



## **Weekly Landscape Report**

**May 26, 2023**

### **Default standoff reaches do-or-die weekend**

With potential default just six days away, it's unclear if a bill to raise the debt limit will pass Congress before June 1. That said, the contours of a deal are beginning to materialize, but how much support that potential deal receives from Congress is the real question, and is directly tied to the final details.

There have been [reports](#) that President Biden and Speaker McCarthy are closer to an agreement, but there are no final public details and major issues remain unresolved. Most unsettling to us is that it's unclear whether either party knows 1) how many votes they need from their respective sides to pass a deal in the House or 2) what provisions are necessary in a deal to get those votes.

Let's start with what's been [reported](#): A two-year lift (or suspension) of the debt ceiling, paired with a two-year agreement on spending levels that appear less harmful to Democrats' interests than previously feared. Non-defense spending would be flat-funded next year (as opposed to a significant cut) and could grow at one percent the following year; defense and veterans' programs would grow in line with the President's budget request. To be clear, this isn't a great deal for Democrats - but, it could have been worse. However, it's not obvious that Democrats could have hoped for more than flat funding in the annual appropriation process anyway with Republicans in charge of the House.

Also reported to be included are a possible slim version of a permitting deal (more on that below); a mechanism to ensure the government doesn't shut down (known as an automatic continuing resolution); rescissions of funding for unspent Covid aid and a portion of the funding for IRS enforcement against tax dodgers that was part of the Inflation Reduction Act (the genesis of the false Republican talking point of 87,000 armed IRS agents).

Among the major sticking points yet to be resolved include [Republicans' push for new work requirements](#) on safety net programs that would, by design, take food aid and short-term financial assistance away from low-income Americans. Democrats, obviously, hate this idea and have been pushing back against the Administration for weeks for allowing it to be considered in the first place.

Given the above parameters, who is voting for this deal? We could see more robust support for a deal in the U.S. Senate, making House consideration the larger challenge. The 40-member House Freedom Caucus [hates what they're hearing](#); and on the other side of the aisle, if new work requirements are included, it's hard to see the [100-member Congressional Progressive Caucus](#) supporting it. If additional work requirements are part of the final deal, Speaker McCarthy will need every GOP vote he can get, since we expect massive House Democratic defections over this issue. If work requirements are left out and only budgetary items and a slim permitting reform package remain, we envision the bill passing by a

super-thin margin - equally split between Democrats and Republicans in the U.S. House - rather than a landslide.

The clock is ticking for negotiators to square the circle on outstanding issues. The goal is for a vote in the House on Tuesday night (May 30) and a vote the following day in the Senate. But that timing presumes final text is done by tomorrow (unless McCarthy waives their 72-hour rule) and all Senators agree to expedited consideration of the House-passed bill. It's possible Treasury Secretary Yellen could announce that the X date is pushed back by a few days, but that's a function of actual revenues coming in each day and is ultimately out of her control.

We may yet see an agreement announced today, but even if that happens, it's not a slam dunk that the agreement has enough votes to pass. If a deal doesn't pass, you could see momentum shift toward a short-term clean extension to provide time for further negotiation or renewed interest by the [Administration for unilateral action](#).

### **Permitting update:**

There has been discussion for weeks about a large permitting reform package that resembles the House GOP's H.R.1. In lieu of something as comprehensive as H.R.1, some have even suggested it might still come together much like the tradition of wedging dozens of unrelated public lands bills from around the country together to garner enough support for passage. But as we expected, there has been a dramatic contraction of aspirations regarding the permitting provisions, with only a handful of tenets truly under consideration.

First, we are hearing that some lighter version of the [BUILDER Act](#) is likely to be included, which is a GOP effort to put NEPA timelines in place to expedite environmental reviews, and limit access to the courts to challenge those environmental reviews to certain calendar windows. Both of these items have been a third rail for many Democrats for decades and likely represent the biggest 'wins' that will be marketed to House Republicans in an effort to garner votes.

