



Congress of the United States
House of Representatives
Washington, DC 20515

May 13th, 2020

Hon. Jerome Powell, Chair
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

cc: Congressional Oversight Commission

Dear Chair Powell:

We are deeply troubled at the Federal Reserve Board's (the Board) April 30th decision to expand the Main Street Lending Program (the Program) to larger, more highly leveraged, and otherwise riskier businesses. This appears to be a back-door bailout of the oil and gas sector,¹ done at the urging of President Trump. We request that you undo this lending facility's expansion and refrain from engaging in future actions targeted at any industry, especially the oil and gas industry.

Expansion of the Program appears designed explicitly to provide support to companies facing significant challenges relating to their short and long-term solvency, and bail out the private investors in these failing ventures. The oil and gas sector is among the worst performers.² The domestic shale industry in particular has long struggled with high levels of debt and consistently negative free cash flow. Fracking requires low-interest rates, externalized costs and high oil prices to be financially viable. The fossil fuel business model was unviable before the COVID-19 pandemic. We strongly oppose the weakening of lending standards for existing facilities if the intent is, or appears to be, to increase eligibility for oil and gas companies and their investors.

We will fiercely resist any efforts to have the Federal Reserve System take on additional risk in the Main Street Lending Program, or through any other existing or new Special Purpose Vehicle (SPV) for oil and gas. Doing so would deploy limited CARES Act funding to gamble on risky bets designed to save oil and gas companies and bail out their investors. This will starve municipalities and other "eligible businesses" identified in section 4003(c) of the CARES Act, which now risk

¹ <https://www.federalreserve.gov/newsevents/pressreleases/monetary20200430a.htm>

² <https://www.ciel.org/reports/pandemic-crisis-systemic-decline/>; <https://ieefa.org/ieefa-commentary-federal-lending-to-the-oil-and-gas-sector-would-be-a-complete-waste-of-money/>

being robbed of remaining stimulus funds by a disproportionate investment in fossil fuels and windfall bailouts to their investors. The Main Street Lending Program's apparent oil and gas expansion plays into the public's worst assumptions about crony capitalism and the dangerous lack of urgency for limiting emissions causing climate chaos.

An independent Federal Reserve should guard itself against the intense lobbying and political pressure, even that brought by the President. The fossil fuel sector has known for decades that their products cause climate chaos, and in response, have spent billions of dollars lobbying and obfuscating instead of investing in truly green and renewable energy. Fossil fuel companies create a disproportionate amount of the carbon dioxide emissions that fuel climate chaos, and new studies suggest that the atmospheric effects of fossil methane emissions - created by fracking and responsible for at least 25% of global heating - have been dramatically underestimated and reported. These companies have created systemic-level risks to the U.S. financial system.³ Any further actions by the Fed to rescue the industry may as such conflict with its financial stability mission as well.

The stimulus provisions of the CARES Act were designed to support municipalities, states and businesses hit hard by the coronavirus. By turning the CARES Act into a fund for corporate polluters whose economic woes predate the crisis you are undermining the intent of the law. People across the country who have lost jobs and health care are crying out for direct relief, not for the Federal Reserve to bailout oil executives and invest in accelerating climate chaos.

Sincerely,



Rashida Tlaib
Member of Congress



Jeff Merkley
U.S. Senator

³ <https://www.americanprogress.org/issues/economy/reports/2019/11/21/477190/climate-change-threatens-stability-financial-system/>

Additional U.S. Senate Signers:

Cory Booker (D-NJ)
Ed Markey (D-MA)
Bernard Sanders (D-VT)
Elizabeth Warren (D-MA)

Additional U.S. House Signers (41):

Nanette Diaz Barragán (CA-44)
Salud Carbajal (CA-24)
Kathy Castor (FL-14)
Judy Chu (CA-27)
David N. Cicilline (RI-01)
Yvette D. Clarke (NY-09)
Wm. Lacy Clay (MO-01)
Steve Cohen (TN-09)
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