



Weekly Landscape Report
March 17, 2023

This week in the economy:

As we all know by now, late last week the twin collapses of Silicon Valley Bank (SVB) and Signature Bank shook the foundation of our nation's banking system, resulting in extraordinary actions from the Federal Reserve and Treasury Department to protect depositors and prevent other regional banks from going under. There's already been barrels of ink spilled on [recapping those events](#) (shout out to clients Charm and Arcadia for being [quoted](#) in articles about the impact on climate tech!); or if you prefer podcasts, [we have those, too](#).

As the [fallout](#) continues, the big question Capitol Hill is scrambling to understand is: what's next? Are we headed to a [recession](#)? Are smaller banks going to disappear if only the largest banks get [all of their deposits fully insured](#)? Will the Fed continue to raise interest rates if it might lead to more [bank failures](#)? These are big questions worth asking, which we simply won't know the answers to until future events unfold. But *how* those events unfold will be shaped, in part, by the narratives that politicians are shopping now. Here are the several we are watching:

Was this a “bailout”?: This is a question of semantics, but semantics is politics. While Treasury has gone to extensive lengths to clarify that none of their actions will use taxpayer dollars, it's also true that this was a major federal government intervention to make whole private losses. And the point here is the implicit question: who is deserving of federal help when faced with economic catastrophe? Progressives want you to remember that question if/when we enter a recession and the unemployment climbs (will the government step up to help the newly jobless with the decisiveness the Fed and Treasury showed the banking sector?), and Conservatives want to know if the Administration would take similar actions if the banks largely served rural America rather than start-ups.

Congress made this mess in 2018: Five years ago, Senate Republicans (and many Democrats) pushed a bill to strip away previously enacted capital requirements for mid-sized banks (like SVB and Signature Bank). [Progressive Democrats](#) are now pointing the finger at that law as setting the stage for their failure. Supporters of the 2018 law, known as [S. 2155](#), counter that even the existing regulations in place gave the Fed plenty of oversight authority to stop these failures before they happened. Secretary Yellen seemed to pour cold water on the “perils of deregulation” narrative during her Thursday testimony, noting that S. 2155 was focused on capital requirements, not liquidity requirements, which was the issue that caused SVB's downfall. Still, SVB's balance sheet exploded in value after passage of S. 2155; when the smoke is there, expect Congress to continue looking for fire.

It's the regulators' fault: Expect much more engagement from Congress [to get officials on the record](#) with what they saw, when, and why they didn't act sooner. A key question is whether regulators had the right authority and whether they used it effectively. But hearing this narrative from bank-aligned

Members of Congress has them talking out of both sides of their mouth - would they like more oversight of these banks or less? Either way, it certainly could be argued that the passage of S. 2155, which loosened regulations on mid-sized banks, furthered a culture of turning a blind eye.

It's Biden's fault: The GOP narrative here says that these banks are failing as collateral damage from the Democrats' fiscal policies in the first two years of the Biden Administration. The American Rescue Plan created excess demand, which caused inflation, which caused the Fed to raise interest rates, which ultimately killed SVB. This is a stretch. For one, as we've said before, there were many causes of inflation, from supply chain bottlenecks & COVID to corporate profiteering. Secondly, it was SVB's choice not to hedge their investments. The joke on Twitter is that this was less of a "bank run, by idiots" and actually a "bank, run by idiots."

It was the fault of 'woke' investing: This is perhaps the most foolish narrative we've heard yet, but it's been voiced by many conservative elected officials, from [Sen. Josh Hawley](#) to presumed Republican presidential candidate [Ron DeSantis](#). This storyline is about feeding the outrage machine for clickbait and sending fundraising emails. The truth is that interest rates and bond values drove SVB's imbalances, not the business model of their customers.

OK, let's step away from the cliff: If there's a silver lining to this crisis, it's that the far-right Freedom Caucus pushing to hold the debt limit hostage for austerity demands has never been more isolated. This week would be a gentle breeze compared to the economic tornado unleashed if we were to breach the federal debt limit and have the United States default on its debts. As Washington continues to deal with the fallout from the bank failures, expect [government regulators](#) and [Democratic members](#) to reiterate the consequences of default over and over again and further marginalize the House Republican posture.

This week in Washington:

While the House of Representatives was out this week, the Senate continued legislative business, most notably advancing legislation [ending authorizations](#) for the use of military force (AUMFs) in Iraq and confirming [former Los Angeles Mayor Eric Garcetti](#) as the next U.S. ambassador to India. The strongly bipartisan AUMF legislation would end two AUMFs in Iraq: one from the Gulf War in 1991 and another from 2002. It passed [a procedural vote 68-27](#), and is expected to be taken up by the chamber for a final vote next week. Late on Wednesday, the Senate confirmed Garcetti as ambassador in a [52-42 vote](#), with seven GOP senators voting for Garcetti and three Democrats voting against, emblematic of the challenges that caused Garcetti's two-year delay in getting confirmed to the important post.

