

Blog Research 5.17.21

[https://www.wsj.com/articles/batteries-challenge-natural-gas-electric-power-generation-11620236583?mod=hp\\_lead\\_pos5](https://www.wsj.com/articles/batteries-challenge-natural-gas-electric-power-generation-11620236583?mod=hp_lead_pos5)

A decade after the fracking boom took off, the fuel faces disruption by a new combination on the electric grid: renewable energy and electricity storage

A decade ago, [natural gas displaced coal](#) as America's top electric-power source, as fracking unlocked cheap quantities of the fuel. Now, in quick succession, natural gas finds itself threatened with the same kind of disruption, only this time from [cost-effective batteries charged with wind and solar energy](#).

Natural-gas-fired electricity represented 38% of U.S. generation in 2019, according to the U.S. Energy Information Administration, or EIA, and it supplies round-the-clock electricity as well as bursts during peak demand. Wind and solar generators have gained substantial market share, and as battery costs fall, batteries paired with that green power are beginning to step into those roles by storing inexpensive green energy and discharging it after the sun falls or the wind dies.

<https://nonprofitquarterly.org/how-rural-electric-cooperatives-can-support-a-green-new-deal/>

As was true when RECs were established in the Great Depression, the success of RECs today requires active member-owner participation and the support of those who are committed to closing the rural-urban renewable energy divide. Small cities and rural towns know the perpetual cycle of being left behind all too well. But by working together, we can set forth a more positive path. Now is the time for a just transition. As more communities take back their co-ops, the nation's network of RECs can become models of hope, investment, and prosperity once again. And rural America can become full partners in the transition in power generation from coal to renewable sources that must occur if our country is to meet its carbon emission reduction goals.

<https://www.wsj.com/articles/why-indias-second-covid-19-surge-is-much-worse-than-its-first-11621071001>

Great charts, India has only inoculated 3% of their 1.4B population.

Early success gave rise to reduced vigilance.

<https://libertystreeteconomics.newyorkfed.org/2021/05/how-does-us-monetary-policy-affect-emerging-market-economies.html>

The question of how U.S. monetary policy affects foreign economies has received renewed interest in recent years. The bulk of the [empirical evidence](#) points to sizable effects, especially on emerging market economies (EMEs). A key theme in the literature is that these spillovers operate largely through [financial channels](#)—that is, the effects of a U.S. policy tightening manifest themselves abroad via declines in international risky asset prices, tighter financial conditions, and capital outflows. This so-called [Global Financial Cycle](#) has been shown to affect

EMEs more forcefully than advanced economies. It is because higher U.S. policy rates have a disproportionately larger impact on rates in EMEs. In our recent [research](#), we develop a model with cross-border financial linkages that provides theoretical foundations for these empirical findings. In this *Liberty Street Economics* post, we use the model to illustrate the spillovers from a tightening of U.S. monetary policy on credit spreads and on the uncovered interest rate parity (UIP) premium in EMEs with dollar-denominated debt.

<https://www.reuters.com/world/china/inflation-re-cycling-chinese-exporters-pass-higher-costs-customers-around-world-2021-05-14/>

China's producers are passing along higher prices from higher material costs.

## Tuesday

[https://www.americanactionforum.org/daily-dish/fdii/?utm\\_source=American+Action+Forum+Emails&utm\\_campaign=6ce721a905-EMAIL\\_CAMPAIGN\\_2020\\_11\\_19\\_05\\_40\\_COPY\\_01&utm\\_medium=email&utm\\_term=0\\_64783a8335-6ce721a905-355217268](https://www.americanactionforum.org/daily-dish/fdii/?utm_source=American+Action+Forum+Emails&utm_campaign=6ce721a905-EMAIL_CAMPAIGN_2020_11_19_05_40_COPY_01&utm_medium=email&utm_term=0_64783a8335-6ce721a905-355217268)

As whole, the TCJA was simply the United States fitting its multinational taxation into the global landscape, and not a radical departure from it. Learning about the alphabet soup of provisions – BEAT, GILTI, and FDII – makes it abundantly clear that the proposals to repeal them and return to a global tax of 21 percent in addition to a top rate of 28 percent would truly be the radical, self-destructive decision.

