



America First Energy Policy: What Does It Mean for Others?

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Key Takeaways

- A “Disruptor-in-Chief” is in the White House
- *America First* means make Americans feel wealthy again
- Trump administration believes cheaper energy will boost the American economy
- President Trump’s world-view tends toward nationalism and his style emphasizes the “art of the deal”
- The key energy-related policies include tax reform, infrastructure building, and regulatory rollback
- International trade issues are still “up in the air” and the border tax is thinly supported
- White House seems intent on a global realignment

There Is a Disruptor-in-Chief at the White House

Backlash to Globalization

Radicalization

Isolationism / Nationalism

Populism

Challenging the World Order



Source: *The Economist*

President Trump's *America First* Energy Plan

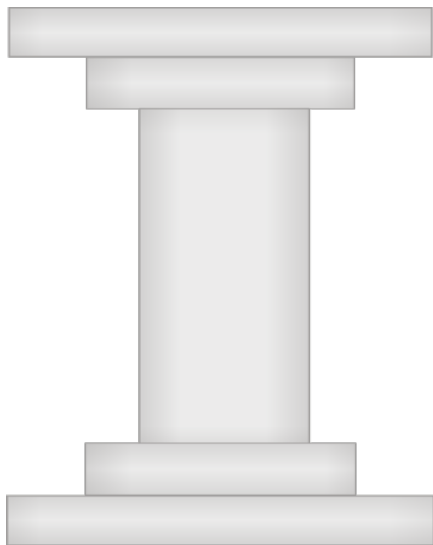
Make America (feel) wealthy again

- American energy dominance must be a strategic economic and foreign policy goal of the United States
- Energy independence means not needing to import energy from the OPEC cartel or any nations hostile to our interests
- Revenues from energy production will be use for roads, schools, bridges and public infrastructure
- Cheaper energy will boost American agriculture and manufacturing
- Government bureaucracy stands in the way of innovation; remove obstacles to exploration
- Government should not pick winners and losers; pursue all forms of energy, including fossil fuels
- Arab Gulf allies need to be part of an anti-terrorism strategy

Four Pillars of President Trump's World View

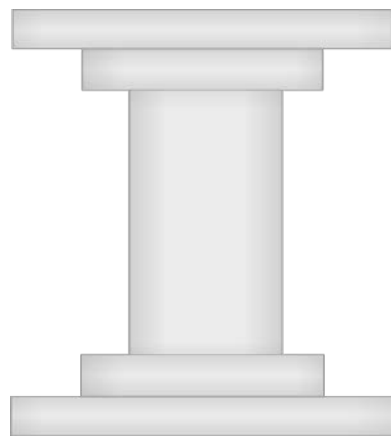


National Security & Sovereignty



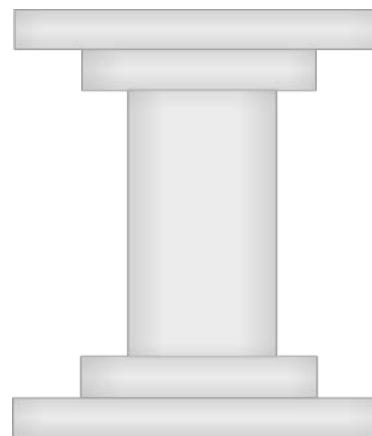
Project strength with military and economy
Strengthen borders
Defeat ISIS

Economic Nationalism



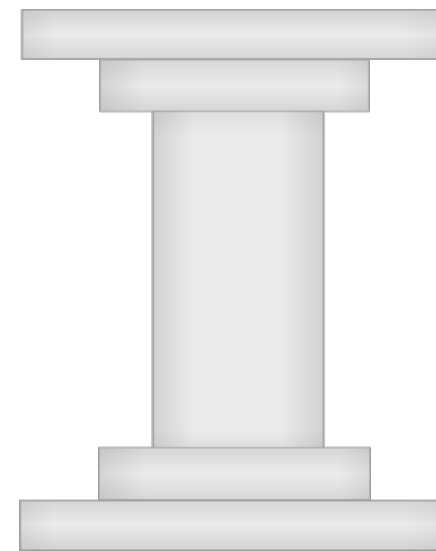
America First
Create US jobs
Get better trade deals
Impose border tax
Cut foreign aid

