

September 14, 2021

Today's Driving Events

- **BABs Return to Ways & Means:** Democratic revenue proposals aren't all about raising taxes as the House Ways and Means Committee today will mark up legislation that includes a return of tax credit infrastructure bonds.
- **Mounting Calls for Crypto Regulation:** Securities and Exchange Commission Chair Gary Gensler's testimony today before the Senate Banking Committee comes amidst ever growing scrutiny of the digital assets industry. While Gensler will play a key role in regulating crypto from an investor protection perspective, Treasury Secretary Janet Yellen is more focused on the perceived financial stability risk posed by private stablecoins.
- **Democrats Hammer Out Details of Clean Energy Policies:** Progressives are clamoring to include their climate wish list items in the budget reconciliation package but the House Ways and Means Committee's budget reconciliation energy provisions to be marked up today include a suite of clean energy tax credits that should be viewed as only an opening offer that could ultimately be carved back even by pro-environment moderate Democrats.

Democrats Bring Back Infrastructure Financing and Other Tax Goodies: It's good to be king of Ways and Means. As chair of the House Ways and Means Committee, Rep. Richard Neal (D-MA) is showing the power and discretion he has in leaving his imprint on the Build Back Better Democratic agenda. While infrastructure financing was left out of the Senate-passed Infrastructure Investment and Jobs Act (IIJA), Neal found space to give it top billing as the committee today begins a two-day markup on the tax provisions (both credits and offsets). **That includes the return of [tax credit infrastructure bonds](#) a la the **Build America Bond (BAB) program**.** A long-held priority for Neal, the original BAB program was well-received, albeit short-lived. In the 21 months BABs were around in 2009 and 2010, the program provided a 35 percent subsidy on borrowing costs for issuers, with the tax credit bonds becoming a [larger share of borrowing](#) than tax-exempt munis in 2010. The plurality of issuances was for education facilities, followed by water and sewer projects, highways, and transit. The qualified infrastructure bonds

being proposed today will provide a similar 35 percent credit for interest paid for the first three years, with it declining to 28 percent for issuances in 2027 and beyond. Proceeds of the bond issuances must adhere to prevailing wage standards in the Davis-Bacon Act. **Additionally, Democrats have included the return of advanced refunding bonds for state and local governments.** These bonds were eliminated in the Tax Cuts and Jobs Act (TCJA) back in 2017. **Perhaps one of the ironies of the Democrats' tax agenda is that for all their criticism of the TCJA and their desire to repeal it, they could very well end up [expanding it on net](#).** In addition to the advanced refunding bonds, Ways & Means Democrats are pushing forward on a major expansion of the Child Tax Credit (CTC), something that began in the TCJA. **They also [included a provision](#) to allow companies to fully expense research and experimental expenditures through 2025. The TCJA set a deadline at the end of this year for such full expensing to be amortized.** **Finally, Democrats plan on changing the TCJA's cap on state and local tax (SALT) deductions.** While Democrats do not plan to include that in the committee markup in order to avoid politically painful Republican amendments on a provision that overwhelmingly benefits the wealthy, they will include it when the bill gets assembled after all the markups. The contours of SALT relief are still being debated.

Gensler Testifies as Crypto Faces Growing Regulation: Securities and Exchange Commission (SEC) Chair Gary Gensler will appear today before the Senate Banking, Housing, and Urban Affairs Committee in [an oversight hearing](#) scheduled to start at 10:00 a.m. An area that committee members are [expected to particularly focus on](#) is cryptocurrency. Gensler's appearance comes on the heels of **Coinbase's (COIN) [announcement](#)** that it had received a Wells notice warning of legal action if it launched its Lend product, which the SEC believed to qualify as a security. **This signaled that the commission under Gensler's watch would be continuing with its regulation by enforcement strategy rather than issuing the broader guidelines industry members had hoped for when Gensler's nomination was announced.** The SEC's ongoing case against Ripple Labs, the issuer of the XRP token, could provide more clarity on this issue, but it seems increasingly likely that the SEC has no intentions of proactively issuing regulatory guidance on digital assets otherwise. In [his testimony](#), Gensler hints at this continued enforcement strategy by noting that an exchange with any security has to be registered as a securities exchange. Gensler is also quite frank in his description of the industry, stating that "it's more like the Wild West" and "is rife with fraud, scams, and abuse in certain applications." **While this testimony underscores our belief that the SEC under Gensler will continue to be a major player in the regulation of the cryptocurrency industry, a potentially transformative regulatory reform is emerging from other financial regulators that are focused on financial stability rather than investor protection.** Late on Friday, [it was reported](#) that the Treasury Department and other agencies were looking at whether to have the Financial Stability Oversight Council (FSOC) launch an examination of **Tether (USDT)** and other private stablecoins over their possible threat to financial