[https://www.iea.org/reports/net-zero-by-2050?utm\\_campaign=IEA%20newsletters&utm\\_source=SendGrid&utm\\_medium=Email](https://www.iea.org/reports/net-zero-by-2050?utm_campaign=IEA%20newsletters&utm_source=SendGrid&utm_medium=Email)

- Climate pledges by governments to date – even if fully achieved – are well short of what's required to bring global energy-related carbon dioxide emissions to net zero by 2050.
- Our pathway requires the immediate and massive deployment of all available clean and efficient energy technologies. That includes annual additions of solar PV to reaching 630 gigawatts by 2030, and those of wind power reaching 390 gigawatts. Together, that's four times the record level set in 2020.
- **Most of the global reductions in CO2 emissions between now and 2030 in our net zero pathway come from technologies already on the market today. But in 2050, almost half the reductions come from technologies that are currently only at the demonstration or prototype phase. This calls for major innovation progress this decade.**
- Total annual energy investment surges to USD 5 trillion by 2030 in our pathway, creating millions of clean energy jobs and putting global GDP 4% higher in 2030 than it would reach based on current trends.
- In our pathway, no investment in new fossil fuel supply projects is needed, nor is further investment for new unabated coal plants, **and sales of new internal combustion engine passenger cars are halted by 2035.**

- By 2050, global energy demand is 8% smaller than today, but serves an economy twice as big and a population with 2 billion more people. And almost 90% of electricity generation comes from renewable sources.
- **Energy security evolves on the path to net zero. Electricity system flexibility, cyber security, and reliable supplies of critical minerals all become more and more important.** As global oil demand falls, supplies become increasingly concentrated in a small number of low-cost producers. OPEC's share of a much-reduced global oil supply grows from around 37% in recent years to 52% in 2050.

<https://rhg.com/research/build-back-better-transportation/>

We find that federal investment in the form of long-term extensions of current tax credits coupled with a build-out of charging infrastructure can catapult electric vehicles (EVs) from 2% of all light-duty vehicle (LDV) sales in 2020 to as high as 52% of all LDV sales in 2031. Targeted public spending on medium- and heavy-duty vehicles, transit buses, and school buses can make even more decarbonization progress, while also cutting harmful air pollution. The combined impact of all investments we consider in this analysis, along with potential EPA regulations that put EVs on a path to 100% of light-duty sales in 2035, achieves CO2 emission reductions of nearly 180 million tons in 2031, roughly equal to 11% of 2020 sector emissions. These outcomes can be achieved with no net increase in total costs for many consumers.

<https://mises.org/wire/15-minimum-wage-would-be-huge-blow-small-business-economy>

Discusses big impact by raising minimum wage with NFIB and CBO research showing 1.4M job losses and lower income for small businesses in competitive price environments and difficult post-COVID period.

<https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/global-economics-intelligence-executive-summary-april-2021>

The positive economic news in recent weeks presents the countervailing story to the epidemiological tragedy.

### **Wednesday**

<https://www.reuters.com/technology/chinese-financial-payment-bodies-barred-cryptocurrency-business-2021-05-18/>

It was China's latest attempt to clamp down on what was a burgeoning digital trading market. [Under the ban](#), such institutions, including banks and online payments channels, must not offer clients any service involving cryptocurrency, such as registration, trading, clearing and settlement, three industry bodies said in a joint statement on Tuesday.

<https://thehill.com/policy/energy-environment/554205-kerry-us-considering-carbon-import-tax>

Kerry's comments come as he is traveling in Europe. The European Commission [has proposed](#) a "carbon border adjustment mechanism," which it describes as a carbon price on certain imported goods.

During his trip, Kerry tweeted a photo with Frans Timmermans, who leads the work on the European Green Deal, the European Union's (EU) climate plan.

"We welcome the EU's new climate commitments of 55% greenhouse gas emissions reductions by 2030," he wrote.

<https://www.bloomberg.com/news/articles/2021-05-19/europe-opens-door-to-vaccinated-americans-with-new-travel-rules?sref=ezbKhmM9>

Ambassadors representing the bloc's 27 governments reached a deal on a [proposal from the EU's executive arm](#) to replace a current blanket ban on non-essential travel with a more selective system. Under the new rules incoming travel from most countries will be allowed, as long as visitors can offer proof they have been immunized against the coronavirus, two diplomats familiar with the matter said. Some member states, such as Greece, already permit tourists to visit without quarantine requirements if they have been inoculated.

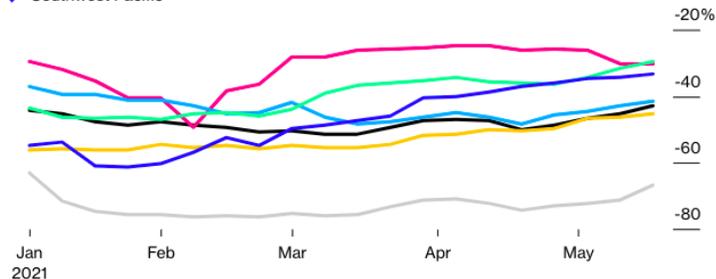
The European Commission will draw up a draft list of approved vaccination certificates issued by non-EU countries. EU officials will also discuss on Thursday a "white list" of non-EU countries deemed to present a low risk of spreading the disease. The list will be updated based on the epidemiological situation and requires a 14-day case notification rate of new confirmed Covid-19 cases of less than 75 per 100,000 inhabitants.

