Podcast Transcript

The Cloakroom with Peter Roskam: 37th Annual Legislative Seminar – Senator Kevin Cramer (R-ND)

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Lee: Welcome to "The Cloakroom with Peter Roskam." Former Congressman Peter Roskam leads BakerHostetler's Federal Policy team. Through interviews with leading members of Congress, Peter provides an insightful, firsthand view into the latest policy and political debates on Capitol Hill.

In today's episode, Peter is joined at the 37th Annual Legislative Seminar in Washington by his BakerHostetler colleague, former Congressman Heath Shuler, and Senator Kevin Cramer, a Republican from North Dakota. Cramer was first elected to the Senate in 2018 after representing the state in the House for six years. A leader on energy policy, he previously served on the state's Public Service Commission. In the Senate, Cramer serves on the Banking Committee. Cramer also serves on the Armed Services Committee, the Environment and Public Works Committee and the Veterans' Affairs Committee.

Peter, Heath and Senator Cramer discussed energy and crypto policies.

Let's listen in to "The Cloakroom with Peter Roskam."

Roskam: Thank you. Thanks for taking the time, Kevin. Appreciate it very, very much.

Cramer: You mean it was optional?

Roskam: No, it wasn't optional.

Cramer: Ever since he was a chief deputy whip, I do whatever he tells me. I didn't know that it was optional.

Roskam: I got you. Although you were low maintenance. You're not a head case, not avoiding eye contact, which I always have prepared. So, okay, energy is on top of everybody's minds. A lot of people think they know about energy. You uniquely have a professional background in energy as a state regulator in one of the highest producing energy states. So, you actually know what you're talking about. Give us a sense of where American energy policy is going. And I shared this earlier, but I paid $6.17 for premium gas on Sunday. Well, you know what? That may be in the _______. So, but this gas price pressure and where are we going? And there is a restlessness about this. And I think that we think we understand energy, but we really don't understand the fungibility of it. And these are worldwide markets and just give us a tutorial.

Cramer: Yeah, I've noticed that when somebody complains about the price of gasoline saying, well, it is a globally traded commodity isn't a great answer.

Roskam: It is not a great answer.

Cramer: Yeah. Even though it is totally true, right? I mean, that is part of the dynamic. I remember, in fact, I hadn't thought about this until just looking at you, thinking about when we were together in 2015 and in 2017 when we lifted the oil export ban. Thank you very much, Speaker Paul Ryan, who insisted that it be part of a nominative spending bill. To me, that was perhaps the most significant energy policy change of decades, really. And that was, it goes back to the Yom Kippur War. And that changed the geopolitics.

Interestingly, today, as we sit here and look at the Strait of Hormuz, we're still 20% of both oil and gas, 20% of global supply traverses through that strait. And you think, how is that possible? The United States at the time that the Yom Kippur War, at that time we were producing about 8 million barrels per day. Now we produce 13.6 million barrels today. We had about 250 refineries, and this is I think the big difference, Peter. We had about 250 refineries then, today we have about 130. And they're going down fast. And so, while we're the number one producer of oil in the world, by a fair bit, we only refine about 30% of our oil and we're still refining a lot of heavy sour crude from other places.

I believe that the next big moment like lifting the oil export ban was is permitting reform and I say that because the Strait of Hormuz situation today reminds us of our vulnerability still in the global markets the 20% is not nothing and that we as a nation certainly shouldn't need any of it and yet we still do because we're vertically integrated, our big companies are they're tuned to that heavy sour crude because when they first built their refineries, it is expensive to switch them. There is cannibalization that takes place. There is lots of excuses and reasons for that. My only point is that we're being reminded that it is still a global commodity, but energy security and energy independence can still be ours if we would invest, I think, more on the refining side. And that would require permitting reform, it means everything from pipelines and refineries and transmission lines and water and offshore wind farms, by the way. And that is why I believe, the reason I even bring this up is because I do believe we're in a moment where we could actually pull something off.

