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Federal Efforts to Shrink the Domestic Energy Sector Supply Chain and Manufacturing Base

Chairman Griffith, Chairman Rodgers, Ranking Member Castor, distinguished Members of the Subcommittee, I am honored to be invited to testify before you today on the subject of "Federal Efforts to Shrink the Domestic Energy Sector Supply Chain and Manufacturing Base."

My name is Diana Furchtgott-Roth. I am the director of the Center for Energy, Climate, and Environment at The Heritage Foundation. The views I express in this testimony are my own and should not be construed as representing any official position of The Heritage Foundation.

In addition to my role at The Heritage Foundation, I am an adjunct professor of economics at George Washington University. My professional training is in economics. From 2019 to 2021, I was deputy assistant secretary for research and technology at the U.S. Department of Transportation. Previous positions include acting assistant secretary for economic policy at the U.S. Department of the Treasury; chief economist at the U.S. Department of Labor; and chief of staff of the Council of Economic Advisers under President George W. Bush.

Today I'd like to make the following points: America is energy independent due to vast resources of oil and natural gas that have been discovered through innovative technology. However, should the Environmental Protection Agency (EPA) finalize recent proposed regulations on tailpipe emissions and power plant emissions without major changes, America would become dependent on China for wind turbines, solar panels, and electric batteries, as well as many associated components.

As the world has seen from the invasion of Ukraine by Russia, and the associated cut-off of natural gas supplies, it is not prudent to rely on an unfriendly country for a vital resource, such as energy, because restrictions can raise energy prices and carry disastrous economic consequences. America can develop an energy sector supply chain and manufacturing base that is less subject to control or disruption by foreign adversaries by increasing domestic oil and natural gas production, and quickly building the associated infrastructure to transport these resources, such as pipelines and LNG terminals.

Congress should make sure that tax credits intended for domestic manufacturers of batteries and EVs are used by American companies, and not Chinese companies, and roll back agency regulations and guidance that allow foreign companies to benefit. The U.S. energy sector supply chain cannot produce all the resources to handle the regulatory push to transition to renewable energy resources and electrification without substantial increases in prices. This would disproportionately hurt low-income individuals and families by both increasing their electricity and transportation costs, and by driving energy-intensive and traditional car manufacturing abroad, depriving people of their livelihoods.

Dependence on Foreign Rivals for Energy Products

America is energy independent due to vast resources of oil and natural gas that have been discovered through innovative technology. However, should the Environmental Protection Agency (EPA) finalize recent proposed regulations on tailpipe emissions[1] and power plant emissions[2] without major changes, America would become dependent on China for wind turbines, solar panels, and electric batteries, as well as many associated components. China makes nearly 80 percent of the world's electric batteries,[3] over 80 percent of global solar panels,[4] and almost 60 percent of wind turbines.[5]

This is especially troubling because the Chinese Communist Party (CCP) is a totalitarian regime which has a poor record both on the environment and on human rights. Beijing is engaged in genocide against the minority Uyghur people of Xinjiang and has imposed draconian restrictions on political freedoms in Hong Kong.[6] The CCP has reduced or eliminated religious liberties for Christians and Buddhist worshippers of the Dalai Lama throughout Tibet.[7] Empowering the Chinese government is fundamentally at odds with "good corporate governance."

Under the new EPA proposed rules, rather than using its own oil and natural gas resources, America will depend on energy from China. Countless other renewable energy components and technologies also depend to a large extent on Chinese supply chains. For instance, many of the components of batteries will either be sourced, processed, or manufactured in China for the foreseeable future.

China has not committed to reducing emissions until 2027. Research by Dr. Kevin Dayaratna, chief statistician and senior research fellow at The Heritage Foundation, has shown that even completely eliminating all fossil fuels from the United States would result in less than 0.2 degrees Celsius in temperature mitigation by 2100.[8] Americans, particularly poor and middle class, would be bearing major costs in higher electricity prices, higher food prices, and a forced

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[1] *Federal Register*, Vol. 88, No. 87 (May 5, 2023), p. 29184, https://www.govinfo.gov/content/pkg/FR-2023-05-05/pdf/2023-07974.pdf (accessed May 19, 2023).