Art of the Deal



Transactional not ideological
Demand US terms
Do bilateral deals
Use US leverage

Deconstruct Regulatory State



Private Sector is economic driver
Reduce burdensome regulation & taxes
Ignore int'l norms

Policy Areas Where Economy/Environment/Security Meet



Source: *The Economist*

- Sanctions: Iran, Russia, China(?)
- Trade Wars: China, Mexico, others?
- Conflict Zones: South China Sea, Central Asia, Middle East, Latin America – all with energy/economic implications
- Failing states: Libya, Yemen, Syria, Venezuela, Nigeria, Algeria
- Climate Agreement – CPP at home, COP21 abroad – impacts fuel choices, economics and resiliency
- Distrust of Institutions: UN, G20, GATT, Treaties, etc.

Implications for America's place in the world and global order

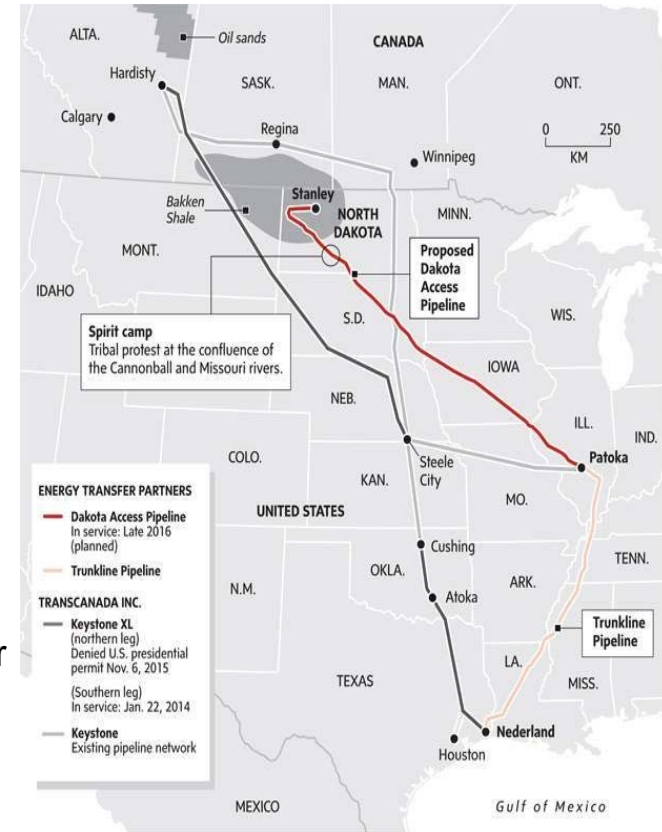
Trump's "America First" Energy Plan

Tax Reform

- Tax credits that are important to the energy sector likely to be revisited as part of the GOP-led push for tax reform
- Renewable energy tax credits, such as the wind production tax credit, solar investment tax credits, etc. could be targets for revamp, but probably not elimination
- Reduction in corporate tax rates is complicated by Border Tax Adjustment and deficit debate

Infrastructure Development

- Throughout the campaign, President Trump said it would be his top priority to modernize America's crumbling infrastructure
- The rapid growth of oil and gas output could require a buildout of midstream assets to deliver resources from the wellhead to end user
- Upgraded roads, ports and a modernizing the electrical grid also likely to be high on the infrastructure agenda
- Complicated by "Buy American" policy
- Delayed by slowness in making leadership appointment (FERC, for example)



“America First” Energy Plan (cont’d)

Regulatory Rollback

Expectations for at least a selective rollback of regulations perceived to be inhibiting economic development; some done by executive action, others require legislation

