

Incoming Trump Administration and International Energy Situation

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Donald Trump, who won the U.S. presidential election in early November and will be inaugurated as the next U.S. president in January next year, is now the center of global attention. His nomination of key Cabinet secretaries and senior White House officials is reported in the media almost every day. Participants in the latest Group of 20 summit, the 29th Conference of Parties to the United Nations Framework Convention on Climate Change, and other international meetings are conscious of the planned second Trump administration, despite his absence.

Although the current situation is different from that when Pax Americana dominated the world, the influence of the superpower United States on the overall international situation is overwhelming. In a sense, it is natural for the world to pay attention to and brace for Trump's comeback as U.S. president. Given that the incoming Trump administration is expected to reverse the current Biden administration policies in many ways, promote an America First policy under the MAGA (Make America Great Again) slogan, and leave policy decisions and announcements unpredictable, the second Trump administration may continue to rattle the world, as did the first one.

How incoming President Trump will move in the future in various policy domains will attract global attention. In the following, I would like to analyze the points of interest in the energy and climate change domain from the viewpoint of how U.S. policies will change under the incoming Trump administration and how such changes will affect the world.

First, the incoming Trump administration is well expected to dramatically change U.S. climate policy from the current one under the Biden administration. President Joe Biden positioned the climate crisis a top priority challenge for his administration on his first day in office and has strongly promoted climate and decarbonization policies in the United States and the rest of the world. In addition to the European Union, which has traditionally played a role in promoting climate change policy strongly, the United States has become a standard-bearer for policies that place the highest priority on climate change, making great contributions to progress in global climate change and decarbonization talks. If Trump leads the United States again, however, climate change and decarbonization policies are expected to be excluded from important policies or largely ignored, as they were during his first term.

This point is clear from his presidential election campaign promises and his nomination of climate change skeptics or deniers as future senior Trump administration officials. As expected, the new Trump administration may withdraw the United States from the Paris Agreement again soon after its inauguration and no longer promote specific domestic or foreign policies for decarbonization.

Of course, U.S. greenhouse gas emission reduction may make progress through the initiatives of state governments with various regulatory powers and of individual business corporations. One of the characteristics of the United States is that the president or the federal government alone

cannot decide everything. However, a major change in the policy direction of the U.S. government in the manner described above may inevitably exert important impacts on international discussion on climate change issues. If the superpower United States shows no interest in decarbonization efforts, the overall momentum for enhancing climate actions may be negatively affected globally. Developing countries for their part, while seeing less pressure from developed countries to promote decarbonization, may intensify their dissatisfaction with and criticism of the United States' weakening climate change initiatives from the standpoint of holding developed countries responsible for global warming. In the divided world, developing countries' growing dissatisfaction with the United States and other developed countries may change the geopolitical situation and thereby weaken the position of developed countries while enhancing the influence of China, Russia, and other anti-West countries, as well as the Global South.

Second, a key change I note is the emphasis on "energy dominance" under the MAGA slogan, which will enhance policy efforts that particularly prioritize the role of U.S. fossil fuels. "Energy dominance," which was already advocated by the first Trump administration, is aimed at linking the expansion of U.S. oil and gas production and exports to the maximization of U.S. national interests in the international energy situation and energy geopolitics, according to my understanding. The Biden administration, though emphasizing climate change policy, recognized the importance of U.S. oil and gas resources and benefited from the resources in the face of energy price hikes and the European energy crisis caused by the Ukraine crisis. The second Trump administration will emphasize U.S. fossil fuel production again to maximize U.S. national interests under the MAGA slogan. It may also give priority to holding down oil prices to fight against inflation by promoting domestic oil and gas production under Trump's "drill, baby, drill" slogan.

In the Biden administration, John Kerry played a key role as special presidential envoy for climate with an emphasis on climate policy. His role has been taken over by John Podesta. However, the second Trump administration will launch a new National Energy Council in place of the climate envoy, preparing a team and policies to increase oil and gas production. The incoming Trump administration's basic stance of emphasizing fossil fuels is expected to provide a positive market environment for increasing oil and gas production and LNG supply. However, there is much uncertainty about how U.S. oil and gas production will increase in direct response to such Trump administration policy. The most important point is that the performance of the U.S. oil and gas market and industry is driven by economic principles and market realities. In this regard, we must pay close attention to the fact that many U.S. experts told me that the impact of the Trump administration's policies on U.S. oil and gas production will be limited.

The incoming Trump administration's policy of increasing emphasis on fossil fuels coincides with the recovery of understanding and awareness about the importance of fossil fuels around the world in light of market realities since the Ukraine crisis and may be easy for Middle Eastern oil-producing countries to accept. On the other hand, there is a high degree of uncertainty about how U.S. foreign policy, especially policy on the Middle East, will develop. The Middle Eastern situation could deteriorate to the disadvantage of local oil-producing countries. The situation will remain unpredictable for these countries. The unpredictability of the Trump administration could be an important source of uncertainty for considering future global energy geopolitics.

It will also be interesting to see what kind of policies the incoming Trump administration will take in the clean energy sector. There is also growing uncertainty about whether clean energy investment under the Inflation Reduction Act, known as the Biden administration's biggest achievement, will make progress under the incoming Trump administration. Attracting global attention

is how subsidies for electric vehicles and renewable energy will be handled and whether vehicle fuel efficiency and emission regulations will be eased instead of being toughened as planned. Clean energy-related businesses in the United States may be affected substantially depending on the circumstances and specific business areas. It will be interesting to keep an eye on future developments. Energy stakeholders around the world are bracing themselves for the launch of Trump 2.0.

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