[2] Environmental Protection Agency, "Greenhouse Gas Standards and Guidelines for Fossil Fuel-Fired Power Plants," May 15, 2023, https://www.epa.gov/stationary-sources-air-pollution/greenhouse-gas-standards-and-guidelines-fossil-fuel-fired-power (accessed May 18, 2023).

[3] International Energy Agency, *Global Supply Chains of EV Batteries*, July 2022, p. 2, https://iea.blob.core.windows.net/assets/4eb8c252-76b1-4710-8f5e-867e751c8dda/GlobalSupplyChainsofEVBatteries.pdf (accessed May 19, 2023).

[4] International Energy Agency, *Special Report on Solar PV Global Supply Chains*, updated August 2022, p. 7, https://iea.blob.core.windows.net/assets/d2ee601d-6b1a-4cd2-a0e8-db02dc64332c/SpecialReportonSolarPVGlobalSupplyChains.pdf (accessed May 19, 2023).

[5] International Energy Agency, "Geographic Concentration by Supply Chain Segment, 2021," updated January 25, 2023, https://www.iea.org/data-and-statistics/charts/geographic-concentration-by-supply-chain-segment-2021 (accessed May 19, 2023).

[6] James J. Carafano et al., "Winning the New Cold War: A Plan for Countering China," Heritage Foundation *Special Report* No. 270, March 28, 2023, p. 24, https://www.heritage.org/sites/default/files/2023-03/SR270_0.pdf (accessed May 19, 2023).

[7] Ibid., p. 3.

[8] Kevin D. Dayaratna, PhD, Katie Tubb, and David Kreutzer, "The Unsustainable Costs of President Biden's Climate Agenda," Heritage Foundation *Backgrounder* No. 3713, June 16, 2022, https://www.heritage.org/sites/default/files/2022-06/BG3713_0.pdf, (accessed May 19, 2023).

switch to costly electric vehicles without benefits for the environment. They would pay the price for President Biden's energy agenda.

National Security and Economic Risks Associated with Dependence

Dependence on an unfriendly nation leaves America at the risk of sudden rising prices for energy, transportation, and vital components of the economy. As the world has seen from the invasion of Ukraine by Russia, and the associated cut-off of natural gas supplies, it is not prudent to rely on an unfriendly country for a vital resource, such as energy, because a cut-off can raise energy prices, with disastrous economic consequences. Half a century ago America experienced a similar cut-off of oil by the Organization of the Petroleum Exporting Countries, resulting in higher prices and recessions.

The disruptions over the past year caused by the cut-off of natural gas to Europe illustrate the disruptions of being dependent on a rival. The price of natural gas rose from about $28 per million metric British thermal unit (MMBtu) at the beginning of 2022, to a peak of nearly $70 per MMBtu in August 2022, before declining to $35 per MMBtu by the end of the year.[9] Prices of American natural gas rose too, but the United States had its own supply, and the prices were lower. Europe's recession would have been greater but for the relatively mild winter, but hoping for mild winter weather is no plan.

America has also been affected by the war in Ukraine, as well as a change in US energy policy by the Biden Administration. Consider that crude oil prices were $52 per barrel in January 2021, and $83 per barrel in January 2022, before the invasion by Russia of Ukraine.[10] Prices then rose to approximately $115 per barrel in June 2022.[11] This caused an increase in the price of regular retail gasoline, which peaked at nearly $5 per gallon in June 2022.[12]

These price increases hurt the poorest people the most, because they pay a higher share of their income in energy and motor fuel costs. America had two quarters of declining GDP in the first half of 2022 as a result of higher prices.[13]

With the move to electric vehicles, middle-class Americans are losing jobs at Stellantis, Ford, and GM due to the forced switch to electric vehicles. Last month Stellantis announced that it

[9] Federal Reserve Bank of St. Louis, Global Price of Natural Gas, EU Data Series, 2022, https://fred.stlouisfed.org/series/PNGASEUUSDM (accessed May 19, 2023).
[10] U.S. Energy Information Administration, Spot Prices for Crude Oil and Petroleum Products, Cushing, OK WTI Spot Price FOB (Dollars per Barrel) Data Set, 1986 to 2023, https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=RWTC&f=M (accessed May 19, 2023).
[11] Ibid.
[12] U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices, U.S. Regular All Formulations Retail Gasoline Prices (Dollars per Barrell) Data Set, 1990 to 2023, https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=pet&s=emm_epmr_pte_nus_dpg&f=m (accessed May 19, 2023).
[13] Bureau of Economic Analysis, National Income and Product Accounts Data Set, Gross Domestic Product, Table 1.1.5, 2021 to 2023, https://apps.bea.gov/iTable/?reqid=19&step=2&isuri=1&categories=survey#eyJhcHBpZCI6MTksInN0ZXBzIjpbMSwyLDNdLCJkYXRhIjpbWyJjYXRlZ29yaWVzIiwiU3VydmV5Il0sWyJOSVBBX1RhYmxlX0xpc3QiLCI1Il1dfQ== (accessed May 19, 2023).