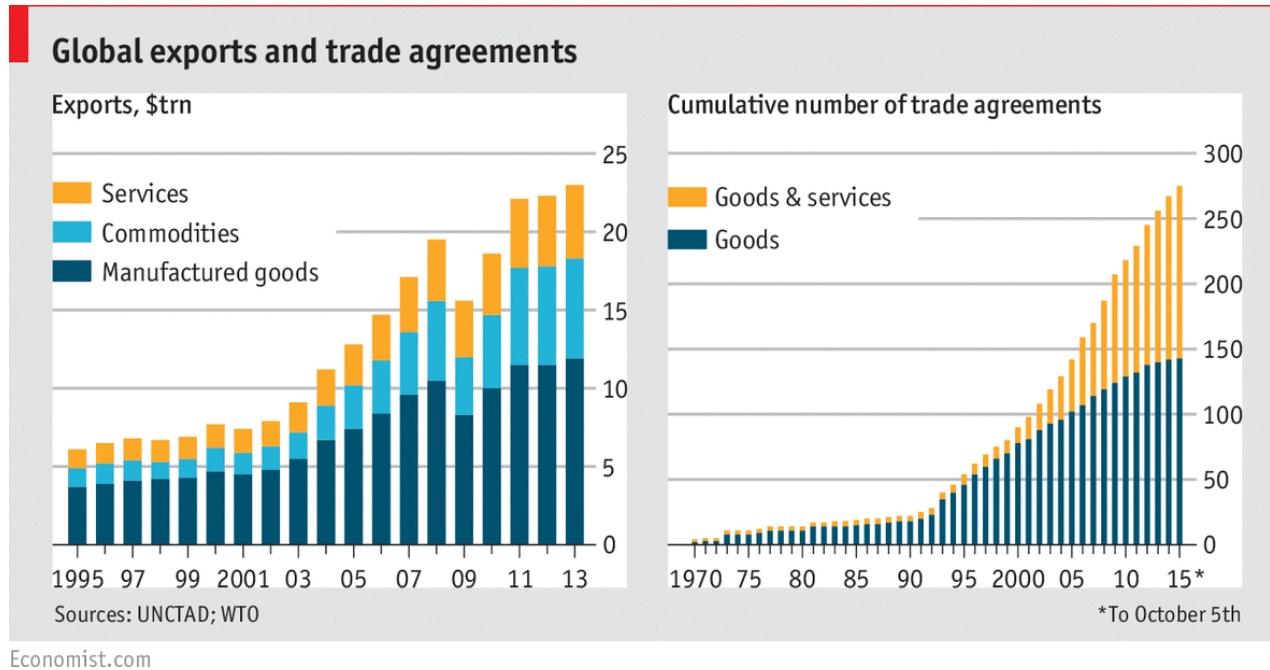
Strengthened role for Natural Gas; but questions on Coal

Apparent willingness to expedite the LNG export approval process could open up new markets for domestic gas (at the right price/terms); pledge to bring back coal complicates the forecast, and threats of trade retaliation could limit potential market outreach

Federal Lands Access

Increased access to federal lands to create new jobs and allow the exploitation of American resources likely to meet with environmental resistance

