

## Business

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# What happens if US fails to lift debt limit by June 5?

## United States grabbling with a 'X-date' scenario

WASHINGTON: Treasury Secretary Janet Yellen has updated the date for a possible US debt default to June 5 if Congress fails to raise the ceiling on borrowing, pushing back a previous estimate of June 1. This gives negotiators for President Biden and House Republican Speaker Kevin McCarthy a little breathing room as they work to find a bipartisan solution to lift the current spending cap, known as the debt ceiling.

But though murmurs of a possible deal have grown in recent days, no agreement has yet materialized as lawmakers head into the long Memorial Day weekend. With each day that passes, the chance of the United States stumbling into a scenario where it cannot pay all its existing bills - known as the "X-date" - is increasing.

### 'Hard choices to make'

In mid-January, the US federal government reached its borrowing cap of more than \$31 trillion. Since then, it has used special accounting measures to extend the life of the money it is allowed to spend without raising the borrowing limit. But it can only do so for so long before it runs up against the debt ceiling.

At that point - currently June 5 - it will only be able to spend what it brings in through taxes. Between June 1-15, the Treasury Department will have a funding shortfall of more than \$100 billion, according to Treasury data analysis by

the Bipartisan Policy Center think tank. If the United States hits the debt ceiling, "there will be hard choices to make about what bills go unpaid," Janet Yellen said recently.

With both parties to the negotiations insisting the United States will not default on its debts, that leaves government spending as the place where these hard decisions will have to be made. Treasury could choose to defer certain payments for Social Security, Medicare and Medicaid programs, which help tens of millions of people with pension and healthcare costs. Alternatively, it could pause some payments across the board, which would lessen the impact on Social Security and healthcare recipients, but increase the number of government services affected.

### Default 'not an option'

If the Treasury Department makes it to June 15 without defaulting on any of its financial obligations, it may be able to avoid a damaging default in the weeks that follow. Around \$80 billion in revenues are due from quarterly individual and corporate income taxes, according to the Bipartisan Policy Center, far exceeding the \$22 billion that's due to be spent.

This would breathe fresh life into government coffers, keeping Treasury afloat for a little while longer, assuming no significant unexpected outflows of funds are required. But given that tax



WASHINGTON: The US Capitol is seen in Washington, DC. President Joe Biden said he is 'hopeful' for a resolution within hours to the US debt ceiling standoff between Democrats and Republicans, raising hopes of an imminent end to the threat of default by the world's biggest economy. — AFP

revenues consistently bring in less than the government spends, this plan is not a sustainable one. "Default is not an op-

tion, and all responsible lawmakers understand that," the White House said in a recent statement. At some point, Repub-

licans and Democrats will have to reach agreement to lift the debt ceiling, or institute dramatic spending cuts. — AFP

## Biden's low profile in debt crisis, failure or a clever strategy?

WASHINGTON: Where's Joe Biden? As the United States teeters on the edge of self-inflicted economic calamity, the question is echoing around Washington. Republicans and Democrats tried frantically on Friday to close a deal ahead of next week's potential US debt default deadline. Biden's schedule, however, featured hosting champion men's and women's college basketball teams at the White House, before heading out for the weekend. So is Biden really missing in action on possibly the biggest economic crisis of his presidency? Or is he a quiet assassin cleverly weaving strategies from behind the scenes?

The jury is out. In Congress, usually loyal Democrats have spent the week complaining to US media that Biden has gone AWOL, that he's failing to bully from the bully pulpit, and that Republican congressional leader, Speaker Kevin McCarthy, is winning the public relations battle. "It's time to bring the president off the bench - or bring somebody off the bench," Politico quoted a disgruntled House Democrat saying. "We have the Oval Office. I've never seen anything like it." Blunter still, another Democratic lawmaker told CNN: "The White House communications strategy is an atrocity."