would be offering buyouts to 33,500 hourly and white-collar workers in an attempt to cut 3,500 jobs due to its planned transition to electric vehicles.[14] It closed a plant in Illinois in December. General Motors and Ford are also laying off workers as part of their move to make more battery-powered vehicles.

United Auto Workers president Shawn Fain said in a statement on April 26, "Stellantis' push to cut thousands of jobs while raking in billions in profits is disgusting. This is a slap in the face to our members, their families, their communities, and the American people who saved this company 15 years ago. Even now, politicians and taxpayers are bankrolling the electric vehicle transition, and this is the thanks the working class gets. Shame on Stellantis."[15]

Developing an Independent Energy Sector Supply Chain and Manufacturing Base

In order to develop an independent energy sector, America needs to use its own resources. Instead, President Biden is restricting them.

On his first day in office, President Biden revoked the permit for the Keystone XL pipeline, which would have brought 850,000 barrels of oil per day from Canada to be refined in U.S. refineries.[16] This reduced energy independence, and higher gasoline prices and inflation soon followed. President Biden the following year asked Saudi Arabia and Venezuela to produce more oil. In addition to eliminating the Keystone XL pipeline, President Biden has reduced oil and gas production[17] by expanding the boundaries of the Grand Staircase-Escalante, Bears Ears, Northeast Canyons, and Seamounts Marine National Monuments, preventing oil and natural gas production in those areas.[18]

America's auto manufacturing leads the world, but President Biden seeks to restrict it. Through regulations and executive orders, President Biden wants to follow the lead[19] of California and other states seeking to reduce emissions—laws that Congress would not pass.

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[14] Ryan Felton and Nora Eckert, "Jeep Maker Stellantis to Offer Buyouts to Hourly, Salaried Workers," *The Wall Street Journal*, April 26, 2023, https://www.wsj.com/articles/jeep-maker-stellantis-to-offer-buyouts-to-hourly-salaried-workers-d3c71fdc (accessed May 19, 2023).
[15] United Auto Workers, UAW Statement on Job Cuts at Stellantis, https://uaw.org/uaw-statement-job-cuts-stellantis/#:~:text=%E2%80%9CStellantis'%20push%20to%20cut%20thousands,this%20company%2015%20years%20ago (accessed May 19, 2023).
[16] Joseph R. Biden, Jr., "Protecting Public Health and the Environment and Restoring Science to Tackle the Climate Crisis," Executive Order 13990, January 20, 2021, https://www.whitehouse.gov/briefing-room/presidential-actions/2021/01/20/executive-order-protecting-public-health-and-environment-and-restoring-science-to-tackle-climate-crisis/ (accessed May 9, 2023).
[17] *Federal Register*, Vol. 86, No. 14 (January 25, 2021), pp. 7037–7043, http://www.federalregister.gov/documents/2021/01/25/2021-01765/protecting-public-health-and-the-environment-and-restoring-science-to-tackle-the-climate-crisis (accessed May 19, 2023).
[18] Ibid.
[19] Press Release, "Fact Sheet: President Biden Announces Steps to Drive American Leadership Forward on Clean Cars and Trucks," The White House, August 5, 2021, https://www.whitehouse.gov/briefing-room/statements-releases/2021/08/05/fact-sheet-president-biden-announces-steps-to-drive-american-leadership-forward-on-clean-cars-and-trucks/ (accessed May 19, 2023).

The Environmental Protection Agency has published proposed regulations[20] on automobile emissions that would require new car sales to be 60 percent battery powered electric by 2030 and 67 percent by 2032, compared to fewer than 6 percent in 2022. EPA is also planning new rules for power plants,[21] raising the costs of the electricity needed to charge these vehicles. These rules again would raise people's driving and electricity costs, and poor and middle-class people disproportionately would pay the price.

