United States Senate

COMMITTEE ON
ENERGY AND NATURAL RESOURCES

WASHINGTON, DC 20510–6150

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January 31, 2022

The Honorable Sherrod Brown
Chairman
Committee on Banking, Housing, and Urban Affairs
U.S. Senate
534 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Pat Toomey
Ranking Member
Committee on Banking, Housing, and Urban Affairs
U.S. Senate
534 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Brown and Ranking Member Toomey,

I am writing to you in strong opposition to the nomination of Ms. Sarah Bloom Raskin to be Vice Chair of Supervision at the Federal Reserve, a position that would give her tremendous regulatory power over banks and finance.

Ms. Raskin is the wrong choice at any time, but especially now when American families already are suffering from the hardship of policy-induced high energy prices.

This nomination is part of President Biden's war on American oil, natural gas, and coal—the source of nearly four-fifths of our nation's energy. If confirmed, Ms. Raskin has given every indication she will impede companies from raising capital for new energy projects.

We are already seeing signs of underinvestment in U.S. oil and natural gas projects, which is affecting the ability of U.S. energy producers to keep pace with post-COVID demand growth. Recently, I wrote in *Newsweek* on the dangers of the Biden administration's efforts to block investment in all types of American energy. I have attached that op-ed to this letter for your reference.

If this underinvestment continues, today's energy inflation will accelerate. Instead of looking for ways to encourage investment in traditional American energy, Ms. Raskin has said she would look for ways to block it.

In a May 28,2020 opinion piece in the *New York Times*, "Why Is the Fed Spending So Much Money on a Dying Industry?," she argued that that the Federal Reserve should have excluded fossil fuel companies from the emergency lending program that Congress authorized under the CARES Act. Congress designed this program specifically to prevent sound businesses from succumbing to the economic collapse the pandemic caused.

She claimed, "The Fed is ignoring clear warning signs about the economic repercussions of the impending climate crisis by taking action that will lead to increases in greenhouse gas emissions at a time when even in the short term, fossil fuels are a terrible investment."

Even President Biden's nominee for Federal Reserve Vice Chair, Lael Brainard, explained at her nomination hearing, that she understood that the Federal Reserve could not discriminate against businesses which the radical left considers unfashionable.

Ms. Raskin compounded her error when she added that, "The decisions the Fed makes on our behalf should build toward a stronger economy with more jobs in innovative industries—not prop up and enrich dying ones."

Far from dying, traditional American energy is essential today. Imagine how much worse the current inflation would be had the Federal Reserve taken Ms. Raskin's dreadful advice.

The country still will be using fossil fuels for many decades to come. We should work to make sure this American industry has access to capital to produce more domestic energy. Such investment is good for our economy, our workers, and our balance of trade. It is also better for the environment to produce energy here rather than import more of it from countries with lower environmental standards.

Ms. Raskin, however, has another agenda. Her support for using the Federal Reserve to bend the economy to her political objectives will influence every decision she makes as the top bank regulator, even if it means exceeding the authority granted by Congress.

Ms. Raskin followed up her *New York Times* piece with one in the January 11, 2021 *Financial* Times, declaring it was time for the Federal Reserve to encourage banks to stop investing in fossil energy companies. She proposes that, "Supervisory adjustments will have to take climate disclosures into account and the Fed will need to use climate risk data to make decisions on asset purchases . . . Fiduciary duty rules, too, may need to be reimagined."

In a June 3, 2021 speech, she also advocated for using bank stress tests to drive banks away from fossil fuel companies.: "Stress testing is exactly one of the . . . financial regulatory tools that regulators, in particular central banks, have at their disposal."

Her justification for these extreme views is the mistaken notion that continuing to capitalize traditional American energy will lead to unchecked climate change "bring about economic catastrophe" and "flatten an economy and grind it to dust." If we have learned anything over the past year, it that it the Biden Administration's assault on traditional energy has brought on the "economic catastrophe" of sky-high inflation and energy costs.

The American energy sector has been a leader in innovation reducing climate emissions. In the power sector, emissions in 2020 were 40 percent below their 2007 peak. Such innovation requires capital to continue.

Starving American companies of the resources they need to both power our country and reduce emissions is foolish. It is also outside the Federal Reserve's charter. The Federal Reserve is charged with two goals: stable prices and maximum employment. Congress did not authorize, and no one expects, the Federal Reserve to involve itself in regulating America's energy industry or directing investment in that industry toward certain types of fuels or technologies, either directly or indirectly.