"Where's the president? Is he in an undisclosed location?" A jet-lagged Biden met with McCarthy in the Oval Office on Monday, right after flying in from the G7 in Japan. Since then, however, he's been either invisible or dealing with other things - like Friday's events with the basketball players. On Thursday, at a ceremony to present an Air Force general as his nominee for chairman of the Joint Chiefs of Staff, Biden did give an update on the debt

crisis, but the remarks lasted barely three minutes.

### Outplayed by McCarthy?

The shape of a deal reportedly emerging would require significant concessions from the Democrats. They'd bow to Republican demands to limit spending on an array of programs just so that the debt ceiling could get lifted - something done for decades unconditionally. That's something Biden long insisted he did not want to let happen.

Polls also show voters blaming all sides for the mess, ignoring Biden's message that Republicans have been uniquely reckless, taking the economy hostage to force their politically motivated spending cuts. And McCarthy, meanwhile, appears to be flourishing. The Republican speaker's regular television appearances and press conferences contrast starkly with the president's quieter style. Even more surprising, McCarthy had until now been widely seen as having limited clout in his own party, which is dominated by an unruly, hard right wing.

"There are many ways to measure Joe Biden's decline, political and otherwise, but here's one that's unexpected: One of the weakest House speakers in living memory is running rings around him in a high-stakes negotiation," conservative writer Charlie Sykes wrote in The Bulwark. "We'll have to wait a bit to determine whether, in fact, this really is a rout. But it highlights a puzzle and a problem: Why isn't Joe Biden using his bully pulpit?"

### Been there, done that

Biden has an answer to that. At 80, with four decades in the Senate and eight years as a vice president, he wants Americans to remember that he knows what he's doing. Even if sometimes that means - in public at least - doing less. Press Secretary Karine Jean-Pierre calls the strategy a matter of giving the negotiators - members of Congress and White House staffers - "the space and the time."

As for the Republican claim that Biden has been



WASHINGTON: US President Joe Biden speaks with reporters before departing from the South Lawn of the White House on Marine One in Washington, DC. Democrats and Republicans inched towards a deal Friday to extend the US debt ceiling and avoid a crippling default that could hit the world's biggest economy within days. — AFP

refusing to engage, that's "a fake narrative," says Ha-keem Jeffries, leader of the Democratic minority in the House of Representatives. Biden has previously pulled major legislative rabbits out of the hat in his two years as president - and then too he adopted his largely behind-the-scenes role. So he may yet have the last laugh. Some see his ceding of the spotlight to McCarthy not as a sign of weakness but a clever way to flatter the recently installed speaker.

Even the Friday basketball event at the White House included evidence of Biden's soft power approach: among the sports-mad audience was one of his main negotiators, Shalanda Young and also top Republican negotiator Garret Graves. Biden says he has no regrets. "I've done my part," he told reporters last week. But he said he also accepts the difficult reality of politics. Even if "on the merits" he would be "blameless" for a default, "presidents are responsible for everything," he said. — AFP

## BA cancels dozens of Heathrow flights

LONDON: London's Heathrow airport was hit by disruptions Friday as UK's flag carrier airline British Airways cancelled dozens of flights over the course of two days following a technical issue. The cancellations come ahead of a long weekend with a public holiday on Monday and half-term school holiday. BA said the "vast majority" of its flights were operating on Friday after it cancelled "some of our short-haul flights from Heathrow due to the knock-on effect of a technical issue that we experienced" on Thursday. Heathrow said on its website that "following a technical issue resolved overnight, there may still be cancellations or delays to arriving and departing British Airways flights" on Friday.

