to government is kind of different from the Accelerationist, Peter Thiel, Elon Musk vision of speeding past government. Now in terms of reducing the size of government, there may be some overlap immediately, but is there a conceptual difference there? And that may come out and then also I'd just love to hear your opinion on how this potential agency will interact with the executive branch and the legislative branch as well.

Michael Catanzaro: No, I don't think there's any kind of difference in terms of approach when you're thinking about the Reagan era and the sort of attack on federal spending. I mean, Elon Musk has been pretty clear. He wants to use the DOGE to try to reduce discretionary spending by \$2 trillion, which is pretty ambitious. There is this kind of newfound sense among Republicans on the hill that the deficits are out of control. The debt's out of control and needs to finally start doing something about it. And I would say the DOGE is, it's not your father's waste fraud abuse commission that we've seen of old. It's not going to be like the Grace Commission where it's pretty state affair and you're going to have establishment figures sort of rubbing their chins and then putting a report together that'll go onto a shelf and collect a lot of dust. I think the benefit, at least as Republicans see it with the DOGE, is that you're going to have two very media, social media savvy individuals who are going to be constantly highlighting instances of waste, fraud, abuse, particularly on the spending side, who also, as you say, on regulations that are unauthorized by Congress and they're going to be talking about it constantly all day on social media, and that's going to put pressure on Congress and especially the appropriators who aren't really crazy about reducing spending to in fact reduce spending. And so I think this is going to provide added impetus, and I do like the way that Congress is institutionalizing the DOGE by setting up committee or at least a conference or caucus in the Senate and then an actual subcommittee on the oversight committee of the house. How this interacts with the executive branch is going to be a bit tricky maybe because this is not a government entity, it's not going to even be a FACA Federal Advisory Committee Act entity. It's going to be just a totally private entity that's going to provide advice to the government, but there will be, as I understand it, some dedicated DOGE staffers in the agencies and that it

may just be that these are staffers who are hired, whether it's an EPA or Department of Energy or Department of Commerce, and part of their role will include trying to find instances of waste, fraud, abuse that they can then pass on to the commission for them to highlight over time. We'll see, but it is going to be a bit tricky that back and forth. I don't think we've seen an entity like this that isn't covered under some sort of federal umbrella. Maybe that gives it a little bit more ability to be more flexible. I think that's probably the goal they have in mind is they don't want to be tied down necessarily by any sort of federal rules or strictures. So we'll see, but there will be some institutionalized capability within the agencies and folks reporting back to DOGE. Again, I think from a political perspective, DOGE is going to help Republicans on the hill once in a long while. It's been many, many years since they were actually trying to reduce spending. I think this is probably a time when they actually will be able to do it.

Joseph Majkut: Well, I think this is also an important element, important message for our audience, right, is that DOGE to fully realize the vision that we hear is eventually going to need to congressional support that Congress will eventually have to change spending levels, re-articulate programs, clarify how regulation should be implemented, and therefore a lot of the DOGE activity seems like they're forward closely with Congress.

Quill Robinson: I mean, I wonder how that's actually going to play out though. I imagine it's not a Wednesday meeting downtown that lobbyists and congressional staff and administration officials gather at. Mike, I think you make a really good point about the media savvy of these two figures. If you were in this incoming administration, what are the practical things that would be helpful from DOGE for you to carry out this agenda?

Michael Catanzaro: Well, again, if you're trying to reduce unnecessary spending or get rid of regulations at commerce as an authorized, obviously you're going to be attacked for it. And in the energy environment space, we know who will do the attacking and to have the DOGE and have Vivek Ramaswamy and Elon Musk out there defending you in addition to the normal press activities that occur in an agency or from the White House, that will help them a lot and give them further impetus to do their jobs on this front. But I wouldn't underestimate the point about Congress is very important that yes, Congress will have to carry out a lot of their recommendations, but don't underestimate the power that Russ Valters will bring to OMB. He's very smart, very creative, and he will attempt using the power of the President has via OMB, the power to carry out these laws and spending to claw back some of the spending that's occurring. Again, that gets a little bit tricky legally, but I wouldn't

underestimate an OMB and trying to do as much as they possibly can even without congressional authorization in some cases.

Quill Robinson: Josh, we're doing a lot of speculation right now about next year. I want to bring this to right now and talk about permitting reform. You've been tracking the Manchin-Barrasso bill quite closely. Could you tell us a little bit about the status and contours of that bill, what may happen in the coming months and then if it does ultimately not pass what the shape of a Republican permitting reform package might look like?

Josh Siegel: Yeah, so it's definitely alive as far as lame duck conversation, but there's only two weeks left, so I think the biggest question is the calendar. I reported on Monday that there was as recently as Friday, the big four congressional leaders, they have these meetings regarding year end must pass legislation and permitting is on the board as far as one of the things they're talking about, and I would say, I mean the key players here right are Joe Manchin, who's retiring Senate Energy and Natural Resources chair, John Barrasso, top Republican, who's still committed to seeing this in the lame duck, which is interesting given, right? I mean, Republicans have this full control next year, so you wouldn't necessarily think that he's going to be the number two in leadership, but he's pushing it. And then Bruce Westerman, who's the House Natural Resource Committee chair in the house has been brought in because for this to pass, you're going to need buy-in from House Republicans and Speaker Johnson, and Westerman is trying to bring NEPA provisions into this conversation. We know there was limited elements on NEPA because they were limited to energy committee jurisdiction in the Senate. We'll have to see. I mean, these are obviously influential members, so I wouldn't discount their commitment to really try to get this through. And I've also reported Chuck Schumer, the majority leader, wants a permitting bill to pass the Democrats. A lot of them feel like this is their best shot to get something on transmission given Republicans are going to have the full control next year, and that might not necessarily be a priority. I think still the kind of political common sense is still, it might not line up given just Republicans have a ton of leverage, and we know that Democrats are sort of resistant to a lot of change on NEPA, so that balance is going to be difficult. There will be an effort in reconciliation. I talk with Westerman just after the election is committed to trying to get some sort of permitting. I think they're not specific right now. I think they're trying to figure out what could pass muster with the bird rule, which obviously dictates that provisions and reconciliation have a budget impact. We don't necessarily think of permitting. It's generally seen as sort of a policy issue, but I know Mike, I know you and I have discussed maybe there's some ways they can be creative in doing it, but yeah, I do think you're going to see, even if a bill passes in the lame duck, I do think

Republicans will try to get more in reconciliation, and then I do think even if that's, let's say they're limited in what they can do, there will be bipartisan discussions on this issue regardless. Again, Martin Heinrich set to take the Democrat top spot on energy. He's a big permitting guy, Mike Lee. We don't know as much about him, but I imagine this would fit in his wheelhouse as well. And then, yeah, EPW Capito is continuing to push permitting agenda and Sheldon White House, likely the top Democrat is again, someone who's been open-minded to this new approach among Democrats, so I think it'll continue on regardless.

Quill Robinson: Josh, Mike, thank you so much for joining us. Thanks so much for joining us on the transition. We'll see you next episode.

(END.)