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The New American Energy Landscape

Few policy areas are more impactful than energy, which enables all economic activity.

Unfortunately, the energy policy landscape has become a staging ground for climate alarmists and degrowth ideologues seeking to enforce scarcity on the rest of us.

In this episode of *The Human Progress Podcast*, [Travis Fisher](#), the director of energy and environmental policy studies at the Cato Institute, joins Chelsea Follett to discuss recent developments in U.S. energy policy and how they could impact our future.

Listen to the interview

Below is an edited and abridged transcript featuring some highlights from the interview.

Let's start with some of the obstacles and threats to progress. I understand there are many in the energy policy realm. What should be on our radar?

It's become a target-rich environment. The Environmental Protection Agency and the Department of Energy are heavily restricting the way we can generate and use power. We can't build the power plants we need. We can't buy the appliances we want. There's so much going on right now; it feels like a game of whack-a-mole.

One of the things that has happened recently is the Inflation Reduction Act. Could you talk about that?

I hesitate to call it the Inflation Reduction Act because it involves so much spending that it's going to increase inflation. The main thrust of it is massive subsidies for clean energy. It's going to cost taxpayers something like \$100 billion a year, and the subsidy train won't stop until well beyond 2050. The vast majority will go to solar in the form of a production tax credit. You generate the electricity, and you get a tax credit.

My concern is that the subsidy rivals the wholesale price of energy, so people aren't going to be worried about generating electricity for the purpose of doing well in the market. It's also going to have all sorts of second-order effects. Let's say you want to generate a lot of wind energy where there aren't any people. You can still collect the production tax credit that way, but you need to connect to the grid, and there isn't ample transmission to be able to do that. So, they're going to ask for more transmission. That's where it gets really dicey. Who's going to build the transmission, and who's going to pay for it? These questions are enormous, and we sort of skipped past them, saying, "Well, we're doing it for the climate, so we don't want to ask questions."

You mentioned an interesting stat about how much people would be willing to pay for climate action before I started recording. Could you talk more about that?

The subsidy regime is going to cost an average of \$1000 per year per household or around \$300 per year per person. What will the benefit be? One way to find out is to poll people about what they would be willing to pay to address climate change.

Usually, you lose about half the people as soon as you start asking them to fork up any cash at all. In the most recent poll, and I believe this was in 2023, that number fell well below half. They ask, "Are you willing to pay \$1 extra per month to address climate change?" Between fifty and sixty percent of people used to say yes. That fell to 38 percent in the last poll. So, you can see the difference between the staggering cost of the policies versus what people are willing to pay for climate policy in the abstract.

Can you talk more about what's in the IRA with regard to energy and environmental policy?

They've done a very clever job of spreading the subsidy almost everywhere. And I give them credit in terms of the public choice theory of this: if you spread the subsidies to almost every region, state, and congressional district, they become very hard to remove.

I think the bulk will go to solar and wind. There's a provision for existing nuclear, and a higher amount will go to new nuclear and geothermal. Probably the most lucrative relative to the market value is the subsidy for hydrogen.

It's interesting that this includes nuclear.

Yeah, I guess that's a positive spin; the fact that it will be resource-neutral is an improvement relative to the stuff we've done in the past. A very common state policy is the renewable portfolio standard, where a state mandates different proportions of wind or solar or hydro or nukes. At least there's an open-ended quality to this.

What is going on with the policy toward electric cars right now?

That's an example of what I would call a belts and suspenders approach. You subsidize it, but you also mandate it. The EPA has proposed an emissions standard, and the only way that a car manufacturer could meet the standard is by selling a majority of EVs. If that standard becomes final, it would make the majority of new car sales EVs by as early as 2032.

The EPA was able to do that because of the EV subsidies. The claim is that, with all these incentives, people are going to switch to electric cars anyway, so the new emissions guidelines won't move the needle that much.

There's another theme that I've noticed: bad ideas love to collide. They come in groups. When you think about what goes into an electric vehicle, it's a lot of batteries and a large amount of material. Where are we going to get that stuff? We don't have the ability to mine in the US. The permitting process is too onerous. The same admin that is subsidizing and mandating EVs is saying, "No, we're not going to open any mines." They don't connect the dots between the thing that they're mandating and the way to get there.

There's also this regulatory regime that strangles the production of energy. Could you elaborate on that?

We're seeing demand growth in the power sector that we haven't seen in a very long time. The game changer here is the data center. If you want to go gangbusters on AI or anything else you're using big data for, the power sector is going to hold you back. Those are very electricity-intensive processes.

Can the grid support them? For most of my career, I would say, yeah, we can sort it out. But with the combination of the EPA rules and everything else, I'm not sure anymore. Even if you can build the power plant, you still need to be able to frack for the gas. We also need to build pipelines. That's going to be very tough to do.

There are some folks who want to build a lot of transmission lines and do it with renewables and things like that. I think that's a very expensive way to do it, but technologically, in an engineering sense, it's doable. But yeah, it's an open question. Can we meet the demand? With all the constraints on supply, I'm skeptical.

That relates to this mindset that the only way to protect the earth is degrowth, meaning less economic activity and even a smaller population. What are your thoughts on that idea?

There is something about the idea of running out of resources that captivates people, and I don't know why that is. But I personally felt a huge sense of relief when I fully understood the Julian Simon approach to the world, which is that we're never going to run out of resources. In fact, a resource is some combination of the physical world with ideas, with technology, with new ways of doing things. The only thing that's holding us back is our own growth, our own imagination, our own technology.

The shale boom is a great example. If you had said twenty years ago that rocks from over a mile deep would be powering the world right now, it would have sounded crazy. We knew that there were hydrocarbons trapped in shale rock. It was just a question of can we ever get it? We figured out amazing ways to get it. And we've gotten so much of it. We used to have gas terminals that were built for import, but now they're built for export. If people fully understood the Julian Simon view of the world, that resources have no natural cap, a lot of this climate anxiety and doomerism would fade away.

To what extent should we be worried about regulations restricting human ingenuity and potential new technologies that could help solve environmental problems?

There are almost too many hurdles to talk about them all. One great example is that we have a Nuclear Regulatory Commission that regulates existing nuclear plants. And that's basically all it does because, with the recent exception of Plant Vogtle in Georgia, there hasn't been a new nuclear plant in the US in multiple decades.

We need to be better at doing new stuff. There's the small modular reactor. There's talk of fusion. But at the same time, I can't imagine a regulatory commission that is going to say, yes, absolutely, let's do fusion, or yes, let's put SMRs on every factory. That's the big question: even if we come up with the best ideas in the world, is there going to be some regulator saying no?

We like to end this podcast on an optimistic note. What are you most optimistic about when it comes to energy and environmental policy?

People's low willingness to pay to address climate change. It's so easy to say, "Yeah, I'm pro net zero." It's really difficult to drastically change your life, deal with the increasing cost of everything, and get used to not having electricity all the time. I'm optimistic that when people realize what it takes, they're going to say, "This climate burden, climate anxiety, net zero goals, all of this stuff I've been carrying around? It's just a bag of bricks, and I can drop it."

Read the full transcript