According to aviation analytics company Cirium, 175 flights were cancelled over the course of Thursday and Friday, leaving thousands of travelers affected. Heathrow also said that a security guards strike at its Terminal 5 this weekend "may cause disruption to the travel plans of some passengers". The RAC motoring organization predicted the busiest late May bank holiday on the roads since 2019, with more than 19 million leisure car trips expected over the long weekend. — AFP



HOUSTON: Photo shows a British Airways Boeing 787-9 Dreamliner aircraft moving on the runway at George Bush International Airport (IAH) in Houston Texas. — AFP

## Oil majors go slow on green transition despite pressure

PARIS: Most oil majors are stepping up investments in green energy but they are facing a barrage of recriminations and protests from activists for their refusal to completely forsake fossil fuels. Campaigners again used a series of shareholder meetings in the past month to make their anger known and push energy firms to do more to shift towards solar, wind and other cleaner projects.

In the latest action, hundreds of protesters tried to block the gathering of France's TotalEnergies in Paris on Friday, prompting police to use tear gas to disperse some who sat in front of the venue. Earlier this week in London, protesters demonstrated outside Shell's annual general meeting. Inside, activists interrupted the opening remarks of CEO Wael Sawan while others tried to take the stage. Late last month, activists from Fossil Free London disrupted the speeches of BP's chairman and CEO.

Groups of investors are also demanding change - even the Church of England's pensions board has weighed in, deciding to join others in voting against Shell's "green" transition plan and demanding more ambitious carbon-cutting targets. Since 2021 the International Energy Agency (IEA) has called for a stop to new oil projects so the world meets the goal of keeping global temperatures to 1.5 degrees Celsius above pre-industrial levels. But new oil fields are still opening as energy firms say they must meet the unabated demand for the fossil fuel.

"Climate is at the heart of our concerns," TotalEnergies CEO Patrick Pouyanné told Friday's shareholder meeting as he spoke behind a plexiglass that was put up for the occasion. He said his group has done more than others to invest in renewables but that world oil demand is growing and "if TotalEnergies doesn't respond to this demand, others will do it for us". Shareholders later voted overwhelmingly in favor of the company's climate strategy, though 30 percent backed a non-binding resolution from activist investors calling for more ambitious emissions targets.

### 'Tiny' investment

Oil and gas groups - which posted huge prof-

its last year - have set objectives to reduce emissions but their investments in renewable energy and carbon capture remain a marginal amount of their overall spending. According to the IEA, such spending rose from one percent in 2020 to five percent of total expenditures by last year, still only representing a quarter of what energy firms paid out to shareholders. European firms such as TotalEnergies and Equinor are doing better than their peers, but "their investment in clean energy is tiny compared to their capital expenditure on oil and gas expansion", said David Tong, global industry campaign manager at Oil Change International.

Other than renewables and carbon capture, energy firms also have expertise that could be put to use in the production of hydrogen, biogas, ethanol and low-carbon fuels, said Christophe McGlade, head of the IEA's energy supply unit. "If they can direct more of their spending towards those technologies, that could really move the needle in terms of getting them to scale up, and getting the deployment levels we need to get on track with net zero," he said.

### Reaching net zero

The emissions reduction efforts made by energy majors have concerned mostly their own op-

erations, which represent only about 15 percent of their overall carbon footprint. They have in particular been battling against methane leaks and reduced the burning of unwanted natural gas at oil fields.

Such measures have helped BP reduce its emissions by 41 percent from 2019 to 2022, and it has upped its 2030 target to a 50 percent reduction. Even US oil majors, which have long resisted recognizing the need to reduce emissions, have begun to do so. ExxonMobil plans to cut its proper emissions by a fifth by 2030, from 2016 levels. But the bulk of the work is elsewhere: reducing the climate impact from its products as they are burned in cars or furnaces - indirect emissions that account for 85 percent of the sector's overall carbon footprint.

Yet oil and gas firms are not cutting investment in fossil fuel exploration and production. The IEA forecasts that it will rise this year to hit the 2019 pre-pandemic level. BP announced earlier this year knocked back its emissions reduction plans. Instead of a 35-40 percent drop in indirect emissions linked to its production by 2030, BP now targets a 20-30 percent reduction. "If companies are banking on continued increases in oil and gas demand, they are implicitly assuming that we will not reach our net zero targets and not limit climate change," McGlade said. — AFP