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## Spreading the energy pain

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**Mathew Choi**

*With help from Alex Guillén, Kelsey Tamborrino, Josh Siegel, Catherine Morehouse and Jonathan Custodio.*

**February 16, 2022**

### **Quick Fix**

- **President Joe Biden warned that escalating tensions in Ukraine** will bring U.S. drivers pain at the pump.
- **The Senate Environment Committee today is taking up the biofuels program**, a source of unending controversy amid EPA's latest proposed blending targets.
- **Senate Democrats flirt with a gas tax holiday** to help address inflation concerns.

HAPPY WEDNESDAY! I’m your host, Matthew Choi. Congrats to Luke Rose of the Rose Co. for knowing Mesopotamia was bound by the Tigris and the Euphrates. For today's trivia: What is the southernmost state in the United States? Send your tips and trivia answers to [mchoi@politico.com](mailto:mchoi@politico.com) . Find me on Twitter [@matthewchoi2018](https://twitter.com/matthewchoi2018).

[Check out the POLITICO Energy podcast](#) — *all the energy and environmental politics and policy news you need to start your day, in just five minutes. Listen and subscribe for free at [politico.com/energy-podcast](https://politico.com/energy-podcast). On today's episode: Why sea level rise poses a clear and present risk to the nation.*

### **Driving The Day**

**SPILLOVER PAIN FROM UKRAINE:** President Joe Biden warned that military conflict in Ukraine could cause some pain at the pump in the U.S., but that the administration was working to try to mitigate any price spikes.

“I will not pretend this will be painless. There could be impact on our energy prices,” Biden said at a White House briefing.

“We’re coordinating with major energy consumers and producers. We’re prepared to deploy all the tools and authority at our disposal to provide relief at the gas pump.” he said. “And I’ll work with Congress on additional measures to help protect consumers and address the impact of prices at the pump.”

The White House has coordinated oil supply releases with countries like China, India, Japan and South Korea, but that hasn’t stopped prices from surging to nearly eight-year highs this week. Still, some relief came as U.S. crude futures shed \$4 a barrel after Russia’s Defense Ministry released a [statement](#) early Tuesday saying it was pulling some units back “to permanent locations” (Biden and NATO Secretary General Jens Stoltenberg stressed that Western intelligence has yet to verify Russia’s claims).

And even as Biden warned Moscow that “the strategic costs to Russia would also be immense” if it attacks Ukraine, the Senate mustered only a sternly worded statement after failing to overcome partisan squabbling on a sanctions package, [POLITICO’s Andrew Desiderio reports](#).

The U.S. has seen imports of Russian oil and petroleum products climb in recent years — they now total more than shipments from Saudi Arabia — as U.S. refineries replaced cargoes they previously bought from Venezuela with Russian supplies. And while the figure is less than 10 percent of the petroleum that arrives at U.S. ports, the threat to global trade from hostilities in Europe is almost certain to put a fear premium on prices in the global market.

## **On The Hill**

**BRAWLING FOR BIOFUELS:** The Renewable Fuel Standard will get a fresh hearing this morning before the [Senate EPW Committee](#), just as the Biden administration works to finalize its biofuel blending mandates under the program that [has long divided the corn and oil industries](#).

Emily Skor, CEO of the biofuels trade group Growth Energy, will tout the environmental advantages from home-grown fuel to lawmakers, and she'll posit that the full potential of the RFS as a climate solution remains untapped. But Taxpayers for Common Sense [argued in a letter to the committee](#) that the RFS has failed to achieve its climate goals "and federal bioenergy subsidies have resulted in more harm than good for taxpayers."

The hearing lands on the heels of a [new report published this week in the Proceedings of the National Academy of the Sciences](#) that found that the carbon intensity of corn ethanol produced under the RFS is likely at least 24 percent higher than gasoline. The biofuels industry has disputed the study, with Geoff Cooper, head of the Renewable Fuels Association, calling it "a completely fictional and erroneous account of the environmental impacts of the Renewable Fuel Standard."

