

Significance of Japan-U.S. Energy/Environment Cooperation under the Biden Administration

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On January 20, Democrat Joseph Biden was inaugurated as the 46th president of the United States, launching the Biden administration. The inauguration ceremony took place amid unusually tight security arrangements in the U.S. capital of Washington. Following an unprecedented incident in which supporters of former President Donald Trump stormed into the Capitol building on January 6, the inauguration came amid a tense situation rather than in a celebratory mood.

President Biden is set to lead the United States as a political, economic, and military superpower. As symbolized by the abovementioned inauguration ceremony, however, he is expected to walk a very difficult and rocky road. First, the new president must tackle the still expanding COVID-19 pandemic that has infected more than 24 million people and killed more than 400,000 in the United States. In a manner to welcome the inauguration of the new administration, New York stock prices hit record highs in the hope of economic recovery. Given a mountain of challenges including unemployment and economic recovery amid widening income gaps, however, the U.S. economy is in a difficult state.

A challenge that is greater than anything else for the Biden administration is how to heal serious divisions in America. He must lead the United States in the presence of such divisions. For Biden who took up the U.S. presidency after winning a fierce race with Trump, it is a grave fact that nearly half of American voters still listen to Trump's claim that it was a rigged election and are not satisfied with the legitimacy of President Biden. Will Biden successfully restore American solidarity and unity by healing the divisions that have deepened further through presidential election campaigns and results? His skills and competence will be tested.

To address the abovementioned divisions in U.S. public opinion or society, Biden must secure unity within his Democratic Party. Democrats won run-off elections for two Senate seats in Georgia on January 5, managing to avoid a divided Congress as the worst result. Nevertheless, Democrats vie with Republicans in the Congress more squarely than assumed before last November's elections, meaning that Biden would have to secure bipartisan support for his key policies. A key precondition for bipartisan cooperation would be unity within Biden's Democratic Party. Within the party, however, leftists (environmentalists), centrists, and conservatives have been racing for leadership. Biden's political base is far from being stable.

Global attention is focusing on what policies the Biden administration plagued with a mountain of challenges would offer regarding politics, economics, diplomacy, and security. Among a wide range of key Biden policies attracting global interests, I here would like to discuss key points in the energy and environment fields and the potential and importance of relevant Japan-U.S. cooperation.

The most attention-attracting point would be how the Biden administration would proceed with climate change-oriented policy. Just after his inauguration, President Biden signed an executive order to come back to the Paris Agreement, an international framework for climate change countermeasures, reversing former President Trump's unilateral exit from the agreement. He has offered to achieve decarbonization and carbon neutral status in the U.S. power sector by 2035 and in the whole of the U.S. economy by 2050. To realize carbon neutral status, the thorough promotion of non-fossil energy sources including renewables and nuclear would have to be combined with electrification through the accelerated diffusion of electric vehicles and the zero-emission power sector. Priority would be given to the promotion of advanced technologies and innovations that would be indispensable for carbon neutral status, including small nuclear reactors and hydrogen utilization. Infrastructure development and investment would be required to fundamentally reform U.S. energy supply and demand, and the system. Strong federal policy measures would be required to promote and support such infrastructure development and investment. Senior officials appointed for the energy and environment fields indicate that the Biden administration gives greater priority to climate change initiatives than earlier expected. The problem is how and whether the Biden administration could direct policy resources to the fields and enhance relevant initiatives in the abovementioned difficult political and social situation.

Another point attracting my attention is how the Biden administration would balance the ambitious future-oriented initiative to enhance climate change countermeasures with the importance of fossil fuel and relevant industries that now support the U.S. economy. Particularly, I am interested in and would like to watch what policy or stance President Biden would adopt for the oil and gas sector while being aware that the shale revolution has contributed much to enhancing the U.S. economy and national power. Regarding fossil fuels, I also pay attention to the Biden administration's policy on the Middle East. President Biden has indicated his potential return to the Iran nuclear deal, but the relevant situation is not so simple. In early January, Iran announced a plan to resume enriching uranium to 20%, indicating its grave violation of the nuclear deal. How would the Biden administration respond to the Iranian plan that has been interpreted as shaking the new U.S. regime? Depending on the U.S. response, a conservative hard-liner could win Iran's presidential election in June. How to deal with Iran is a difficult challenge for the Biden administration. If U.S.-Iran relations go in the direction of improvement, Iran may come back to the international oil market someday. If the improvement becomes difficult or bilateral relations worsen further, however, the Middle Eastern situation may become more fluid. Saudi Arabia may have no choice but to agonize over how to adjust its distance with the Biden administration. The new U.S. administration's relations with the Middle East may be difficult to handle. The Biden administration's specific Middle East policy will attract much attention.

In the meantime, the potential and importance of Japan-U.S. cooperation in the energy and environment fields also attracts attention. The reconstruction and enhancement of Japan-U.S. cooperative relations is significant not only for Japan positioning the bilateral alliance as a pillar of its foreign policy but also for the United States that faces various international challenges while trying to enhance international cooperation and alliances under the Biden administration. Japan is the most important Asian ally for the United States. The two countries' common target of achieving carbon neutral status by 2050 is a major base for bilateral cooperation in the related policy areas. As a matter of course, bilateral differences regarding energy supply and demand and natural resources endowment would lead the two countries to have different priorities or policies. Regarding energy efficiency improvement, renewable energy promotion and the use of nuclear technologies including new technologies such as SMR, however, Japan and the United States can find common benefits from the enhancement of the so-called 3E's – energy security, environmental protection and

economic efficiency. Japan-U.S. cooperation will be important in the utilization of hydrogen and other innovations that will play a key role in realizing carbon neutral status and enhancing the 3E's. It is important for Japan and the United States to promote bilateral and multilateral cooperation in enhancing the 3E's. In this regard, I would like to pay attention to potential Japan-U.S. cooperation in supporting an energy transition that would enhance the 3E's for the Asian market growing important as the gravity center of the global energy market. Given energy realities in growing Asia, it is hoped that Japan and the United States will jointly consider a strategy to minimize energy transition costs and will promote initiatives to diffuse non-fossil energy, effectively utilize natural gas and LNG, decarbonize fossil fuels, reform energy markets, and vitalize market functions.

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