stability. Regulators have been voicing increasing concern with stablecoins in recent months with Treasury Secretary Janet Yellen, who also serves as the chair of FSOC, [pushing for regulators to act quickly](#) and Federal Reserve Chair Jerome Powell stating that the crowding out effect a central bank digital currency (CBDC) could have on private stablecoins is one of “the strongest arguments” for CBDCs. **Yellen is likely playing a major role behind this push for more regulation and oversight of stablecoins, which may not bode well for the industry given her [strong skepticism of cryptocurrency](#). The [primary concern](#) that these regulators have is that private stablecoins could come to play a prominent role in the payments space and would be operating without clear regulation, which could lead to a significant increase in risk to financial stability were any of these coins to collapse or experience any kind of technical problems.** [A paper](#) published earlier this year co-authored by Jeffrey Zhang, a member of the Fed’s Legal Division focused on banking regulatory matters, compared the rising prevalence of stablecoins today to the Free Banking Era in the mid-1800s when the US did not have a single sovereign currency. The paper presented three possible policy solutions: “(1) transform stablecoins into the equivalent of public money by (a) requiring stablecoins to be issued through FDIC-insured banks or (b) requiring stablecoins to be backed one-for-one with Treasuries or reserves at the central bank; or (2) introduce a central bank digital currency and tax private stablecoins out of existence.” **Either outcome would lead to effectively the same outcome which is a digital dollar that is backed by the US Treasury, even if it is not necessarily issued directly by the US Treasury.** Creating these sorts of regulations could very well be the conclusion that the members of FSOC come to if they choose to pursue the investigation. The interagency forum has the ability to deem companies or activities systemic threats to the financial system, which would inevitably result in an onerous new regulatory regime. Given the importance of stablecoins in the cryptocurrency market, this would undoubtedly have ripple effects throughout the industry, but regulators would likely justify these steps as improving investor protection and better securing the crypto market as a whole. While algorithmic stablecoins have certainly [proven to be more susceptible](#) to the types of “bank runs” that regulators would be looking to prevent with these regulations, instituting them across all stablecoins could help to increase the industry’s appeal to some skeptical investors as there would be certain safe digital currencies. This could also exponentially increase stablecoin adoption as a means of transaction, paving the way for these coins to be used for more than just a medium of exchange between cryptocurrencies. **In our view, it is more likely than not that the FSOC will launch this investigation and ultimately look to establish stablecoin-specific regulations.** Regulators have not said what these may be, but we believe that if they are not the policy solutions outlined above, they could be first steps in that direction with an eye towards eventually ending up there.

Democrats Wrestle Over Exactly How to Promote Clean Energy: Democrats will take another step forward in crafting the climate provisions in the Build Back Better act today with a markup of energy-related sections of the bill in the House Ways and

Means Committee. **While all Democrats -- even moderates like Senator Joe Manchin (D-WV) -- in theory are aiming for the budget reconciliation package to serve as the long-awaited vehicle for a suite of climate policies after they were largely left out of the bipartisan Infrastructure Investment and Jobs Act (IIJA), the bill from the tax-writing Ways and Means Committee is an opportunity for progressives to put their ideas in motion.** The bill to be marked up contains a progressive wish list primarily of “carrots” -- incentives that create, extend, and expand tax credits for wind, solar, geothermal, and storage technologies, clean hydrogen, zero-emission nuclear, and carbon capture and sequestration, as well as make some credits eligible for direct pay, satisfying a major ask from climate groups. **However, investors should note that the substance of this version is effectively a best-case scenario for progressives as moderates could seek to carve back these credits to make them less expansive, and thus less expensive.** This is because moderates and, most vocally, Manchin are looking to reduce the total spending in the package with Manchin suggesting this weekend that he would support a \$1 to \$1.5 trillion package, well below Senator Bernie Sanders’ \$3.5 trillion goal that he said was already a compromise from his original \$6 trillion proposal. In his comments, Manchin specifically criticized the Clean Electricity Performance Program (CEPP) or clean energy standard, which is the subject of the climate provisions in the House Energy and Commerce bill. **The CEPP has long been viewed as a more controversial element of the Democratic climate legislative agenda that is akin to a “stick” or enforcement mechanism that Manchin has criticized as anathema to his approach to energy policy as “innovation” and not “elimination,” which is also a problem for a methane or polluter fee that is in the Energy and Commerce bill as well. But even the carrots of tax credits in the Ways and Means bill might not be entirely safe if Manchin and others are intent on lowering overall costs, and Manchin has previously questioned whether some clean energy industries were already mature enough that they no longer needed subsidization.** Another stick at risk is a carbon border adjustment that would be a revenue raiser but could conflict with President Biden’s concerns over developing domestic competitiveness in renewable industries and faces logistical challenges in crafting an adjustment that would not violate rules of the World Trade Organization. **The challenges of passing sticks into law are likely to make progressives fight all the much harder for carrots as negotiations continue.**

House

The House is not in session this week, but House committees will continue to hold hearings and markups.