**The committee members could also generate some heat:** Ranking member Shelley Moore Capito (R-W.Va.), for one, [has pressed EPA to reconsider](#) its proposed blanket denial of small refinery exemptions, while committee members Sen. Tammy Duckworth (D-Ill.) and Joni Ernst (R-Iowa) have introduced legislation, S. 3380, to prohibit EPA from retroactively reducing any blending requirements under the program. Chair Tom Carper (D-Del.) represents a refining industry in his state that has previously called for relief under the program.

**Also on tap:** The committee will consider the nominations of David Uhlmann for assistant administrator for enforcement and compliance assurance at EPA and Carlton Waterhouse for assistant administrator for EPA's Office of Solid Waste.

**GAS TAX HOLIDAY:** Senate Democrats have been batting around suspending the federal gasoline tax to lower prices, and the idea came up at their weekly lunch on Tuesday. But it's not clear the entire caucus is on board, and the White House isn't diving in directly, only stating that "all options remain on the table."

Republicans, meanwhile, aren't eager to help Democrats address what they view as a partially self-inflicted wound from high energy prices.

"This administration has made it more expensive to produce American energy. Now they want to get rid of the gas tax," Sen. John Barrasso of Wyoming, the top Republican of the Energy Committee, told Pro's Josh Siegel. "This flies in the face of this administration's policies."

Barrasso also noted that [a quartet of Democrats up for election](#) in 2022 are among those proposing a suspension of the 18-cents-per-gallon gas tax through the end of the year.

Meanwhile, Joe Manchin, the centrist Energy Committee chairman, agrees with Republicans opposing a federal gas tax holiday, telling Punchbowl News, “it doesn’t make any more sense than taking oil out of the strategic oil reserves.”

The federal gas tax was last raised in 1993, and its actual cost has been cut in half by inflation since then. Democrats are also dismissing criticism that pausing the tax as a deflationary mechanism would conflict with their decarbonization agenda by fueling demand for gasoline.

“I don’t think it makes sense to tie short-term responses to inflation and short-term economic issues to long-term climate issues,” Sen. Martin Heinrich (D-N.M.) told Josh. “To the extent we can find policies that really shield people from some of the current impacts of inflation while all of the supply chain efficiencies catch up, it’s worth entertaining.”

**EJ HEARING GETS TESTY:** A House Natural Resources hearing on Democrats’ flagship environmental justice bill descended into a partisan mud fight on the nature of racism. The Environmental Justice for All Act, H.R. 2021 (117), would open legal avenues for communities to sue over environmental discrimination and add programs and regulations to ensure marginalized communities don’t suffer from disproportionate environmental harm. Those are measures Democrats say are vital to protect vulnerable communities from unscrupulous industrial interests and to account for cumulative pollution impacts not addressed under the Clean Water Act and Clean Air Act.

Republicans meanwhile contend the measure would kneecap economic activity in low-income areas — prompting Rep. Rashida Tlaib (D-Mich.) to later retort “Do jobs fix cancer?”

Republicans also disputed that environmental inequality is a racial issue. Rep. Garret Graves (R-La.) said intentional environmental discrimination was a “conspiracy of racism,” and he argued his district, whose population is over a quarter Black, has a heavy industrial presence because of its location on the Mississippi River.

“I’ve got more chemical and oil and gas plants within a few miles of my house than any of you and I’m not out here yelling about discrimination,” he said. “There’s a fit there. I chose to live

here.” Rep. Don McEachin (D-Va.) replied that Graves has the resources to relocate if he wanted to, while many residents of vulnerable communities do not.

**Related:** “ [White House Takes Aim at Environmental Racism, but Won’t Mention Race](#),” via NYT’s Lisa Friedman.

## **Around The Agencies**

**CALIFORNIA WAIVER INCOMING:** Sources say EPA as soon as today will finalize a rule restoring California’s Obama-era waiver allowing it to enforce more stringent tailpipe carbon dioxide emissions. The Trump administration had revoked that waiver, arguing that states can’t set greenhouse gas standards for vehicles. The Biden administration [early on moved to reverse that](#), with the National Highway Traffic Safety Administration in December [taking the first step](#) and EPA completing the reversal. Doing so will restore California’s waiver that gave it the ability to set greenhouse gas standards through 2025; future rules will require additional waivers.