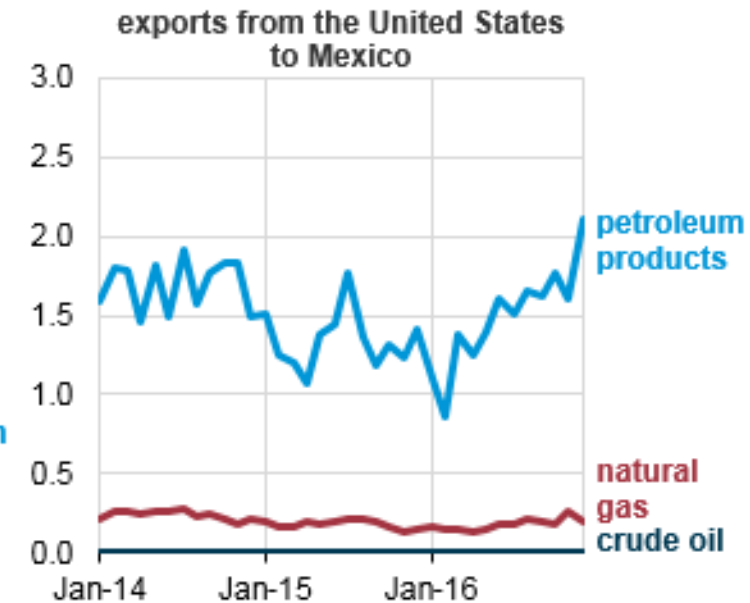
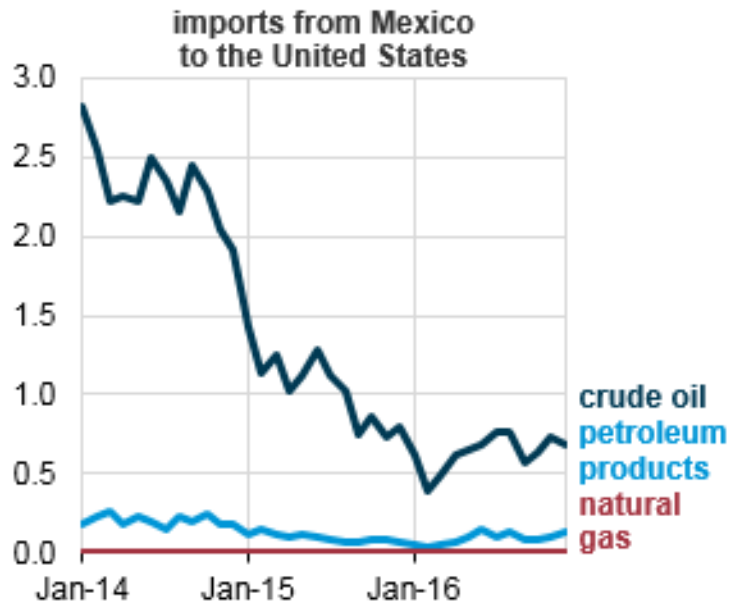
Is *America First* a Threat to Global Integration?



- Trump's *America First* world view challenges the status quo of global institutions, economic cooperation, defense alliances, and international treaties
- Part of a global populist wave that is seeing more countries turn inwards and reverses the trend of growing global integration

Border Adjustment Tax/Tariff with Mexico

Value of selected energy trade between Mexico and the United States (2014-16)
billion dollars



- Energy trade situation with Mexico has changed significantly in recent years
- In 2015-16, the value of US energy exports to Mexico exceeded the value of US energy imports from Mexico
- If Mexico imposes retaliatory tariffs making US energy exports more expensive it could force US producers to find other markets or cut production

Global Realignment – Above and Below the Surface

USA



No longer singular superpower

How to build coalitions?

Russia



Resurgent antagonist & disrupter

How to moderate behavior?

China



Ambition to be co-equal global power and rival?

How to engage without conflict?

Europe



Declining global power status

How to engage post-Brexit?

Iraq



Region in chaos; locus of proxy wars

New order emerging?

President Trump's Deregulatory Efforts to Date

Free-market energy companies generally make investment decisions on the basis of “Best Cost”, and not “America First”. Regulation plays a role in determining best cost, but economics and technology play bigger roles. Here are some thoughts on the deregulation by executive order so far:

- **Swiftness:** The Trump Administration's deregulatory agenda has moved relatively swiftly, in part because the revisions have uses many of the same Executive Branch authorities that President Obama employed
- **Limited market impact:** US energy policy tends to be **reactive** (usually to supply shocks), **regional** (different states have different resources) and **regulatory** (Congress writes relatively few energy laws, agency leaders and staff interpret those that are written)
- **Legal constraints:** Executive Orders generally cannot undo or change notice-and-comment rulemakings that agencies finalized pursuant to statute; however, the courts appear willing to suspend litigation while review and potential revisions take place
- **Symbolism:** Trump may be pursuing these orders because they offer powerful symbolism to the President's populist base even though energy production itself is not particularly labor-intensive
- **Green momentum:** Even if the Trump Administration substantially modifies or abandons Obama-era rules, current market dynamics suggest that infrastructure could still green up in the absence of effective regulatory requirements
- **Brown momentum:** Stakeholders may be deterred from becoming too brown by three concerns: (1) avoiding multiple standards within the US, (2) not drifting too far from the rest of the world, (3) preparing for the world after Trump
- **Post-Trump concerns:** US presidents serve four or eight years, but energy investments last for decades

Source: Kevin Book, ClearView Energy Partners LLC, April 25, 2017

For More Information

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