Roskam: Okay, let me ask on that because that is really interesting. So, to think about, so hold that thought and then think about the overlay of energy policy generally. And here is what I mean by that. It’s become super tribal. The GOP is really can give you a chapter and verse on fossil fuels and has at least the Trump administration stiff-armed renewables. The only way to come up with permitting reform is going to be some level of compromise where you can get to 60 in the Senate. And what’s the pathway look like? And so, I guess the question is from your state and from your worldview, what is your tolerance for, hey, listen, I'll let the other team take a victory lap on this. You take my point. Where is the sweet spot on this that you can go back and do your statewide radio shows that you do every week and you're talking to all of North Dakota and they go, good move, Senator, even though you've had to compromise on something?

Cramer: Boy, you are asking the perfect question. So, I have a little more tolerance than most. I will say this, I've been part of two gangs recently in recent years that failed on permitting reform. And the reason they failed on permitting reform largely is because they didn't deal with the one thing that Democrats really want. And that is they want to overbuild the electric transmission because they believe if they do that, they can put any crazy type of electricity they want on the wire and we'll socialize the costs to everybody.

Having said all of that the reason I believe the moment is upon us now is, you've teed it up, the White House and frankly in last year’s one Big Beautiful Bill and the working families tax cuts we ended going forward the subsidies on a lot of that intermittent wind and unreliable solar and so now you have, with the Trump administration putting the stop work order, for example, on a number of these projects that are well into development and paid for in many cases, there is suddenly a new leverage. And I think the moment is now where everybody, first of all, everybody understands that it is hard to build stuff. That is why I said whether it is offshore wind or solar panels or a geothermal opportunity, which I think is a big part of the future on the electricity side but or a pipeline everybody understands that all of their, all of everybody’s oxes are being gored at the same time by the same rules. And so there is already a bit of a unity that is taking place.

And you see it if you've watched any of the Environment and Public Works Committee hearings on permitting reform you see that Sheldon Whitehouse after he gets done beating up on Donald Trump for being illegal, unconstitutional criminal and Republicans beat up on Joe Biden for being unconstitutional, illegal criminal I stipulate to the fact that presidents suck. And so now, we all have a common enemy, right, and it is Article 1 versus Article 2. You're a little too amused by this.

So anyway, I do, we actually in this _______, but to the one point, the stumbling block has always been transmission. Transmission is different. While it is linear infrastructure, the allocation of costs is very dynamic, it is very complicated, and it is very traditional, almost to a religious point. I mean, the only thing that moves slower than the Department of War is a good utility. And so, we…

Roskam: Having worked for one…

Cramer: You understand. Thank you. Yeah, it is worse than an offensive line. So, I mean you, they're hard to move. And so we have to get that one, right, but I think we're going to do that too because what is happened is because of the data center situation, the AI revolution with the crypto mining all the need for power fast, the global race we're in for a lot of power fast, suddenly there is not as much to worry about in terms of what kind of electricity gets on those wires. We really do need the resiliency and the certainty.

Also I've challenged whether it is with folks at EEI or the rural electric cooperatives or a municipality, you all have to tell us what your tolerance level is. They want to know for me, what is non-negotiable? I say well you don't start at a good negotiation with non-negotiables.

Roskam: Right.

Cramer: So, my question to you is what are you willing to tolerate. And we, I've been in a lot of meetings. This my second one of these this week actually and the real moment I think now is upon us where they have to tell us. Otherwise, I do think there is such a strong desire for permitting reform that they, and here is what I warned them of, you're going to get run over. So, you either become part of the solution and you help people like Martin Heinrich and Sheldon Whitehouse find a way to socialize the cost of a big transmission in some way, certainly not, we don't want to federalize the grid, at least I'm not ready for that, but find some, what is their tolerance level for some change in tradition, discriminatory pricings, even a no-no in electricity. But I think you need to look at that.

Roskam: So, said another way, there is so much, like this is a raging river that is coming. And you're telling folks, look, you got to channel this somewhere. You're not going to block this dam.

Cramer: That is it. That is it. So, let’s hold on for that opportunity. I think this is really, if we're ever going to do it, if we were ever going to do it, this is the year. I don't want to say it is now or never, but this is a moment.