Instead of restricting domestic energy and manufacturing, America should expand it, by approving more energy exploration and more pipelines. Pipelines are the primary mode of transportation for crude oil, petroleum products, and natural gas. America has 190,000 miles of onshore and offshore petroleum pipeline, and 2.4 million miles of underground natural gas gathering and distribution pipelines.[22] In 2021, approximately 82 percent of crude oil and petroleum products were shipped by pipeline on a ton-mile basis.[23] Road, rail, tanker, and barge account for the rest.

Pipelines are the safest way to transport oil and natural gas because the pipeline stays still and the gas moves, away from people, with little risk of accident. New technology shows pipeline operators if there is a pinhole leak in a pipe, and sophisticated pressure gauges can signal if oil pressure is declining. Data published by the Department of Transportation show that pipelines have low injury and fatality rates.[24] These findings have substantial relevance for America's energy future. The question of how to transport oil and gas safely and reliably is not a transitory one.

But pipeline construction is being slowed, and America needs pipelines to bring more oil and natural gas from where it is produced to domestic businesses and consumers, and for overseas export. In New York, the Constitution Pipeline,[25] the Northern Access pipeline,[26] and the

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[20] U.S. Environmental Protection Agency, "Notice of Proposed Rulemaking: Multi-Pollutant Emissions Standards for Model Years 2027 and Later Light-Duty and Medium-Duty Vehicles," https://www.epa.gov/system/files/documents/2023-04/lmdv-multi-pollutant-emissions-my-2027-nprm-2023-04.pdf (accessed May 19, 2023).

[21] U.S. Environmental Protection Agency, "New Source Performance Standards for Greenhouse Gas Emissions from new, Modified, and Reconstructed Fossil Fuel-Fired Electric Generating Units; Emissions Guidelines for Greenhouse Gas Emissions from Existing Fossil Fuel-Fired Electric Generating Units; and Repeal of the Affordable Clean Energy Rule," May 8, 2023, https://www.epa.gov/system/files/documents/2023-05/FRL-8536-02-OAR%20111EGU%20NPRM%2020230504_Admin.pdf (accessed May 19, 2023).

[22] American Petroleum Institute, "Where are the Pipelines?" https://www.api.org/oil-and-natural-gas/wells-to-consumer/transporting-oil-natural-gas/pipeline/where-are-the-pipelines (accessed May 19, 2023).

[23] U.S. Bureau of Transportation Statistics, Crude Oil and Petroleum Products Transported in the United States by Mode Data Set, 1985 to 2021, https://www.bts.gov/content/crude-oil-and-petroleum-products-transported-united-states-mode (accessed May 19, 2023).

[24] U.S. Department of Transportation, Pipeline and Hazardous Materials Safety Administration, Significant Incident Consequences Summary Statistics Data Series, 2005 to 2023, https://portal.phmsa.dot.gov/analytics/saw.dll?Portalpages&PortalPath=%2Fshared%2FPDM%20Public%20Website%2F_portal%2FSC%20Incident%20Trend&Page=Significant%20Incidents%20Consequences (accessed May 19, 2023).

[25] Press Release, "Feb. 24 Media Statement," Constitution Pipeline, February 24, 2020, https://constitutionpipeline.com/ (accessed May 19, 2023).

[26] National Fuel, "Northern Access Project Overview," https://www.nationalfuel.com/pipeline-storage/national-fuel-gas-supply-corp/northern-access-project-overview/ (accessed May 19, 2023).

Northeast Supply Enhancement pipelines[27] have been delayed due to protests by those who profess concern for the environment.

The Federal Energy Regulatory Commission (FERC) is now for the first time including potential greenhouse gases and effects on "environmental justice communities" in its pipeline approval process.[28]

In addition, agencies including the Securities and Exchange Commission,[29] the Board of Governors of the Federal Reserve,[30] and the Office of the Comptroller of the Currency[31] are cutting off funding for pipelines by requiring companies to report climate effects of their investments. Banks that lend for fossil fuel projects, including pipelines, and companies that produce their components, are likely to face heightened regulatory scrutiny.

Every day the United States produces about 12 million barrels of petroleum[32] and about 100 billion cubic feet of natural gas.[33] This fuel needs to get to where it is needed. Whether it's produced in Canada, Alaska, North Dakota, or the Gulf of Mexico, it will be used all over the country, especially since new environmental regulations are forcing the closures of coal-fired power plants, increasing the demand for natural gas as a substitute.