It has recently [gotten out](#) that negotiators are considering including something on transmission, which has been a major Democratic ask. The proposed language, drafted by Senator Hickenlooper (D-CO) and Representative Peters (D-CA), would require electrical grids to be able to transfer at least 30% of their peak demand capacity to other regions (see a summary [here](#)). This type of requirement would have a few key benefits:

1. Necessitating the building/upgrading of transmission lines, indirectly helping renewable projects come online.
2. Helping regions protect against extreme weather events that have shut generation down.
3. Lowering energy costs.

While it's not *directly* about permitting transmission, it would likely help spur new transmission and address regional reliability emergencies. This proposal may secure Republican support (or less opposition compared to other ideas), and it could help make more clean energy-conscious Democrats feel better about voting for a debt limit package. It also helpfully excludes the Texas grid, sidestepping a thorny

question that could be a political landmine (although Texas has been an epicenter of extreme weather blackouts and consumer battering price spikes).

There is a potential knock-on effect that a smaller deal like this might induce a future, more robust permitting package. Some may think that this narrower reform effort could give each side enough to feel like they can check the box and focus other priorities. However, we think it could have the opposite effect and whet lawmakers' appetite, encouraging more movement on other pieces of the permitting puzzle. Republicans are clamoring for more on oil and gas and mining, and minimum transfer rules won't be enough to give Democrats comfort that they have solved our transmission challenges sufficiently to ensure IRA investments for clean energy are a success. So either way, we expect more permitting discussions to come...

### **This week in Washington:**

#### **Solar CRA**

On Wednesday, the [House failed to override the President's veto of the solar tariff CRA](#). A veto override would have required a 2/3 vote of the House, but instead only received 214-205, fewer votes than it received upon initial passage.

#### **Pioneer and clients in the news**

Charm Industrial was again in the news as part of a [massive JPMorgan announcement](#) dedicating \$200M to carbon dioxide removal and purchasing 28,500 tons of CO<sub>2</sub>e of removal from Charm over the next 5 years (and deliveries have already begun).

#### **DOE funding opportunity announcements (FOAs):**

Last week, the Department of Energy announced two funding opportunities related to electric vehicles (EVs). [The Ride and Drive Electric FOA](#) invests \$51 million and seeks to enhance EV charging resilience, provide equitable access and opportunity in electrification, and improve EV charging performance and reliability. Concept papers are [due](#) by June 16th for those interested in applying.

Additionally, DOE [announced](#) a new \$99.5 million funding opportunity to support R&D projects that reduce soft costs for EV charging infrastructure in underserved communities, develop EV batteries that use low-cost and abundant materials, and support EV and education for consumers. Concept papers are due [here](#) by June 26th.

If you are interested in applying for the [Small Innovative Projects in Solar \(SIPS\) Program FOA](#), responding to the [Domestic Solar Manufacturing Workforce RFI](#), or submitting a concept paper for the [Grid Planning and Operations Tools FOA](#), be sure to do so before their respective deadlines next week!

For more information on other FOAs taking applications at this time, please see [this memo](#).

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

- Dow Jones Industrial Average: 32,764.65, -818.50, (-2.44%)
- NASDAQ: 12,698.09, -11.37, (-0.09%)
- S&P 500: 4,151.28, -52.87, (-1.26%)

- Weekly initial jobless claims: 229,000 vs. 245,000 expected
- 10-Year Treasury Note yield: 3.918%

**Next week: Economic indicators**

- [Consumer Confidence](#) (May 30)
- [Corporate Bond Market Distress Index \(CMDI\)](#) (May 31)
- [Job Openings and Labor Turnover \(JOLTS\)](#) (May 31)
- [Initial Claims](#) (June 1)
- [Unemployment Situation](#) (June 2)

**Next week: Hearings to watch**

*Wednesday, May 31*

**Senate Budget**

“Rejecting the False Choice Between Default and Austerity”

05/31/2023 (10:30 AM EDT), watch [here](#).

*Thursday, June 1*

**Senate Energy and Natural Resources**

Hearings to examine the reliability and resiliency of electric service in the United States in light of recent reliability assessments and alerts.

06/01/2023 (10:00 AM EDT), watch [here](#).