Roskam: Do you think, Kevin, the Iranian War is exacerbating it? Was the underlying pressure still there before the war and now it is more obvious or?

Cramer: Well, it certainly has illustrated our vulnerability and the role that energy plays in inflation in general, in jobs creation, but also in national security. But really, I would say that the need for speed and the high demand of electricity is a major help. People don't want to see their electricity rates go up. But I mean, in the last six months, the world has changed in a dramatic way. So, getting behind the meter, for example, if you're a hyper-scaler or getting on the edge, if you have the more modular technologies, there is all these opportunities and they're fun and you have these stop signs going up in counties and townships and communities, right? All of that. I rather like that in a way. I know it messes with a lot of investment, but I like it because states like mine that are pretty energy savvy go, damn right, we're flaring some gas over there by Tioga. Let's use that flared gas for a little, can we get a small turbine and to have a megawatt.

Roskam: Yeah. So, you're open for business?

Cramer: I'm open for business and other states are too. And other states that want to say no, I think they're going to change their minds quickly.

Roskam: That is interesting. Heath?

Shuler: So, Senator Thune, majority leader, wasn't so enthusiastic about this gas tax holiday. And so obviously President Trump is in favor of that. Obviously continue to, that would increase the deficit. How do you look at that and your other colleagues look about the gas tax?

Cramer: I think if you're on the ballot this year, it sounds like a good idea if you could actually reduce the price of gas by 18 cents. I think otherwise, if you're looking at it honestly, I happen to chair the transportation infrastructure subcommittee of EPW, so things like highways and bridges, and we have a service transportation reauthorization September 30, we lose our, with expires the current one. And we have a woefully inadequate highway trust fund, which is not getting better because of course more efficient vehicles get, electricity, we could get into a lot of stuff.

I don't like it for two reasons. One, it does rob from the highway trust fund and we need that money badly. I mean, speaking of infrastructure, we need to maintain a modern service transportation infrastructure and I'd rather not borrow more. The other thing about is I don't believe that it would reduce the price of gasoline by 18 cents. And in fact, I don't think it would reduce it by a penny. I mean I took Economics 101. I understand price theory. That 18 cents gets taken up. If it doesn't somebody is not doing their job. If the consumer will pay $4.50, you'd be crazy to sell it for $4.12 or any other number $4.38, 32, whatever the price would be. It gets used up. In fact, if you notice, I don't know if you remember the economic theory of rockets and feathers but if you notice when the price of a barrel of oil goes up a buck, the price of gas goes up by $0.10 when it probably is only a penny more cost because that is market. It is how they work. So, I don't like it either, and I was quite outspoken about it. I've started a list of things I disagree with Donald Trump on. It is getting a little too long for my comfort level.

Shuler: As a key author to the 21st Century Road to Housing Act, which overwhelmingly bipartisan support in the Senate. Where do you think that bill is going to go? The House passed it. Is it, we're going to see a conference? Hadn't seen one in a long time. Are we going to conference or is the Senate going to continue to press and make the House pass the Senate bill?

Cramer: I actually think the House did a pretty decent job with our bill. It got weird for a while, but I think…

Shuler: It did get weird.

Cramer: Right? I mean last night I was with some people chewing their knuckles going what the hell are they doing? And but I think it is going to be okay, Heath, unless something happened in the last 10 minutes which is entirely possible, by the way. But I think it is not horrible.

A couple of things, first of all the president did sign off on. First of all, he signed off on our bill in a big way. Chairman Hill and others were concerned about, of course, the bill to rent provision that prohibited such a thing, which I can grasp the populism of not wanting big institutional investors buying up individual homes in certain markets and driving up the price. I get that. But build to rent, that is actually necessary. Supply is the biggest issue in the cost of housing. And so, I never thought that made a lot of sense. So, I think that was actually an improvement that the House made and that the President is okay with. Always fairly important.

