

# Travis Fisher on Why a Dynamic Electric Grid Is “Essential to Human Flourishing”

*By Paul Best*

The electric grid is the foundation of modern life, an often-overlooked engine for prosperity that enables the countless everyday conveniences of the 21st century. But the advent of artificial intelligence and growth of other energy-intensive industries will supercharge demand for power in the coming years. Can the grid evolve and adapt, or will regulatory roadblocks and bureaucratic red tape hold it back?

Travis Fisher, the director of energy and environmental policy studies at Cato, argued in a recent interview with *Free Society* that only a dynamic, market-driven approach to energy policy can deliver affordable and reliable electricity in the years ahead. What follows is a lightly edited transcript of that interview.



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**PAUL BEST:** Travis, the electric grid and energy more generally is obviously a big topic of conversation right now, with the rise of artificial intelligence and the data centers that need to be built to support it. Is our electric grid prepared for the increase in demand we are bound to see?

**TRAVIS FISHER:** That's the question everybody's asking. Is it up to the task? I honestly don't know. I think one way to find out is, over the next few years, we're going to see increasing demand. Will utilities be able to meet it? I actually am personally skeptical about that. The industry is slow-moving, almost by design. It's very heavily regulated. It's not designed to move fast, and it's not moving fast, and we're seeing now the collision between a tech industry that is used to moving very quickly and a utility industry that doesn't move very quickly.

**PAUL:** Under the former administration, to deal with the sclerotic nature of the electric grid, we saw a new industrial policy to build up green energy resources—so, funneling subsidies and grants toward wind and solar and other renewables and discouraging further investment in traditional hydrocarbon fuel sources. What's your take on that approach to building out our energy infrastructure?

**TRAVIS:** The Biden era was about subsidizing ourselves into prosperity, and I think if that were possible, that would be amazing. But I think that's a wild misuse of resources. One project I'm working on right now is to try to estimate exactly how much the government is going to spend on the Inflation Reduction Act (IRA), which is a poor name for the policy. It's basically a

subset of the Green New Deal. These are just energy subsidies.

When that law was passed in 2022, the Congressional Budget Office gave it a score of about \$369 billion at the time. I thought, "Wow, that's a lot of money." But the score we have come up with at the Cato Institute is something like five times that on the 10-year window, so I think it was vastly underscored on the front end. As a policy, I disagree with that. I don't think subsidies are good, period, but we weren't even very honest with the American people about how much it was going to cost. So, I think reform is on the table. We'll see what Congress wants to do this year, but I suspect that as part of a broader tax reform policy, the IRA itself will be reformed.

**PAUL:** It seems like every time I open the *Wall Street Journal* or the *New York Times*, there's a new story about how a big project that was touted a couple years ago has now been delayed, that construction hasn't started due to some sort of regulatory hurdle or permitting delay. How much of a problem is the web of state and local and federal officials who have to sign off on every new energy project, either for renewables like wind and solar as well as for more traditional energy sources?

**TRAVIS:** The analogy I hear a lot is: We basically have our foot on the gas pedal with the subsidies, but we're also on the brake pedal with things like permitting that is way too difficult, way too complicated. If the Biden approach was basically foot on the gas without taking it off the brake, I would characterize the new Trump administration as taking the foot off the brake, and we'll see what they do with the gas pedal.

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But I do think there's a really strong argument for permitting reform as long as it's broad and technology-neutral. We have basically gotten in our own way. Things are really, really hard to build these days, and the delays are staggering, so it's not surprising to me that even under a very heavy subsidy regime, projects are still slow-moving. I think that indicates the need for broader and more fundamental reforms, not just throwing money at problems.

**PAUL:** It seems darkly ironic that we would spend hundreds of billions of dollars to subsidize renewable energy sources but then not do anything about the regulatory regime that is stopping those projects from happening in the first place.

**TRAVIS:** I think that's where the politics of reform are changing. I think there are a lot more people who are interested in coming to the table to reform things like the National Environmental Policy Act. We've basically overregulated ourselves and everything takes a 1,000-page document to do anything, and then that 1,000-page document goes to court, and of course somebody is going to find something wrong, because it's 1,000 pages.

So, we've basically created an impossible scenario—we've made it nearly impossible to build anything. And I think the politics are changing, because if you want to build new wind, new solar, it's going to take transmission. Transmission lines are notoriously hard to build, so we actually need that fundamental reform to build the things that both the left and the right, in terms of their politics, want to build now. It really is a bipartisan issue, so I look forward to that debate. I think it's going to be an interesting one in 2025, and I think we probably will actually get somewhere.

