



Client Note

Gaza & Israel

Last weekend, Hamas launched a massive terrorist attack against Israel from Gaza, catching Israel and the world completely by surprise. The figures change by the hour, but so far a staggering 1,200 Israelis and other foreign nationals (including 25 Americans) were brutally killed (almost all were civilians, including many children and elderly) and around 150 others have been taken hostage back to Gaza. In response, Israel has vowed to eliminate Hamas, killing 1,500 militants who had come into Israel; cutting off all food, water, fuel, and electricity to Gaza's two million residents; unleashing an unprecedented bombing campaign that has left 1,500 dead, 5,300 injured, and 340,000 homeless; and marshaling troops on Gaza's border, almost certainly with the intention of waging a ground war.

This is a tragedy of unspeakable proportions - the [deadliest day for Jews since the Holocaust](#), with the response leading to increased suffering for the civilian population of Gaza, where Palestinians are already [living in some of the darkest conditions on the planet](#). And this conflict is deeply personal and immediate for Americans, U.S. policymakers, and those around the world, many of whom have family and friends living in Israel, Gaza, and the West Bank. Of course, Israel is also one of the U.S.'s closest allies.

The administration and members of Congress are working to understand whether and how to support Israel militarily. The typical course of action would include passing a military spending package for Israel. However, this is on hold until a Speaker is formally elected, and it's also unclear how easy this kind of package will be to pass given the existing challenges with passing Ukraine funding. Some have suggested putting together a large package that includes funding for things like Israel, Ukraine, Taiwan, and the border, but it's hard to say at this point whether the politics behind that will be easier or harder.

There have also been calls to understand the enormous Israeli intelligence failure, one that historians have compared to 9/11, Israel's 1973 Yom Kippur War, and the Tet Offensive. There has been mixed reporting on how involved Iran was – while Iran is a large supporter of Hamas, current reports differ over whether [Iran helped plan the attack](#) or was also [surprised by the attack](#). This is another political challenge, with many [lawmakers calling on the administration to re-freeze \\$6 billion](#) in Iranian funds it had recently released to be used for humanitarian purposes. The administration could act unilaterally here, but if Congress wants to take action, it's again constrained until a Speaker is elected.

As we all watch the tragedy unfold, it further highlights the unnecessarily chaotic actions of individuals responsible for leading the U.S. House.

House GOP Remains in Chaos

Although House Majority Leader Steve Scalise (R-LA) was [nominated](#) by the GOP conference on Wednesday to be the next Speaker, he backed out of the race yesterday after seeing no path to obtain a majority in the chamber, with multiple holdouts on the Republican side. This leaves Representatives Jim

Jordan (R-OH) and Austin Scott (R-GA), who announced his run today, in the nominee pool for Speaker—both of whom face the same set of circumstances as Scalise (and former Speaker McCarthy).

Today, House Republicans [rejected](#) a rule change that would have made it easier for the conference's nominee to win a 217 vote majority on the floor. They are meeting again this afternoon to address their inability to elect a leader. One thing to watch is whether they empower Speaker Pro Tempore Patrick McHenry (R-NC) with additional tools needed to govern the body, a move [some members are calling for](#).

Whoever becomes Speaker will likely experience the same challenges faced by McCarthy, with the Freedom Caucus having more control over the party than ever. With a looming government shutdown and war in the Middle East, there is growing concern about having a functioning chamber.

Republicans will have to come to grips with the fact that they won't be able to keep the government funded without Democratic votes. If hard-line Republicans make not compromising on appropriations a litmus test for their next Speaker, it is impossible to see a path for anyone winning support from all 217 Republican members. Nobody really knows where this is headed.

Long-Term Financing Cost Hikes Push Against Clean Energy Investment

Thursday's new Consumer Price Index (CPI) report gives us reason to check in on inflation and interest rate issues. The CPI report [broadly stayed on trend](#) – inflation is coming down, but service-sector prices are sticky, rental prices still haven't rolled over, and it will be a bumpy path back down to the Fed's 2-percent target over the next year.

But the bigger story of late has been the significant run-up in 10-year Treasury bond yields, which, in turn, has driven up 30-year fixed mortgage rates, which crested above 8 percent this week.

There are three common explanations for the increase in [10-year yields](#) – which are up from 4.0 percent in August to a 15-year high of 4.75 percent this week. First, the Federal Reserve's short-term interest rate is positively correlated with long-term yields, and its posture of "higher for longer" is reflected in that; second, the economy continues to remain stronger than most expected it would be at this point, so yields have to account for increased growth expectations and reduced recession expectations; and, finally, deficits are expanding (CBO reports [revenue is down \\$450 billion](#) year-over-year) meaning that Treasury is offering a greater supply of debt to buyers, while the Fed is simultaneously reducing its purchases of debt, normalizing its balance sheet as part of quantitative tightening.