Ms. Raskin's extreme public statements on the appropriate role of the Federal Reserve make it abundantly clear that her radical ideology has gotten the better of her judgment. Should the Senate confirm her, we cannot say we have not been warned when the Federal Reserve exceeds its authority, starves U.S. energy companies of capital, puts Americans out of work, and reinforces inflationary pressures. Indeed, the energy crisis roiling Europe should give us a preview of the economic fiasco that can be created from underinvesting in reliable and secure oil, natural gas, and coal.

Ms. Raskin is a dangerous choice for this important position. I ask that you and your colleagues reject her nomination.

Sincerely,

John Barrasso

John Barrasso, M.D.
Ranking Member

Newsweek

Investing in American Energy | Opinion

John Barrasso, Republican Senator, Wyoming
December 13, 2021

The Biden administration, "woke" banks and activist investors want to make it impossible to invest in traditional American energy. If their mission succeeds, today's 31-year-high inflation will seem tame.

Just look at Europe. Its energy crisis has been aggravated by policy choices designed to stifle investment in fossil fuel projects. The predictable results have been record-high energy prices, blackouts and economic dislocation.

We are seeing similar signs of chronic underinvestment here. Look no further than one of our biggest banks. Citigroup said earlier this year that it "will not provide financial services" for coal-fired power plants any longer.

This activist mindset means fewer U.S. energy projects and more expensive utility bills for American families. Underinvestment is affecting energy producers' ability to raise capital for new projects and keep pace with demand. This imbalance is contributing to today's rampant inflation. Democrats have compounded the problem by intentionally deterring investment in drilling and mining.

Just a few years ago, rapidly rising global crude oil prices would have sparked an immediate surge from U.S. producers. Not anymore. Oil and gas industry capital expenditures in the second quarter of 2021 were just $37.4 billion, a record low since 2008. In the third quarter, they rose to about $42.5 billion, but that was about 41 percent lower than in the same quarter of 2019.

Even after crude rose above $80 per barrel this fall, U.S. output is running about one million barrels per day less than in 2019. That's not enough to moderate spiking prices.

Things are only getting worse under President Biden. His administration's hostility to fossil fuels is breathtaking. He has killed pipelines, blocked drilling and mining, and planned an unprecedented regulatory assault on the energy that powers four-fifths of the economy. All of this has created enormous uncertainty for investors.

With Merrick Garland running the Justice Department, it's easy to imagine financial institutions being subjected to a new "Operation Choke Point." That was an Obama-era scheme targeting banks that did business with companies that administration officials simply did not like. Oil, gas and coal companies should expect nothing different from this cast of characters.

Fossil fuel producers are already in the crosshairs of the Securities and Exchange Commission, where climate disclosure is deemed a "top priority." Its upcoming rules to enhance "environmental, social, and governance"—or ESG—disclosures are sure to depress equity valuations and raise the cost of debt financing. This will make it more difficult for energy companies to raise capital. It will also reinforce inflationary pressures.

Some of the biggest U.S. banks are already on board with this anti-fossil fuel agenda. Goldman Sachs, Morgan Stanley, Chase, Wells Fargo and CitiBank will not finance oil and gas projects in the Arctic. Citibank has committed to ending financing for coal mining. And at the Glasgow climate talks, several large banks pledged to curb financing of fossil fuels.

Big banks' discrimination against fossil fuel companies got so bad that the Trump administration issued a rule preventing banks from refusing to lend to entire categories of businesses. At the urging of the banks, the Biden administration has put the rule on hold.

The same banks that find it unethical to fund unfashionable American energy are happy to send billions of dollars to communist China—the world's largest carbon emitter and a country that can count Uyghur genocide among its many crimes against human rights.

ESG schemes will increase the already large spread between the rates of return needed for oil and gas projects and for renewables. Profitable fossil projects will have to go begging.

The Western Energy Alliance's president Kathleen Sgamma recently gave this blunt assessment: "We can't get capital because they're putting so much pressure on banks not to lend to us in the name of climate change."

ESG is not only unfair to stockholders; it is inflationary. But the president is treating high energy prices as a political problem to manage, not an economic threat. Pleading with the OPEC cartel and Russia to boost their output is a humiliating sign of weakness. It also misses the point.

The solution to our energy woes is not in Riyadh or Moscow. It's in the many small- and medium-sized U.S. companies that unleashed the shale revolution and turned America into an energy superpower.

The upheaval in Europe is giving us a preview of the economic fiasco caused by underinvesting in reliable and secure fossil fuels. For Democrats, Europe is a model. For the rest of us, it should be a warning.

John Barrasso, a Republican, represents Wyoming in the U.S. Senate and is ranking member of the Senate Committee on Energy and Natural Resources.