The Daily Dish

June 6

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June 6 was a momentous day. No, not D-Day; that's June 6, 1944. On June 6, 2022, President Biden stretched his powers under the Tariff Act of 1930 to declare a national electricity emergency. He followed this with an executive order to delay tariffs on solar panels that have not yet even been levied and invoked the Defense Production Act (DPA) to subsidize five clean energy sectors. What happened? Was there a catastrophic weather event? No. A terrorist attack? No. A debilitating labor stoppage? No. What happened was previous Biden Administration policy.

Tori Smith and Tom Lee document the entire saga, which you are encouraged to read. Eakinomics will stick to the highlight reel.

At the outset of his administration, the president declared combatting climate change to be the top policy priority. Fair enough. The strategy adopted to implement this goal was a so-called sectoral approach, and the approach in the energy sector was to eliminate the use of fossil fuels (coal, oil, gas) in favor of renewables (wind and solar), and to do so on an unrealistic timeline. Since the wind does not blow all the time, this put solar in the crosshairs. That's where the problems begin to appear.

China is the largest producer of solar panels, so the climate strategy was immediately in conflict with the administration's China strategy. Attempt to isolate the Chinese economy with tariffs and the climate strategy becomes more expensive and more reliant on the non-existent domestic solar panel industry, which makes the timelines impossible instead of just unrealistic. The administration chose to keep the tariffs. Bad news for the solar power goals.

Then it got worse. U.S. producers accused China of cheating on the tariffs by pretending its solar exports were from other countries. The investigation by the International Trade Commission was viewed as almost certain to result in additional tariffs. Worse, those tariffs might retroactively be collected on domestic importers. Chaos ensued.

Imports ground to a halt, which forced domestic installation of solar power-generating facilities to grind to a halt, as well. Utilities, having abandoned investment in new, natural gas electricity generation started doing the math and worrying aloud about summer blackouts across the landscape.

Since the only thing worse than the highest inflation in a generation is living through it in the dark without air conditioning, clear thinking in the administration stopped as well. So, on June 6, the president decided to "solve" the problem by telling importers "no tariffs" (at least for now), and to producers of panels and other components, "here's the taxpayer's checkbook, get to work," in the hope of avoiding the blackouts.

Who knows what the next round of unintended consequences will be?