Senate

The Senate will convene at 10:00 a.m. and will resume consideration of the nomination of James Richard Kvaal to be an under secretary of Education. At 11:30 a.m., the chamber will hold a final confirmation vote on Kvaal's nomination and a procedural vote on the nomination of David G. Estudillo to be a judge for the Western District of Washington. The Senate will then recess until 2:15 p.m. for respective weekly caucus lunches. At 2:20 p.m., the chamber will hold a final confirmation vote on Estudillo's nomination and a procedural vote on the nomination of Angel Kelley to be a judge for the District of Massachusetts. At 5:30 p.m., the Senate will hold a final confirmation vote on Kelley's nomination and a procedural vote on the nomination of Veronica S. Rossman to be a circuit judge on the US Court of Appeals for the Tenth Circuit.

White House

President Biden will leave Long Beach, CA at 10:10 a.m. PDT and travel to Denver, CO. At 2:50 p.m. MDT, the president will visit the National Renewable Energy Laboratory in Golden, CO. At 3:30 p.m. MDT, Biden will deliver remarks on the bipartisan infrastructure deal and his "Build Back Better" agenda. At 5:10 p.m. MDT, he will depart Denver en route to Washington, DC and he will arrive at the White House at 10:20 p.m. EDT.

Macroeconomic

Today through Friday, TriNet will hold its PeopleForce Conference. [More information here.](#) Expected participants today include:

- Adm. William H. McRaven, US Navy

Today and Wednesday, the House Ways and Means Committee will continue its markup of the committee print to comply with the reconciliation directive included in section 2002 of the Concurrent Resolution on the Budget for FY2022.

Covid-19 and Covid-19 Relief

At 11:00 a.m., the Business Council for International Understanding (BCIU) will hold a virtual conference titled "COVID-19's impact on the emerging crisis in antimicrobial resistance (AMR) and how national action plans should address AMR in the COVID-19 recovery." [More information here.](#)

Cybersecurity

At 12:30 p.m., Washington Post Live will hold a virtual discussion titled “Securing Cyberspace.” [More information here](#). Expected participants include:

- Rep. John Katko (R-NY)

Defense

Today, the Intelligence and National Security Alliance (INSA) will conclude the 2021 Intelligence and National Security Summit. [More information here](#). Expected participants today include:

- Paul Abbate, deputy director, Federal Bureau of Investigation
- Lt. Gen. Scott Berrier, director, Defense Intelligence Agency
- David Cohen, deputy director, Central Intelligence Agency
- Gen. Paul Nakasone, commander, US Cyber Command and director, National Security Agency
- Chris Scolese, director, National Reconnaissance Office
- Michael Chase, deputy assistant secretary of defense for China, Office of the Secretary of Defense
- Chris Inglis, national cyber director, Executive Office of the President

Today, New America will conclude its virtual Future Security Forum titled "Redefining National Security for 2040." [More information here](#). Expected participants today include:

- Senator Mark Kelly (D-AZ)

Today, the Homeland Security Experts Group (HSEG) will conclude its Homeland Security Enterprise Forum titled "Remember. Reflect. Renew." [More information here](#).

Energy, Environment, and Natural Resources

Today through Thursday, the Economist will hold its virtual third annual Climate Risk Europe conference. [More information here](#). Expected participants today include:

- Allison Herren Lee, commissioner, Securities and Exchange Commission
- Bob Litterman, chairman, Climate-related Market Risk Subcommittee, Commodity Futures Trading Commission

At 10:00 a.m., the Progressive Policy Institute will hold a virtual discussion titled “Improving Electricity Transmission Siting: Opportunities to Meet America’s Consumer, Economic, and Clean Energy Climate Goals.” [More information here](#). Expected participants include:

- Senator John Hickenlooper (D-CO)

At 12:00 p.m., the Atlantic Council will hold a virtual discussion titled "Powering Ambition: Renewable Energy and Land Use in New York State." [More information here](#).