American Companies Should Benefit from Inflation Reduction Act Tax Credits

In April the Joint Tax Committee estimated that green tax credits from the Inflation Reduction Act will cost $570 billion from 2023 to 2033.[34] These tax credits were intended to benefit Americans first. But some of the funds are already being siphoned off to Chinese companies.

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[27] New York State Department of Environmental Conservation, "Northeast Supply Enhancement (NESE) Project," https://www.dec.ny.gov/permits/115980.html (accessed May 19, 2023).
[28] Miranda Willson, "FERC Issues 'Historic' Overhaul of Pipeline Approvals," E&E News, February 18, 2022, https://www.eenews.net/articles/ferc-issues-historic-overhaul-of-pipeline-approvals/ (accessed May 19, 2023).
[29] Press Release, "SEC Proposes Rules to Enhance and Standardize Climate-Related Disclosures for Investors," March 21, 2022, https://www.sec.gov/news/press-release/2022-46 (accessed May 19, 2023).
[30] Press Release, "Federal Reserve Board Invites Public Comment on Proposed Principles Providing a High-Level Framework for the Safe and Sound Management of Exposures to Climate-Related Financial Risks for Large Banking Organizations," December 2, 2022, https://www.federalreserve.gov/newsevents/pressreleases/other20221202b.htm (accessed May 19, 2023).
[31] Office of the Comptroller of the Currency, "Climate-Related Financial Risks," https://www.occ.treas.gov/topics/supervision-and-examination/climate/index-climate.html (accessed May 19, 2023).
[32] U.S. Energy Information Administration, "Short-Term Energy Outlook: Petroleum Products," May 9, 2023, https://www.eia.gov/outlooks/steo/report/us_oil.php (accessed May 19, 2023).
[33] U.S. Energy Information Administration, "Today in Energy: U.S. Dry Natural Gas Production Set Monthly Records in 2022; We Forecast an Annual Record," December 9, 2022, https://www.eia.gov/todayinenergy/detail.php?id=54959#:~:text=U.S.%20dry%20natural%20gas%20production%20has%20increased%20during%202022%2C%20averaging,monthly%20production%20records%20from%202019. (accessed May 19, 2023).
[34] Congressional Budget Office, Letter from Honorable Phillip Swagel to Honorable Jodey Arrington, April 25, 2023, https://www.cbo.gov/system/files/2023-04/59102-Arrington-Letter_LSG%20Act_4-25-2023.pdf (accessed May 19, 2023).

Chinese firms are attempting to partner with American companies to try to get tax credits. Ford and Contemporary Amperex Technology Co. Ltd. (CATL) have a joint enterprise in Michigan.[35] Beijing will be able to control both the technology and the factory operations at the $3.5 billion plant.

China dominates battery technology, accounting for over 70 percent of global electric vehicle battery production capacity,[36] and CATL is the largest producer, profiting from close relations with the Chinese Communist Party (CCP).

The CCP has facilitated access to domestic and foreign minerals for CATL battery production. Minerals such as lithium and cobalt are essential for batteries. CATL gets lithium from its operations in western China's Qinghai Province, aided by government funding, and it gets cobalt from Kisanfu, in the Democratic Republic of Congo, where it purchased 25 percent of cobalt reserves in 2022.[37]

China's "Made in China 2025 Plan," launched in 2015 by Prime Minister Li Keqiang, aimed to encourage Chinese production across a wide range of industries. Among regulations helpful to CATL, electric cars sold in China must have Chinese-made batteries in order for the buyer qualify for a credit.[38] The BuickB Electra E5 for the Chinese market will have CATL batteries, while the Electras for the North American market will have batteries from South Korea's LG Energy Solution. BMW switched to CATL batteries in 2011, abandoning batteries made by America's A123 Systems, launched in 2010 with a $249 million Energy Department grant.[39]

In December 2022 Honda signed an agreement with CATL[40] to purchase enough batteries to power 1 million electric vehicles from 2024 through 2030. The Honda vehicles will be made in China, and potentially exported to America.