**National impact:** A dozen states and D.C. had long followed California’s rules, but the Trump administration's deregulatory agenda prompted Colorado, Minnesota, Nevada and Virginia to pass legislation or adopt regulations hitching their wagon to California as well — bringing along over 40 percent of the U.S. market.

**AUTO RULE TARGETED AFTER CLIMATE INJUNCTION:** The fallout has started arriving following [last week's court order](#) blocking the Biden administration from using its social cost of carbon metric in rulemakings. The conservative Competitive Enterprise Institute on Tuesday sent a letter asking EPA Administrator Michael Regan to reconsider his [December rule boosting vehicle emissions](#) limits through 2026, since EPA cited the SCC and considered global effects in its analysis. “If EPA’s cost-benefit analysis were to be corrected in accordance with the judge’s order, it would actually show *a total net harm*, not benefit,” CEI wrote.

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The Biden administration has yet to react to the injunction or say if it will appeal. But there are plenty more regulations in the works that have cited the SCC, including EPA's big methane rule, energy efficiency regulations and CEQ's overhaul of NEPA regulations.

**DOE'S SEARCH FOR 'DIRT CHEAP' STORAGE:** DOE wants a wider array of potential energy storage options, given the supply chain and sustainability challenges that plague the increasingly popular lithium battery industry, according to Deputy Assistant Secretary for Advanced Grid Research Michael Pesin. Lithium-ion batteries are popular with the electric vehicle industry as well as for short-duration energy storage, but they require critical minerals that are difficult to mine domestically. That increases American reliance on foreign imports, he said Tuesday during a National Association of Regulatory Utility Commissioners meeting.

"We want to be able to develop technology independent from any foreign supply chain," Pesin said. "There is a saying that if you want dirt cheap, you have to make it from dirt. This is an exaggeration, but we want to have something that is so cheap."

DOE is exploring three categories of storage to accelerate deployment of such a product: Bidirectional electricity storage, including batteries, pumped hydro and flywheel storage; thermal storage; and flexible load that essentially allows the grid to act as a storage resource using demand response and energy efficiency.

## **Beyond The Beltway**

**PANEL MOVES AGAINST TARIFFS ON CANADIAN SOLAR:** A USMCA dispute settlement panel ruled that U.S. tariffs against Canadian solar parts violate the trade agreement, and it gave the U.S. until March 18 to find a resolution with its North American neighbors. The tariffs were implemented under the Trump administration, and the U.S. has justified them as being under the previous North American Free Trade Agreement that USMCA replaced. But the dispute panel rejected that argument, opening the door for Canada to retaliate with measures of its own if the U.S. keeps its tariffs in place. [Pro's Gavin Bade has more.](#)

**PROGRESS REPORT:** U.S. coastal waters are expected to rise by up to a foot in 30 years, matching the increase of the entire last century, due to climate change, according to a report led by the National Oceanic and Atmospheric Administration. The report paints a grim picture for coastal areas increasingly at risk for flood damage — and home to tens of millions of people. The

coastal population of the U.S. is also growing, according to the report, and cities further inland like Camden, N.J., are also at risk of flooding. [Pro's Zack Colman has more.](#)

Meanwhile, EPA's draft annual greenhouse gas inventory found that the Covid pandemic led to the greatest drop in emissions in 2020 since the agency started taking records in 1990 — specifically a 9.1 percent drop from 2019. But experts believe emissions leaped back up in 2021 with the rollout of vaccines and the reopening of the economy. [Pro's Alex Guillén has more.](#)

**THAT'S ALL FOR ME!**

<https://www.politico.com/newsletters/morning-energy/2022/02/16/spreading-the-energy-pain-00009291>