**PAUL:** Those are kind of strange bedfellows—both oil and gas companies and renewable energy companies calling for the same thing.

**TRAVIS:** Exactly. I think that's where we do have an opportunity for technology-neutral reforms that would benefit all sides. And more fundamentally, the benefit I look forward to is if we're able to build things, if we're able to get out of our own way and actually get projects to market, that will help consumers. I care about investment certainty and the ability to build things from the point of view of what benefits consumers, what gets them the energy they need.

**PAUL:** We've seen a very abrupt shift, obviously, with President Trump starting his second term. One of the first things he did was declare a national energy emergency alongside signing a slew of executive orders that are meant to increase the reliability of our electric grid.

**TRAVIS:** Declaring an energy emergency is not exactly the libertarian answer. In fact, with anything being done on the executive branch level, the trouble with doing policy that way is that we're on a four-year executive branch cycle. You're trying to invest in something that's going to be a long-lived asset, like a power plant that can run for 40 years, but you're doing it knowing the political winds change every four years. I think executive action is the wrong way to go about it, period. Emergency executive authority is probably the worst of all worlds, but I am optimistic that Congress will see what's going on, act on it, and improve things through a statutory change that has durable, long-lasting, bipartisan support.

**PAUL:** You mentioned consumers—most people probably don't think about the electric grid unless there's an outage, but consumers are really the ones with the most to lose here. How would consumers benefit from an actual dynamic electric grid based on free-market principles?

**TRAVIS:** When you brought up artificial intelligence and new demand from data centers, I think that is really pushing the envelope in terms of the need for dynamism in the industry. For about 100 years, electricity has been based on the natural monopoly theory, that we need to heavily regulate the industry. The trouble is that if

we tie it down with that many regulations, it's not going to move quickly, and it's not going to satisfy new demands very well. So, I think the paradigm is bound to break either way.

What I'm concerned about is that it might break in the sense that consumers will have to pay, that prices will skyrocket because of the new demand. If we allow the supply side to be dynamic, too, I think that opens up all sorts of new avenues where it's not just that consumers are not hurt; it's that they will benefit in the long run by having a more dynamic industry.

The joke is, if you bring back Thomas Edison, he will probably recognize most of the components of the power grid we still have today. That should never be the case—that's not the case with cell phones, that's not the case with any technology that's fast-moving. The power grid is one of those things that, because it's been so heavily regulated for so long, we really have not seen the technological changes that I think could and should take place.

**PAUL:** What would a free market for energy actually look like, then?

**TRAVIS:** We've seen some degree of free markets already. There's what we call the mandatory open-access paradigm where we actually have market prices and more wholesale trading. That is a recent thing; that's the direction the market went about 25 years ago.

I think we could even go more dynamic than that, and one proposal I've been toying with is to see what the free market actually looks like in terms of removing regulatory structures for new assets. So, if you built a private grid, for example, there is really no reason for a state commission to come in.



Travis Fisher discusses energy policy on Capitol Hill with Talmage Tyler, a legislative assistant to Rep. Julie Fedorchak (R-ND).

Let's say it's a large utility company building the grid and a large customer, like a giant tech company—I don't believe there's a role there for a regulator to come in between. And that opens a window into what the market might look like in a more open-ended, free-market system. If we run that experiment, I think we would learn a lot from it.

**PAUL:** Trump recently announced the Stargate Project alongside Sam Altman and Larry Ellison—they project that a couple dozen data centers need to be built over the coming years to support the development of artificial intelligence. You've mentioned private grids and microgrids before. Do you foresee almost separate energy resources powering these data centers that are disconnected from the main electric grid?

**TRAVIS:** That's one option, and to be very clear, it was crazy to talk about this just two years ago, maybe just one year ago. It was a

crazy idea, wasn't feasible. The technology wasn't there; the demand wasn't there. We have a very different setup now with very large new customers. The sticker shock is real—\$500 billion was the price tag on the Stargate arrangement. When you're talking that level of money, and that willingness to pay is so high, I think that opens up a lot of avenues for the technology that might be needed. If you wanted to go low carbon, we're talking probably new nuclear reactors, things like that. I think things that had been completely off the table now are on the table.

**PAUL:** When it comes to traditional fuel sources like natural gas and oil, what challenges do they face right now?

**TRAVIS:** In the shale boom era, we have abundant oil and gas resources from shale rocks. These are rock formations that are a mile deep. We always knew they were there, we just didn't have a good way, an

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economical way, of going and getting that resource. But between directional drilling and fracking, that's opened up a whole new world. So, we are now the biggest exporter of gas, and that, I think, is a policy that should continue, so we can liquefy it, put it on tankers, and ship it to Europe, Asia, anywhere in the world.