CATL could decide to pause its Michigan plant at any time due to political tensions between the United States and China. CATL reportedly reconsidered its plans on establishing a new plant

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[35] Clara Hendrickson, "Whitmer Celebrates New Ford Battery Plant in Michigan Backed by State Support Valued Over $1B," Detroit Free Press, February 13, 2023, https://www.freep.com/story/news/politics/2023/02/13/whitmer-celebrates-ford-battery-plant-in-michigan/69898177007/ (accessed May 19, 2023).
[36] International Energy Agency, "Global EV Outlook 2023: Catching Up With Climate Ambitions," April 2023, p. 104, https://iea.blob.core.windows.net/assets/dacf14d2-eabc-498a-8263-9f97fd5dc327/GEVO2023.pdf (accessed May 22, 2023).
[37] Keith Bradsher and Michael Forsythe, "Why a Chinese Company Dominates Electric Car Batteries," *The New York Times*, December 22, 2021, https://www.nytimes.com/2021/12/22/business/china-catl-electric-car-batteries.html (accessed May 19, 2023).
[38] Ibid.
[39] Lyle Dennis, "A123 Systems Gets $249 Million Government Grant to Build Battery Factory in Michigan," Green Car Reports, August 5, 2009, https://www.greencarreports.com/news/1033931_a123-systems-gets-249-million-government-grant-to-build-battery-factory-in-michigan (accessed May 19, 2023).
[40] News Release, "CATL to Supply 123 GWh BEV Batteries to Honda by 2030," CATL, December 8, 2022, https://www.catl.com/en/news/1044.html (accessed May 19, 2023).

after former House Speaker Nancy Pelosi's (D-CA) trip to Taiwan in 2022,[41] and the Chinese government discouraged CATL from pursuing U.S. investments. [42]

Similar workarounds can be seen with EV tax credits. EVs are supposed to have a certain share of domestic production to get the credit, but a giant loophole exists for leased vehicles. The Treasury has ruled that commercial vehicles do not have to meet the domestic requirements to get the credit, and leased vehicles count as commercial.[43] People can lease EVs rather than buying them, and take advantage of the $7,500 tax credits in lower lease payments—just as they would pay lower auto loan car payments if the EV had the required domestic content. This tax treatment benefits the Chinese because they produce the EVs.

While it appears that CATL dominates the electric battery and vehicle market, there are other, better alternatives to CATL. For example, LG Energy Solutions, the leading South Korean battery manufacturer, is considering a sixth North American plant in Arizona.[44] Atlas Public Policy lists other America-friendly plants in a recent report.[45]

Is a NetZero 2050 Transition to Renewable Energy and Electrification Realistic?

The U.S. energy sector supply chain cannot produce all the resources to handle the regulatory push to transition to renewable energy resources and electrification. Attempting to do so would result in substantial increases in prices without ultimate success, heaping pain on calamity.

Consumers and producers will thrive in a country that offers reliable electricity (and other inputs) at least cost. Blackouts cause inconvenience and economic harm. China's electricity is becoming less expensive and more reliable relative to U.S. electricity. The forced transition to renewables threatens to further reduce reliability and increase costs. If America wants a strong manufacturing base, we must reject the policies behind the forced transition (IRA subsidies, EPA power plant rules, EV mandates, etc.) and embrace an open-ended energy future.[46]

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[41] Eric Martin, Edward Ludlow, and Gabrielle Coppola, "Pelosi's Taiwan Trip Spurs Chinese Battery Giant to Pause Plan Debut," Bloomberg, August 2, 2022, https://www.bloomberg.com/news/articles/2022-08-02/pelosi-trip-spurs-china-battery-giant-to-pause-plant-unveiling#xj4y7vzkg (accessed May 19, 2023).

[42] Gabrielle Coppola, Keith Naughton, and Eric Martin, "Ford, China's CATL Mull Workaround for New US Battery Plant with US-Chinese Tensions High," Bloomberg, December 14, 2022, https://www.bloomberg.com/news/articles/2022-12-15/ford-china-s-catl-mull-workaround-for-a-battery-plant-in-michigan-or-virginia (accessed May 19, 2023).

[43] David Shepardson, "U.S. Treasury Says Consumer Leases Can Qualify for EV Tax Credits," Reuters, December 29, 2022, https://www.reuters.com/business/autos-transportation/us-treasury-says-consumer-leases-can-qualify-ev-tax-credits-2022-12-29/ (accessed May 19, 2023).

