United States Senate
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
WASHINGTON, DC 20510–6075

March 7, 2022

The Honorable Janet Yellen
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Secretary Yellen:

We write to express concern about the potential damaging effects to national security from the unprecedented efforts of federal financial agencies to develop regulations that some intend to use for limiting U.S. energy producers' access to credit and capital. Such actions would begin to curtail the supply of domestic energy, leading to higher costs for American households and making our country and allies more vulnerable to the consequences of Russian aggression. The economic toll, as well as the destruction, casualties, and instability from Russia's energy-based warfare are so significant that we urge you to immediately pause the development of all climate- and energy-related regulations within the Treasury Department and to urge all other federal financial regulators to follow suit.

Since the energy crisis of the 1970s, the United States has transformed itself from an importer into an exporter of energy through innovation and free enterprise all while adhering to one of the strictest environmental regulatory regimes in the world. New advancements in drilling technology unlocked vast deposits of natural gas whose increased use led to a massive *decline* in U.S. carbon emissions.

Our hard-won energy security, however, could be put at risk by so-called independent financial regulators with little or no expertise in energy or environmental regulation. Senior officials from numerous federal financial regulators have indicated that they are working to implement rules and policies that may discourage future energy production.[1] The mere prospects of such actions have already contributed to a withdrawal from new oil and gas exploration projects in the United States.[2] Denying credit from banks and raising the cost of capital for investment is likely to suppress domestic exploration and production of traditional energy sources. When combined with other administration actions, such as restricting new oil and gas drilling on federal lands,[3] these policies can create energy price shocks and increase our dependence on foreign sources. Any resulting higher energy prices will

[1] See, e.g., SEC Commissioner Allison Herren Lee, *Remarks at the PRI/LSEG Investor Action of Climate Webinar*, Oct. 20, 2021 ("So let me not mince words: climate change presents an existential threat to life on the planet. While it's important to consider this issue, as the SEC does, through the lens of the risks and opportunities in financial markets, there is a level at which that grossly underestimates what is at stake."), available at https://www.sec.gov/news/speech/lee-remarks-prilseg-investor-action-climate-webinar-102021.

[2] See, e.g., Dawn Lim and Sabrina Willmer, *Blackstone Swears Off Oil-Patch Investing as Private Equity's Retreat Widens*, Bloomberg, Feb. 22, 2022 ("fundraising expense for oil and gas projects, known as their 'cost of capital,' have been rising"), available at https://www.bloomberg.com/news/articles/2022-02-22/blackstone-swears-off-oil-patch-investing-as-private-equity-s-retreat-widens.

[3] See, e.g., Lisa Friedman, *Biden Administration Halts New Drilling in Legal Fight Over Climate Costs*, NY Times, Feb. 20, 2022, available at https://www.nytimes.com/2022/02/20/climate/carbon-biden-drilling-climate.html.

only serve to buttress the fortunes of autocratic and expansionist foreign powers like Russia and its leader Vladimir Putin.[4]

The administration has argued that our country must immediately transition energy consumption to alternative sources, such as wind and solar. Towards that end, the administration has committed itself to (a) cutting greenhouse gas emissions to 50 percent below 2005 levels in 2030, (b) reaching a 100% carbon pollution-free power sector by 2035, and (c) achieving a net-zero economy by no later than 2050.[5] Beyond being impractical, the administration has failed to set forth a plan for achieving those goals in a manner that is both orderly and does not adversely impact American households.

Financial regulators appear poised to attempt to pursue these goals indirectly by manipulating the behavior and activities of banks and market participants. Such actions are beyond the scope of agencies' statutory authorizations and an end-run around the democratic principles of political accountability. Moreover, regulators' efforts will likely end poorly. Indirect and imprecise nudges and fiats are unlikely to achieve the desired climate goals, but will impose expensive compliance costs at a time when our national security should be paramount. Further, such actions could misallocate capital and have a chaotic and disorganized effect on energy prices and availability. Unfortunately, financial regulators are unlikely to weigh any of these tradeoffs, or to be held to account for failing to achieve via the administrative state that which Congress has not expressly approved.

Most importantly, these efforts by financial regulators, coupled with the Russian invasion of Ukraine, jeopardize the need for energy security, both domestically and for our allies and trading partners. Accordingly, we call on you and President Biden to instruct the federal financial regulatory agencies, including the Financial Stability Oversight Council, to delay any regulatory initiatives on climate change and sustainability until the development of a detailed, comprehensive plan by the administration on energy security that takes into account the threat to global energy supplies from Russia and similar repressive regimes.

Sincerely,

Pat Toomey
U.S. Senator

Richard Shelby
U.S. Senator

Mike Crapo
U.S. Senator

Tim Scott
U.S. Senator

[4] We also strongly take issue with comments from senior Administration officials prior to the invasion of Ukraine that suggested one of the most significant consequences would be massive emissions. See *John Kerry's Ukraine Emissions*, Wall Street Journal, Feb. 24, 2022, available at https://www.wsj.com/articles/john-kerrys-ukraine-emissions-climate-russia-vladimir-putin-11645736997.

[5] See Fact Sheet: President Biden Renews U.S. Leadership on World Stage at U.N. Climate Conference (COP26), Nov. 1, 2021, available at https://www.whitehouse.gov/briefing-room/statements-releases/2021/11/01/fact-sheet-president-biden-renews-u-s-leadership-on-world-stage-at-u-n-climate-conference-cop26/.

M. Michael Rounds
U.S. Senator

Thom Tillis
U.S. Senator

John Kennedy
U.S. Senator

Bill Hagerty
U.S. Senator

Cynthia Lummis
U.S. Senator

Jerry Moran
U.S. Senator

Kevin Cramer
U.S. Senator

Steve Daines
U.S. Senator

cc: Mr. Jake Sullivan, Assistant to the President for National Security Affairs
Mr. Brian Deese, Director, National Economic Council
The Honorable Jerome H. Powell, Chairman, Board of Governors of the Federal Reserve System
The Honorable Martin J. Gruenberg, Acting Chairman, Federal Deposit Insurance Corporation
The Honorable Gary Gensler, Chair, Securities and Exchange Commission
The Honorable Rostin Behnam, Chair, Commodity Futures Trading Commission
The Honorable Todd Harper, Chairman, National Credit Union Administration
Mr. Michael J. Hsu, Acting Comptroller, Office of the Comptroller of the Currency