<https://www.bloomberg.com/news/articles/2021-05-19/where-can-you-fly-right-now-u-s-vaccine-drive-gives-airlines-a-boost?sref=ezbKhmM9>

### Turning Tides

North America surpasses Asia as India slashes flights

Africa Asia Europe Latin America Middle East North America Southwest Pacific



Source: OAG  
Change in regional seat capacity vs. same week in 2019

Countries in Asia feeling the sting of rising cases have responded by tightening restrictions to counter the threat of a highly transmissible coronavirus variant that first took hold in India. This

week, Singapore and Hong Kong [suspended plans](#) for a travel bubble that was set to start on May 26.

<https://www.cnn.com/2021/05/19/covid-19-cases-deaths-vaccinations-daily-update.html>

Centers for Disease Control and Prevention data published Tuesday shows 60% of U.S. adults have received at least one dose of a Covid vaccine.

The milestone comes roughly six weeks ahead of July 4, the deadline for president Joe Biden's latest vaccination goal of getting [70% of adults to receive one dose or more](#).

U.S. case counts fell further Tuesday, with the seven-day average of daily new cases now at about 31,200, according to data compiled by Johns Hopkins University.

<https://www.nytimes.com/2021/05/18/business/oatly-ipo-milk-substitutes.html>

The unlikely focus of this excitement is [Oatly, producer of a milk substitute](#) made from oats that can be poured on cereal or foamed for a cappuccino. Oatly, a Swedish company, will sell shares to the public for the first time this week in an offering that could value it at \$10 billion and exemplify the changes in consumer preferences that are reshaping the food business.

It's no longer enough for food to taste good and be healthy. More people want to make sure that their ketchup, cookies or mac and cheese are not helping to melt the polar ice caps. Food production is a leading contributor to climate change, especially when animals are involved. (Cows belch methane, a potent greenhouse gas.) [Milk substitutes](#) made from soybeans, cashews, almonds, hazelnuts, hemp, rice and oats have proliferated in response to soaring demand.

"We have a bold vision for a food system that's better for people and the planet,"

## Thursday

<https://www.bloomberg.com/news/articles/2021-05-19/democrats-mull-weakening-biden-tax-on-capital-gains-for-estates?sref=ezbKhmM9>

Instead of hitting heirs with a hefty tax payment at the time of the death of their benefactor, staff for House Ways and Means Chair Richard Neal have floated allowing the beneficiaries to defer the bill as long as they hang on to the asset, according to people familiar with the matter.

"When Treasury releases its Green Book in the coming weeks, I look forward to reviewing the administration's various revenue proposals and working with other Ways and Means members to chart a path forward."

## Less Money

The so-called Green Book is a report from the Treasury Department that's expected to detail the Biden tax plans, which have so far been released only in outline form.

<https://finance.yahoo.com/news/covid-19-pandemic-aftermath-apparel-sales-are-exploding-172313547.html>

Whatever the case, retailers that sell apparel are showcasing some very sizable gains in sales as sector earnings have kicked into overdrive this week. Executives at these companies credit pent-up consumer demand and the benefit of government stimulus checks that hit bank accounts in March.

<https://libertystreeteconomics.newyorkfed.org/2021/05/consumer-credit-demand-supply-and-unmet-need-during-the-pandemic.html>

Note drop in credit card demand while mortgage refis went up.

In this post, we used new data from the SCE Credit Access Survey to study the evolution of consumer credit demand and supply during the COVID-19 recession. We find that credit demand dropped sharply during most of 2020, especially for credit cards, with a modest rebound observed by February 2021. We also observe a modest increase in credit rejection rates during 2020, especially for credit cards. Despite this credit tightening and increased unemployment, we see no meaningful increase in discouraged borrowing and unmet credit need. Mortgage refinancing is the main exception to this general pattern, showing a steep increase in demand and some increase in unmet need, especially for those with lower credit scores.

These overall results likely evince the impact of large fiscal interventions, including stimulus checks and expanded unemployment insurance benefits, which have enabled many households to [pay down debt, especially credit card debt](#), and increase their saving. Even among those with low credit scores, while unmet credit needs remain formidable, instead of an increase in expected unmet need we actually see a decline for the group for which unmet need is typically high. The only clear evidence of an increase in unmet credit needs is found for mortgage refinancing, where lower credit score mortgagors have been less able to take advantage of the low-rate environment.

<https://home.treasury.gov/system/files/136/SLFRP-Fact-Sheet-FINAL1-508A.pdf>

Treasury has paid out \$105B of the \$350B for states, local, etc.

<https://www.placer.ai/blog/home-improvement-update/>

April marked an important month for retail recovery, but one sector that may be less thrilled to see the coming spring is home improvement. The brands in the space have seen [incredible strength throughout the pandemic](#), with [Q1 marking another strong quarter](#).

Yet, unlike most sectors that will benefit from 2020 weakness to emphasize 2021 strength, home improvement leaders will be compared to their unique peak during the pandemic. These brands will be tested to see if 2020's success was a 'lightning in a bottle' moment or the beginning of a much larger and ongoing trend.