And more important than that is I think that Elizabeth Warren is okay with it. And while I don't build my policies around what will please her, it is better when you don't get 80 some votes in the Senate without some bridge building and work. And I think Chairman Scott’s done a really good job with it. I think for the most part, the integrity of our bill is intact, maybe even improved. Furthermore, they added some provisions that reduce some regulations on community banks. I mean, if we could do anything for the capital opportunities, it would be to reduce regulations on community banks, at least in my part of the world. So, I think they've improved the bill, and I think it is safe enough that we could probably pass it, hopefully without a conference.

Roskam: So, let’s switch gears on crypto and that whole world that you've been acting in.

Cramer: Just remember, before you ask me tough questions about banking, although I'm on the committee, Sonny Bono was on judiciary. I just want you to remember that.

Roskam: Fair enough, okay. The two Senate committees have acted. What is the prospect for banking and ag reconciling their differences and moving forth? That seems like animal husbandry.

Cramer: Wow, yeah. So actually, I don't know that the ag piece complicates it all that terribly much, because to their credit and to Chairman Bozeman’s credit, I wish I would have watched the markup actually, because there were a lot of amendment efforts and they really don't have that much jurisdiction, they have jurisdiction obviously over the commodity side of it and that is not unimportant, but they were pretty straightforward. I think we have to reconcile that piece. But the bigger challenges in the Senate side just for people who may not know, it did pass the banking committee. Two Democrats voted for the for the measure. I think there are at least another five Democrats ready to vote for a market structure bill that we have to improve on. Several of them voted for some of the bipartisan and even partisan amendments that improve the bill. But we have to deal with the two biggest issues.

The biggest of the big issues is an ethics piece that addresses the possibility that high-ranking public officials, policymakers of all types, both in the executive branch and the legislative branch, shouldn't be able to benefit immediately from any policy that we pass. Now, that is never a problem for me. Just so you know, I'm on record and it is proven. It’s been touted by James Langford, the chairman of the ethics committee, that I get my financial disclosure in first because it is really easy. I just slide all the numbers over from last year into this year and it is the same. And so, it works. But some people, it is a problem. And so, this is an area that we do have to tie down. It is good that we do. We have to tie that down a little bit. And then there is a little bit on the money laundering, anti-money laundering piece that we want to get right. And I think we can actually get the Senate bill to where it gets the 60 votes, maybe 61 or 62 even.

Roskam: So, in a shocking moment of candor, of your candor, I read, I laughed out loud when I, I'm reading a quote that you had right after the Supreme Court came out with their decision on the tariffs. And President Trump said, I don't need anybody’s, I don't need Congress’s dealing with anything. And you said something like, oh, thank goodness. Now, walk me through…

Cramer: I might have.

Roskam: …give us a sense of your disposition, because you're representing a state that is impacted by tariffs and so forth. How is it, what is the future of the current tariff regime? Particularly from a traditional GOP conservative point of view, are those days gone? Does the Republican Party revert to a free trade party or is it, has the entire debate shifted fundamentally?

Cramer: Yeah, I think it is a hybrid, Peter. I think the evolution of populism, I mean, it is interesting. So, I come from the state of North Dakota. I was, the panel I was on two days ago, no, the panel I was on yesterday morning down in Miami was two bankers. Mark Wieder from PNC and then Theodore Roosevelt IV from Barclays and me talking about this very topic. And so here I am talking about it today and where we are. Theodore Roosevelt was a populist before Donald Trump invented it.

And so, we are going through these cycles. I think it is a hybrid of that. I think the reason I probably said that the way I said it, I think in the media was, I think IEPA was too much. I think that finding more specific reciprocal or using authorities that already exist that are targeted use of tariffs, whether it is anti-dumping or whatever the case might be, I think that the reason I said that is because I'm relieved now that we can have, and I frankly think the administration was prepared for exactly that. I think that maybe going forward, the Republican Party is somewhere in between. If we can see a good use of tariffs to bring more things onshore that are important in critical supply chains, I think that is good. I'd like to see us focus a little more on friend shoring. I think the alliances are really, really good. I mean, it'd be nice to get more copper from DRC, but there is a lot of it in Minnesota, and it'd be nice to get, while I don't like having so much fertilizer coming through the Strait of Hormuz, there is quite a bit of it in Canada. Norway has a lot of critical minerals. So, I'd like to see our tariff regime be even more targeted.

