

Incoming U.S. President Trump's Energy and Environment Policies Attracting Attention

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On November 8, a U.S. presidential election attracting global attention took place, with Republican candidate Donald Trump defeating Democratic candidate Hillary Clinton to become the 45th U.S. president. Known as a real estate mogul, Trump will be the first U.S. president without public government or military experience. As Trump assumes the presidency on January 20 next year, the Republican Party will take back government for the first time in eight years. In congressional elections that coincided with the presidential election, the Republican Party retained control of both the Senate and House. It will be the first time that a single party controls both the administration and Congress since the Democratic Party controlled both for two years until the 2010 mid-term election.

While Trump rapidly narrowed his popularity gap with Clinton in the final days of campaigns, polls and leading U.S. media organizations dominantly predicted that Clinton would stay ahead and win. Therefore, Trump's victory came as a "big surprise", betraying the dominant prediction. Its shock thundered around the United States and the world. Gaining support from voters dissatisfied with the social, economic and political status quo, Trump countered the establishment. He won most of the "swing states" including Ohio, Florida and Pennsylvania that had reportedly held the key to the election result, obtaining a majority of electors (290 electors at present). However, Clinton received over 200,000 more votes than Trump, indicating a very severe or close race.

The "shock of Trump's victory" is attributable not only to the reversal of the dominant prediction. Throughout the campaigns, Trump continuously made extreme remarks calling for building a wall at the border with Mexico and banning Muslims' entry into the United States and offensive remarks against women, inviting controversy. He also utilized the slogan of "America First," asserted protectionist arguments including his objection to the Trans-Pacific Partnership free trade agreement and indicated revisions to national security policies and alliances, demonstrating his attitude of shaking the existing order and traditional values. Throughout the campaigns, Trump's eligibility for the presidency remained a key controversial topic, preventing debates over specific policies. Particularly, specifics of Trump's policies have failed to emerge. Given these points, Trump's victory and presidency are interpreted as "a close encounter of the unknown kind" in the United States and the world.

The unexpected result and insecurity about the unknown kind as well as the future made markets sensitive to risks. As the election result became clearer, stock prices plunged rapidly in Asia

where markets were open. The Nikkei 225 stock average in Japan suffered a steep plunge of 919 points on November 9, prompting people to pay attention to the day's New York market. Surprisingly, however, the Dow Jones industrial average on the New York market staged a steep rise of 257 points on expectations of possible progress in deregulation and infrastructure investment under the Republican Party's control of Congress, leading the Nikkei average to record this year's largest single-day increase of 1,093 points on November 10. The Dow Jones average posted another sharp rise of 218 points on November 10. Stock markets thus made roller-coaster fluctuations.

In such situation, crude oil prices attracted attention. However, the crude oil futures market in New York saw no risk-off selling or destabilization. In line with the stock market upsurge, the key crude oil futures contract on November 9 scored a rise of \$0.29 per barrel from the previous day. The Trump effect is likely to influence crude oil prices by affecting the sense of risks in U.S. and world economies and financial markets.

The world will breathlessly wait to see what policies will be taken under incoming President Trump. The whole world is highly interested in foreign, national security, defense, economic and other key policies under the new president. Given that specific policies are unknown or uncertain, future developments including appointments to a government transition team, major cabinet posts and advisers will attract great attention. Energy and environment policies as well have yet to be specified.

In not only energy and environment but also other areas, Trump has indicated reversing or denying policies of current President Barack Obama. Given Trump's indicated opposition to the Paris Agreement and the Iran nuclear agreement viewed as the legacies of the Obama administration, specific relevant policy developments in the future will attract attention. The Paris Agreement took effect on November 4, providing that no party could announce to secede from the agreement for three years once it takes effect. However, the Republican Party has called for subjecting the Paris Agreement to approval by the Senate, asserting that the United States' ratification of the agreement without the Senate approval process is invalid. As the Clean Power Plan, a key U.S. policy for reducing greenhouse gas emissions, has been subjected to an injunction by the Supreme Court, the fate of U.S. climate change policies under the Trump administration has become a matter of great concern to the world.

Trump and his Republican Party have indicated basic support for promoting domestic energy resources development and energy transport and export infrastructure development. However, no specific measures have been given. They also called for promoting coal, oil, gas, nuclear and other energy projects as far as they are competitive without subsidies. However, specifics are left for future discussions. Particularly, we may have to pay close attention to coal, nuclear and renewable energy policies.

Regrettably, details of energy and environment policies (and many other policies) under the incoming administration are still unclear. The United States' influences on international energy markets are so important that the details are expected to attract attention as they are unveiled. As

energy and environment issues are deeply related to national security and foreign policies, we will have to closely watch the appointment of not only top officials for only the Department of Energy and other government agencies involved in energy and environment but also high-level foreign and defense policy officials such as state and defense secretaries. Japan will have to thoroughly enhance the collection of information and build a network of personal contacts in the United States to analyze the policies of the incoming Trump administration.

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