

Kevin McCarthy [sketched](#) the outlines of his opening demand to raise the debt limit last week, and the [bill](#) has now been released. If adopted, it would have a devastating impact on environmental protection and climate action. One impact would be budgetary – repealing much of the Inflation Reduction Act while kneecapping EPA’s ability to implement environmental laws more generally. McCarthy is also demanding regulatory changes that would foster fossil fuels and hamstring EPA’s regulatory power.

In terms of the budget, the plan requires all non-defense agencies to return to FY2022 spending levels. Government fiscal years, oddly, are labeled by the year that they end, so we’re really talking about spending from Sept. 30, 2021 to October 1, 2022. (McCarthy refers to this as “the same spending levels we operated under just last October”). Core inflation (not counting food and energy, which are more volatile) has been running at around 6%, so this amounts to a 6% cut in appropriations for EPA, the Transportation Department, and the Energy Department. And in fact the cuts could be much larger, since additional cuts could be shifted from Defense to other agencies.

Since another piece of McCarthy’s demand is a 1% cap on future agency budget increases, the damage would last for a decade and increase over time. In addition, the bill would eliminate key provisions of the Inflation Reduction Act that are aimed at expanding the use of electric vehicles and renewable energy.

In short, Republicans are demanding that Biden agree to roll back the heart of the Administration’s climate policy. They might as well be demanding that he turn over control of government policy to Donald Trump.

Not content with demanding that Biden abandon his keystone policies, McCarthy also makes two regulatory demands. The first is for passage of HR 1, the Republicans’ “permit reform” bill. Although the bill contains some provisions that would be helpful for renewable energy projects and transmission, it is [slanted heavily](#) in favor of fossil fuels. It mandates more frequent auctions of oil and gas drilling rights on federal land, cuts back the royalty the offshore oil companies would need to pay the government, bars any kind of pause on fracking, and prevents the Energy Department from blocking exports of liquified natural gas.

As a second demand, Republicans insist on passage of HR 277, better known as the REINS Act. Under the REINS Act, a major rule may only take effect if Congress approves of the rule. A rule is classified as major if it results in an annual effect on the economy of \$100 million or more, or otherwise has a significant effect on the economy. That include nearly any significant EPA regulation and some that you’ve probably never heard of. A Republican

caucus that is willing to risk crashing the economy to get its way is unlikely to exercise any discretion or judgment in reviewing regulations.

Wall Street seems sublimely confident that somehow or another Congress and the President will manage to come to a deal. McCarthy's opening offer would require Biden to abandon large portions of his domestic platform. It seems unlikely that Biden will go along. All he would get in return under McCarthy's proposal is a paltry one year extension of the debt limit, after which the Republicans would be back demanding even more extreme concessions. That's a road that leads to nowhere good.