[44] News Release, "LG Energy Solution to Invest $5.5 Billion to Build Battery Manufacturing Complex in Queen Creek," Arizona Commerce Authority, March 24, 2023, https://www.azcommerce.com/news-events/news/2023/3/lg-energy-solution-to-invest-55-billion-to-build-battery-manufacturing-complex-in-queen-creek/ (accessed May 19, 2023).

[45] Tom Taylor and Noah Gabriel, "The EV Transition: Key Market and Supply Chain Enablers," Atlas Public Policy, November 2022, pp. 39-40, https://atlaspolicy.com/wp-content/uploads/2022/12/2022-EV-Transition-Key-Market-and-Supply-Chain-Enablers.pdf (accessed May 19, 2023).

[46] Travis Fisher, Comments of the Electricity Consumers Resource Council Before the Federal Energy Regulatory Commission, Docket No. AD21-10-000, December 15, 2022, https://elcon.org/comments-of-the-electricity-consumers-resource-council-elcon-docket-no-ad21-10-000-modernizing-wholesale-electricity-market-design/ (accessed May 22, 2023).

Mining for minerals required for electric vehicle batteries is practically impossible in the United States, due to environmental concerns and global price fluctuations.

Recently, John Podesta, President Biden's Senior Advisor for clean energy, touted an Idaho cobalt mine as an example of how the U.S. will support the EV transition. However, despite the mine's prime location, environmental group support, federal funding, and business outlook, Jervois Mining Ltd, a company based in Australia, has halted construction after a decade-long permitting process due to global cobalt price volatilities driven by the Congo and China.[47]

In addition to having a strong grip on the global mineral market, almost three-quarters of wind turbines, solar panels, and electric vehicle batteries are produced in China. With China subsidizing this production with lower rates of capital, lower prices for energy, and lower wage rates, including slave labor from Xinjiang, America will not be able to compete.

China is engaged in an economic war with democracies around the globe, and America must stay energy independent. If California and the Biden Administration succeed in limiting future new vehicle sales to battery-powered electric vehicles, American or America-friendly companies should be producing the batteries. Congress allocated over $7 billion[48] in electric vehicle tax incentives in the Inflation Reduction Act for domestic, not Chinese production.

Some say that regulations on tailpipe and power plant emissions reduce global warming. But in order to produce supplies of renewables, China is increasing its construction of coal-fired power plants.[49] America has 225 coal-fired power plants, and China has 1,118 (half of all the coal-fired plants in the world).[50] That is one reason why China has increased carbon emissions by over 5,000 million metric tons over the past 16 years.[51] In contrast, America's carbon emissions have declined by over 1,000 million metric tons over the same period due to the use of clean natural gas (see Figure 1). [52]

A new report by the Heritage Foundation, *Winning the Cold War: A Plan for Countering China*,[53] shows how America's environmental policies benefit China and harm America.

