



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

February 7, 2022

The Honorable Jerome Powell
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue Northwest
Washington, DC 20551

Dear Chairman Powell:

We write to you with growing concern about the politicization of the Federal Reserve and sustained efforts to redefine its mandate, especially regarding climate change and the allocation of capital. The Federal Reserve's responsibility to ensure safety and soundness is critically important, though attempts to weaponize this role to satisfy certain partisan environmental goals threatens to compromise the Board's independence and permit financial regulators to pick winners and losers in the marketplace.

In December 2020, Members of Congress wrote to you and then-Vice Chair for Supervision Randal Quarles cautioning against injecting climate change scenarios into supervisory stress tests. Specifically, the letter raised methodological concerns that the scope, substance, and time horizons of stress tests do not align with potential impacts of climate change, which may manifest over the course of decades and are difficult to measure accurately and comprehensively. Members also raised concerns that inclusion of climate change metrics in the Federal Reserve's supervisory framework may accelerate the trend of regulated firms restricting financing to fossil energy companies.¹

In your January 15, 2021, response to that letter, you stated that, "Congress has entrusted the job of directly addressing climate risk to a number of federal agencies, *not including the Federal Reserve* [emphasis added]," and that the Federal Reserve's work on climate change is "in its early stages and involves investment in research and data to better understand how climate change may affect financial institutions, infrastructure and markets." Further you committed that, "It has long been the policy of the Federal Reserve to not dictate to banks what lawful industries they can and cannot serve, as those business decisions should be made solely by each institution."²

Unfortunately, statements by President Biden's nominee for Federal Reserve Vice Chair for Supervision, Sarah Bloom Raskin, directly contradict the commitments you made in your January 2021 letter. Ms. Raskin has suggested that the Fed must take a more active role in accelerating the transition toward renewable energy, and that regulators should restrict firms' financing of fossil energy. Specifically, Ms. Raskin suggested that it is the role of financial regulators to, "incentiviz[e] a rapid, orderly and just transition away from high-emission assets," and to impose strict limits on banks' ability to serve fossil

¹ Barr et al., Letter to Powell and Quarles. December 9, 2020.

² Letter from Powell and Quarles to Barr et al. January 15, 2021.

energy.”³ Ms. Raskin also suggested that fossil energy was a “dying industry,” and thus did not deserve access to Federal Reserve emergency lending facilities in response to the COVID-19 pandemic; and that the Fed is “singularly poised to seed strategic investments in future economic stability.”⁴

By statute, the Vice Chair for Supervision has a duty to, “develop policy recommendations for the Board regarding supervision and regulation of depository institution holding companies and other financial firms supervised by the Board, and [to] oversee the supervision and regulation of such firms.”⁵ This authority does not include prescribing which businesses regulated firms may or may not do business with. Ms. Raskin’s statements suggest a fundamental misunderstanding of the Federal Reserve’s congressional mandate and a clear desire to expand its authority.

The role of the Federal Reserve is not to dictate consumer demand, nor is it to determine which industries are worthy of capital and which should be starved of financing. The primary responsibilities of the Federal Reserve are to promote full employment and stable prices, and to ensure the safety and soundness of the financial system. The Federal Reserve’s role is not to advance certain environmental policies, and is certainly not to bias the allocation of capital against entire legal industries.

We encourage you to continue to focus the Federal Reserve on its core missions around monetary policy, financial stability and supervision of financial firms, and ensure that any focus on climate change remains within the Board’s narrow congressional mandate.

Thank you for your consideration.

Sincerely,



Andy Barr
Member of Congress



Bill Huizenga
Member of Congress



Blaine Luetkemeyer
Member of Congress



French Hill
Member of Congress

³ Remarks to Green Swan Conference entitled, *Coordinating Finance on Climate*. June 3, 2021.

⁴ Raskin, Sarah Bloom (March 28, 2020). Why is the Fed Spending So Much Money on a Dying Industry? *The New York Times*.

⁵ 12 U.S.C. § 242.