At 3:00 p.m., the Environmental Protection Agency will hold a meeting by teleconference of the Board of Scientific Counselors (BOSC) Executive Committee to review the draft reports of the Homeland Security and Safe and Sustainable Water Resources subcommittees and discuss Per- and Polyfluoroalkyl Substances (PFAS). [More information here.](#)

At 3:30 p.m., the Great Plains Institute will hold a virtual CO2NNECT event titled "Critical Bipartisan Carbon Management Priorities in Congress." [More information here.](#) Expected participants include:

- Governor John Bel Edwards (D-LA)

Financial Services

At 10:00 a.m., the Senate Banking, Housing, and Urban Affairs Committee will hold a hearing titled "Oversight of the US Securities and Exchange Commission." Expected participants include:

- Gary Gensler, chair, Securities and Exchange Commission

Geopolitical

Today through Wednesday, the Arab Center will hold its virtual sixth annual conference titled "US Policy and Global Competition in the Middle East." [More information here.](#)

At 9:00 a.m., the Heritage Foundation will hold a virtual discussion titled "Hong Kong: Debating the National Security Law's Impact on Business." [More information here.](#)

At 9:30 a.m., the American Enterprise Institute for Public Policy Research (AEI) will hold a virtual book discussion titled "Power and Complacency: American Survival in an Age of International Competition," focusing on "how the strategic predispositions of Russia, Iran, and China create vulnerabilities and opportunities for the United States." [More information here.](#)

At 10:00 a.m., the Senate Foreign Relations Committee will hold a hearing titled "Examining the US Withdrawal from Afghanistan." Expected participants include:

- Antony Blinken, secretary, Department of State

At 10:00 a.m., the Woodrow Wilson Center's Science and Technology Innovation Program will hold a virtual discussion titled "Artificial Intelligence (AI) in the Indo-Pacific: Enhancing Shared Security and Defense." [More information here.](#)

At 11:00 a.m., the Henry L. Stimson Center will hold a virtual discussion titled "Covid,

Conflict, and Climate: Food Insecurity Today and the Way Forward." [More information here.](#)

At 12:00 p.m., the German Marshall Fund of the United States will hold a virtual discussion titled "Discussing the Taiwan Peace and Stability Act." [More information here.](#)

Expected participants include:

- Rep. Steve Chabot (R-OH)
- Rep. Ami Bera (D-CA)

At 2:00 p.m., the Government Executive Media Group will hold a virtual discussion titled "The Intersection of Climate Change and National Security," as part of the Great Debates series. [More information here.](#)

Healthcare

At 1:00 p.m., the Bipartisan Policy Center will hold a virtual discussion titled "Improving the Availability of Long-Term Care." [More information here.](#)

Judicial

At 10:00 a.m., the US Judicial Conference will hold a meeting by teleconference of the Advisory Committee on Bankruptcy Rules. [More information here.](#)

At 10:00 a.m., the Senate Judiciary Committee will hold a hearing on pending nominations.

At 12:00 p.m., the House Homeland Security Committee will hold its markup of the Concurrent Resolution on the Budget for FY2022.

At 2:30 p.m., the Senate Homeland Security and Governmental Affairs Committee will hold a hearing on the nominations of Tovah Calderon to be an associate judge of the District of Columbia Court of Appeals, and Kenia Lopez, Rupa Puttagunta, and Sean Staples to be associate judges of the Superior Court of the District of Columbia.

Tech-Media-Telecom

Today through Friday, the Center for Strategic and International Studies will hold its virtual US Innovation Competitiveness Summit with the theme of "boosting regional innovation hubs, strengthening the foundations of intellectual property rights, and maximizing efficiency in translating innovations to market." [More information here.](#)

At 1:00 p.m., Duke University in DC will hold a virtual discussion titled "From Technological Advancement to FinTech - How Congress Should Think About Cyber Policy." [More](#)

[information here.](#)

At 2:00 p.m., the House Science, Space, and Technology Committee Subcommittee on Investigations and Oversight will hold a hearing titled “The Disinformation Black Box: Researching Social Media Data.”

Trade

Today, the Washington International Trade Association and the George Washington University Institute for International Economic Policy will conclude the virtual 2021 Intensive Trade Seminar. [More information here.](#) Expected participants today include:

- Thea Lee, deputy undersecretary for international affairs, Department of Labor
- Angela Ellard, deputy director general, World Trade Organization

At 10:00 a.m., the Commerce Department’s Bureau of Industry and Security will hold a meeting by teleconference of the Regulations and Procedures Technical Advisory Committee on implementation of the Export Administration Regulations.

At 10:00 a.m., the Commerce Department International Trade Administration will hold a meeting by teleconference of the Environmental Technologies Trade Advisory Committee.

Transportation

Today at 10:00 a.m., the House Transportation and Infrastructure Committee will hold its markup of the committee print to comply with the reconciliation directive included in section 2002 of the Concurrent Resolution on the Budget for FY2022.

Today through Wednesday, the Association for Unmanned Vehicle Systems International and the Federal Aviation Administration (FAA) will hold the FAA UAS (Unmanned Aircraft Systems) Symposium - Remotely Piloted Edition. [More information here.](#) Expected participants on Wednesday include:

- A. Bradley Mims, deputy administrator, FAA
- Warren Randolph, acting executive director of accident prevention and investigation, FAA