I hated the whole idea of tariffs from the, at the beginning. Interestingly, I'm speaking at the Ronald Reagan economic summit down at the Reagan library that this is the second year of that. So, as you might imagine, and by the way President Trump is. And so, you might imagine that there is a little bit of a push and tug on the heart and soul of the Republican parties it relates to economics and appropriately so. I don't know exactly where we land but I do think it is ironic that we, on the one hand, we hear that tariffs are not inflationary and on the other hand, in order to bring beef prices down, we're going to lift the tariff on all foreign imports.

Roskam: It is a lawyer's trick of arguing an alternative, basically. And it is not very satisfying when it comes down to it. So, take us out to 2028. We'll have these midterms. They're going to be interesting. It's gotten more interesting in the past couple of days. Then both parties will not have Donald Trump on the ballot for the first time in three cycles. And that is a unifying factor for the Democrats. It's also been a unifying factor for the Republicans, just based on personality and that whole dynamic, really a unique individual in all senses of the word. And so, he'll be off the stage, but not really off the stage. Where do you think, what are the politics going to be like from 2028 in that next go around? Presumably you'll be in the Senate, you'll be dealing with whatever that landscape is looking like. What do you think it is going to look like?

Cramer: So, this six-year sentence that I get in the Senate, I always like the two-year out clauses, quite honestly, but it is interesting to imagine. So, all these, let's just say what most I think analysts would say, even with these weird, mid-census, redistricting lines, If, in fact, Democrats control the House and Republicans maintain the Senate and Donald Trump remains in the White House, we'll have a conservative court. We'll continue to have conservative judges confirmed. But when we sit down and talk about things like whether it is permitting reform, if we don't get it done this year, I hope we do, or a highway bill or other policies, divided governments does work fairly well.

Roskam: Yeah, it is not bad.

Cramer: It doesn't suck.

Roskam: Technical terms.

Cramer: We can set budget reconciliation on the sideline, right? And so that does force a little more serious, in my mind, durable legislating. The reason permitting reform is really, really important, and by the way, there are lots of other things. Let's take the highway bill as an example. This is another one where Republicans traditionally like more formula funding, let the states decide what to do with their money based on the formula that gets them, all that stuff, rather than having discretionary pots that the DOT determines, well, this is the electric vehicle charging station pot and this is the whatever. But the one thing that administrations of all parties have in common is that they all want to be the boss.

Roskam: Yeah.

Cramer: And so, they don't like discretion or giving up their discretion. They just want to spend it all. And so, this is where I think a divided government that gets together and says, hey, wait a minute, let's restore Article I authorities, for example. That's been a common theme for Congress for a long time. I think there's opportunities there, Peter. So being the cup half full guy, I'm not saying I'm cheering for it or looking forward to it but it is certainly not the end of the world.

Roskam: It is not weeping and gnashing of teeth.

Cramer: It is not weeping and gnashing of teeth. And the thing about Donald Trump as you know, I know him really well I was one of the very first among us to support him and endorse him in the House of Representatives. It was Democratic Colin Peterson told me I should. And I didn't go to jail. So anyway, it all worked out really well. So, I know him really well and he is really ultimately a transactional guy and there is nothing like a divided government for transactions right?

Shuler: So, one last question on a personal note how will the pheasant hunting, upland hunting be in in the Dakotas this year?

Cramer: It'll probably be really quite good because we had pretty mild winter. Yeah. So you're fine. And besides that, Heath, you know this. None of those birds are wild. There is these guys charge you a whole bunch of money and then they get, shoo them out of the cage and up they go and then you feel good about yourself. I know how it works. The weather is good.

Roskam: Senator Cramer, thank you for your time. Really appreciate it.

Lee: Thank you, Peter, Heath and Senator Cramer. If you have any questions for Peter, his full contact information is in the show notes. As always, thanks for listening to BakerHosts and "The Cloakroom with Peter Roskam."

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