All this adds up to a bad scenario for debt-financed companies, particularly those in [the clean energy sector](#), while fossil fuel energy companies are flush with cash as oil prices remain high.

The silver lining here may be that [the Fed appears less likely](#) to again increase the short-term interest rate at its next meeting on November 1st as long-term financing costs are doing the Fed's work of demand destruction.

UAW Strike Continues

While some thought the UAW strike might be heading for calmer waters following GM's announcement that it would allow workers at its joint venture EV battery plants to be covered by the UAW contract, this week UAW leadership sought to make a splash. Wednesday evening, UAW President Shawn Fain called for an expansion of the strike to include Ford's Kentucky plant after Ford showed up to what was [reported](#) to be a short negotiating meeting with no new offer on the table. Of note, Ford may be considering copying GM's move by including workers at Ford-linked EV battery plants under the UAW contract. UAW is looking to be strategic about targeting the Kentucky plant, which makes profitable large SUVs and trucks and is now down 8,700 UAW workers. This escalation brings the total share of UAW workers on strike to about 23%, and onlookers are divided on whether it signals the [end is near](#) or if there's [no end in sight](#).

[Funding Opportunity Announcements \(FOAs\)](#)

This morning, DOE [announced](#) their selection of seven Regional Clean Hydrogen Hubs (H2Hubs) to help kickstart the industry.

The deadline to submit applications for [DOE's \\$30 million Manufacture of Advanced Key Energy Infrastructure Technologies \(MAKE IT\) Prize](#) is October 18.

For those wishing to apply for the [\\$30 million Advanced Processing of Critical Minerals and Materials for Industrial and Manufacturing Applications FOA](#), be sure to submit your application by October 20.

Concept papers for the [Industrial Thin-Film Photovoltaic \(PV\) RD&D funding opportunity](#), worth \$36 million, are due October 24.

DOE also recently announced the [Distributed Energy Systems Demonstration Program](#), making \$50 million of funding available to support distributed energy systems including distributed energy production such as rooftop or community solar and distributed wind, as well as the flexible management of those sources and energy use by buildings, EV charging, heat pumps and other drivers of electric demand. Concept papers are due November 16.

Clients in the News

The Solar Energy Industry Association (SEIA) and a host of other organizations [reached an agreement](#) to improve permitting large-scale solar farms, which often require hundreds of acres, by reducing legal and political challenges.

[Talus Renewables](#), a green ammonia production technology start-up, [announced](#) the deployment of their first commercial system to a farm near Nairobi, owned and operated by Kenya Nut Company. It will become the first farm in the world to demonstrate the technology, which produces carbon-free ammonia fertilizer, utilizing only co-located, on-site solar PV, water and air.

Next Week: On the Senate Floor

[Appropriations 3-bill Minibus](#) - (1) Transportation Housing & Urban Development; (2) Military Construction & VA; and (3) Agriculture, Rural Development & FDA

Next Week: [Hearings to Watch](#)

Wednesday, October 18, 2023

House Science, Space, and Technology Subcommittee on Investigations and Oversight

“Balancing Knowledge and Governance: Foundations for Effective Risk Management of Artificial Intelligence”

(10:00 AM EDT), watch [here](#)

House Energy and Commerce Subcommittee on Innovation, Data, and Commerce

“Safeguarding Data and Innovation: Building the Foundation for the Use of Artificial Intelligence”

(10:00 AM EDT), watch [here](#)

Senate Environment and Public Works

“Hearings to Examine the Implications of Sackett v. U.S. Environmental Protection Agency for Clean Water Act of Wetlands and Streams.”

(10:00 AM EDT), watch [here](#)

House Natural Resources Subcommittee on Energy and Mineral Resources

“Oversight Hearing titled, ‘Examining the Biden Administration’s Unprecedented Obstruction of the BOEM Offshore Leasing Program.’”

(10:15 AM EDT), watch [here](#)

Thursday, October 19, 2023

House Judiciary Subcommittee on Courts, Intellectual Property, and the Internet

“IP and Strategic Competition with China: Part III – IP Theft, Cybersecurity, and AI”

(10:00 AM EDT), watch [here](#)

Senate Energy and Natural Resources

“Hearings to examine the Department of Energy's due diligence process for awarding competitive grants and loans funded through the Inflation Reduction Act and the bipartisan Infrastructure Law and the Department's overall innovation investment strategy.”

(10:00 AM EDT), watch [here](#)

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