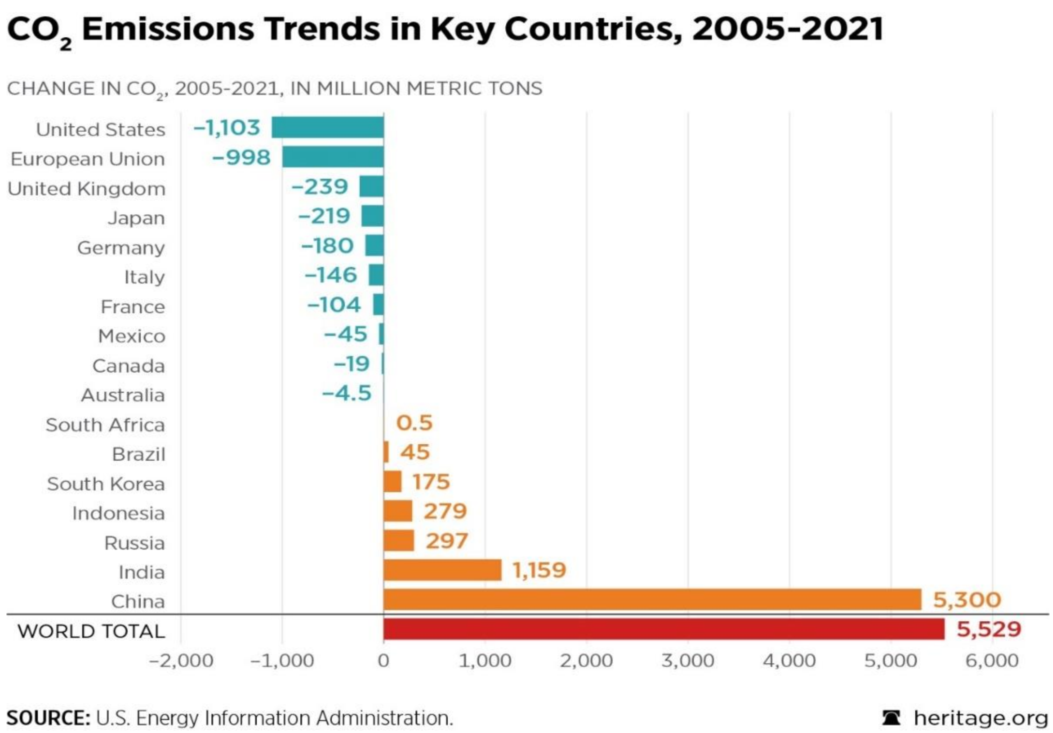
[47] Hannah Northey, "Biden is Scrambling for Minerals. This U.S. Cobalt Mine Just Closed," E&E News, May 12, 2023, https://www.eenews.net/articles/biden-is-scrambling-for-minerals-this-u-s-cobalt-mine-just-closed/ (accessed May 19, 2023).
[48] Congressional Budget Office, Summary: Estimated Budgetary Effects of H.R. 5376, the Inflation Reduction Act of 2022, as Amended in the Nature of a Substitute (ERN22335) and Posted on the Website of the Senate Majority Leader on July 27, 2022 Data Set, 2022 to 2031, https://www.cbo.gov/system/files/2022-08/hr5376_IR_Act_8-3-22.pdf (accessed May 19, 2023).
[49] David Stanway, "China's New Coal Plant Approvals Surge in 2022, Highest Since 2015-Research," Reuters, February 26, 2023, https://www.reuters.com/world/asia-pacific/chinas-new-coal-plant-approvals-surge-2022-highest-since-2015-research-2023-02-27/ (accessed May 19, 2023).
[50] Jessica Aizarani, Statista, "Global operational coal-fired power stations by country 2022," January 30, 2023, https://www.statista.com/statistics/859266/number-of-coal-power-plants-by-country/ (accessed May 19, 2023).
[51] The Heritage Foundation, CO_2 Emissions Trends in Key Countries Data Set, 2005-2021.
[52] Ibid.
[53] James J. Carafano et al., "Winning the New Cold War."

Heritage issued the report on the same day that the House of Representatives introduced H.R. 1, The Lower Energy Costs Act,[54] sponsored by Majority Leader Steve Scalise (R-LA), Energy and Commerce Committee Chair Cathy McMorris Rodgers (R-WA), Bruce Westerman (R-AR), and Transportation and Infrastructure Committee Chair Sam Graves (R-MO). The bill emphasizes domestic energy production, lower energy costs, and reduction in emissions.

The Heritage report recommends the following:

First, Congress and the Executive branch should identify and discourage environmental policies that benefit China or make America dependent on Chinese energy sources and supply chains.

Figure 1



Second, Congress should pass laws that prevent state and federal agencies from imposing regulatory requirements that make critical infrastructure or supply chains more dependent on China.

Third, the Federal government should enhance scrutiny of ESG ratings and prevent regulators from taking actions that promote ESG scores.

54 Lower Energy Costs Act, H.R. 1, 118th Congress, Session 1, (2023) https://www.congress.gov/118/bills/hr1/BILLS-118hr1ih.pdf (accessed May 19, 2023).

Fourth, the government should educate foreign governments, the private sector, and civil society about the CCP's manipulation of ESG issues.

Fifth, the government should prevent the imposition of net zero policies at the state level. Much could be done by individual states. State legislators should oppose environmental policies that prevent asset managers from maximizing returns for beneficiaries. State pension funds should be invested with a goal of the highest returns to fiduciaries.

Rather than kowtowing to China, companies should reject environmental policies that raise the costs of doing business and favor the CCP. The rush to a green energy future, driven more by politics and virtue-signaling than economics and emissions reductions, will only enrich China at America's expense and place vital energy supply chains at the mercy of Beijing.

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