On Monday, the [Biden administration approved](#) the controversial Willow Project in Alaska. ConocoPhillips' proposed Willow Project is a massive and decades-long oil drilling venture on Alaska's North Slope in the National Petroleum Reserve, which is owned by the federal government. The area where the project is planned holds up to 600 million barrels of oil, though that oil would take years to reach the market since the project has yet to be constructed. [A coalition of environmental groups](#) on Tuesday [filed a legal challenge](#) against the Biden administration's decision arguing that the approval violated four environmental laws.

What else you need to know this week:

On Thursday, the U.S. Energy Information Administration (EIA) released its [annual energy outlook](#). The report reflects most laws and regulations adopted through mid-November 2022, including the Inflation Reduction Act (IRA), and assesses changes to the energy system and U.S. energy-related carbon dioxide emissions due to IRA implementation. Among its many findings, EIA identifies that electricity emissions would drop between 54 and 81 percent by 2035, failing to meet Biden's pledge to achieve net-zero emissions on the power grid by 2035.

DOE funding opportunity announcements (FOAs):

In line with the \$6 billion [Industrial Demonstrations Program](#) announced last week, the Department of Energy (DOE) announced \$156 million in available federal funding for research, development, and demonstration (RD&D) projects that seek to decarbonize the industrial sector. [The multi-topic funding opportunity](#) includes a wide range of interest areas, such as decarbonizing industrial heat, low-carbon fuels utilization, as well as decarbonizing chemicals, iron, steel, and cement. The Industrial Efficiency and Decarbonization Office intends to issue 37-62 awards between \$750,000 and \$10 million, with cost-share arrangements dependent on the tier and phase of projects. Concept papers and full applications are due [here](#) on April 17 and June 23, respectively.

Also this week, DOE [announced](#) \$750 million in available funding for RD&D projects that advance electrolysis technologies and improve manufacturing and recycling capabilities for clean hydrogen. Concept papers are due on April 19, while full applications must be submitted [here](#) by July 19.

Lastly, deadlines for the [Reducing Agricultural Carbon Intensity and Protecting Algal Crops \(RACIPAC\) funding opportunity](#) relating to biofuels and bioproducts, as well as the [2023 Large Wind Turbine Materials and Manufacturing FOA](#) are quickly approaching. Concept papers must be submitted by March 20 and March 23, respectively.

We've collected more details on additional FOAs open for applications in this space [here](#).

Market and job trends from the past week (at Thursday close):

- Dow Jones Industrial Average: 32,246.55, +61.41, (+0.19%)
- NASDAQ: 11,717, +391.92, (+3.46%)
- S&P 500: 3,960.28, +47.51, (+1.21%)
- Weekly initial jobless claims: 192,000 vs. 205,000 expected
- 10-Year Treasury Note yield: 3.579%

Next week: Economic indicators

- [SCE Credit Access Survey](#) (March 20)
- [Chicago Fed National Activity Index \(CFNAI\)](#) (March 23)
- [New Residential Sales](#) (March 23)
- [Weekly Economic Index](#) (March 23)
- [Underlying Inflation Gauge](#) (March 24)

Next week: Hearings to watch

Senate Environment and Public Works

The U.S. Environmental Protection Agency's Proposed Fiscal Year 2024 Budget
03/22/2023 (10:00 AM EDT), watch [here](#).

Senate Appropriations Subcommittee on Interior, Environment, and Related Agencies

A Review of the Fiscal Year 2024 President's Budget for the U.S. Forest Service
03/22/2023 (10:00 AM EDT), watch [here](#).

Senate Budget

Risky Business: How Climate Change is Changing the Insurance Markets
03/22/2023 (10:00 AM EDT), watch [here](#).

House Appropriations Subcommittee on Interior, Environment, and Related Agencies

Budget Hearing – Fiscal Year 2024 Request for the United States Forest Service
03/23/2023 (9:30 AM EDT), watch [here](#)

House Budget

The President's Fiscal Year 2024 Budget Request
03/23/2023 (10:00 AM EDT), watch [here](#).

Senate Energy and Natural Resources

Cybersecurity Vulnerabilities to the United States' Energy Infrastructure
03/23/2023 (10:00 AM EDT), watch [here](#).

Senate Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies

Review of the President's FY 2024 Funding Request and Budget Justification for the U.S. Department of Transportation
03/23/2023 (10:00 AM EDT), watch [here](#).

House Appropriations Subcommittee on Energy and Water Development, and Related Agencies

Budget Hearing – Fiscal Year 2024 Request for the Department of Energy
03/23/2023 (10:30 AM EDT), watch [here](#).

House Appropriations Subcommittee on Financial Services and General Government

Budget and Oversight Hearing – President Biden's Fiscal Year 2024 Budget Request and Economic Outlook
03/23/2023 (3:00 PM EDT), watch [here](#).