But I think one thing that's important to remember is, even though the resource itself is abundant, the transportation infrastructure, especially gas pipelines, is not quite as abundant as you would want or expect, so we have pockets of very high prices even in the United States. A famous example is that New England doesn't really have abundant gas supply into the region—in fact, there's an import terminal in Boston that imports liquefied natural gas (LNG) from Trinidad. If you wanted an encapsulation of how absurd energy policy in the United States is, that is sort of the poster child—it's something like 170 miles away from the most abundant shale play

[a geological formation containing oil or gas reserves] in the world, but still, the LNG is coming in by tanker from the Caribbean. That's in part because we can't ship to ourselves because of the Jones Act, which is another wrinkle, but specifically, we can't build pipelines from the abundant Utica shale play through the state of New York into New England. Barriers like that are real. We have abundant resources, but it's not really a resource if you can't get it and use it.

**PAUL:** We talked about the Biden administration's industrial policy toward energy, trying to subsidize renewable energy sources, which was clearly an effort to combat climate change. There are some libertarians out there, or at least some market-minded pundits, who are in favor of a carbon tax as an alternative to the Green New Deal-style meddling that was prevalent in the Biden administration. Do you think a carbon tax or pricing carbon is a realistic alternative?

**TRAVIS:** I don't see it as politically feasible, because the votes just aren't there. In fact, Congress has never really addressed the climate question directly. The Inflation Reduction Act was arguably a climate rule, but it was a budget reconciliation measure, meaning it required only 50 votes plus the tie break from the vice president. So, I think for Congress to address this, you would need 60 votes in the Senate, and I don't see any carbon tax meeting that threshold.

But it has textbook appeal. The textbook economics approach is a Pigouvian tax, where you find the marginal social cost of the thing, you internalize the externality by using a tax to basically bring prices in line. One reason I am skeptical of that approach

is that it's not straightforward to establish what that marginal social cost is in the case of CO<sub>2</sub>. And I've struggled with this because I do buy into the textbook framework, but I don't necessarily trust a government, especially one that has a spending problem, to do a good job of establishing a tax at a level that is socially beneficial, given all the public choice elements that make it ripe for abuse. We already have a deficit issue, and it's unclear whether a carbon tax would actually be used to internalize an externality versus pay for a lot of government spending. That's an open question and perhaps we'll see, but that's not where the debate is now. Really the debate is about subsidies, so my focus right now is to trim those.

**PAUL:** What do your meetings on the Hill look like right now? Which policymakers are you engaged with the most?

**TRAVIS:** At the end of the last session, my focus was on preventing bad outcomes during the lame duck. Now it feels like, at least on energy issues, supporters of free markets can go on offense and start to unravel the red tape. There's bipartisan support for things like permitting reform and generally making it easier to site and build energy projects of all types. With the growing demand for energy for everything from data centers to domestic manufacturing, we have a great opportunity to get pro-growth, pro-energy policies from the 119th Congress. One committee I particularly enjoy meeting with is the Senate Committee on Energy and Natural Resources. With energy experts like Sen. Mike Lee at chair and Sen. Martin Heinrich at ranking member, I think that committee will be one to watch as we head into some serious policy debates.

**PAUL:** I mentioned earlier that most Americans probably never think about the electric grid unless there's a snowstorm and they suddenly don't have power. You are Cato's head energy policy wonk. Is this what you wanted to be when you were in middle school? How did you get here?

**TRAVIS:** I've always liked big problems, and as soon as I figured out how electricity policy works in the United States, I recognized it immediately as not only an existing problem that needs to be fixed, but as a big one, and it does impact everyone. In college [at North Carolina State University] during the 2003 blackouts, I was actually camping, and when I got back to society, all the lights were out. It dawned on me in that moment, as it probably did with others, that blackouts are the one moment when you do think about electricity because it's not there, and that sort of pulled me into it. I was studying economics at the time, and I recall thinking that this is a big problem and we really should avoid this going forward. That is a nightmare scenario that we never want to repeat.

There's a flip side of that too—it's not just about guaranteeing reliability at all costs. You don't want to break the bank either. And electricity prices are one of the most regressive costs in the US economy. Every policy decision that increases the rates in your electricity bill—that is a very regressive thing that hurts the poorest among us the most. So, I view it as both essential to modern life, avoiding blackouts, and essential to human flourishing, in the sense that we need low-cost energy, and if energy costs rise, that is among the most regressive impacts you can possibly imagine. ♦