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The Uncertainties Surrounding Energy Policy under Trump Administration 2.0

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Former President Donald Trump overwhelmingly defeated Vice President Kamala Harris by seizing all seven battleground states in the presidential election in November 2024. Trump won well over a majority of presidential electors, 312 out of 538 electors, and even won a majority in the entire US, unlike when he had won the 2016 presidential election, surpassing Harris by about 2.5 million votes. In the Congressional elections, the Republican Party recaptured a majority by adding 4 seats and securing 53 in total out of 100 seats in the Senate, and also maintained its majority in the House of Representatives by securing 220 out of 435 seats. Incidentally, with regard to the gubernatorial elections, Republican Party candidates won in eight out of 11 states: 27 out of 50 states have Republican governors.

Unlike when the first Trump Administration was inaugurated in 2017, President-elect Trump has nominated high-level government officials at a faster pace. As widely reported by mass media, it can be fairly said that most of them are appointed in accordance with their loyalty to the new national leader. The nominees need to be approved by the Senate. Given that the Republican Party has regained a majority in the Senate, the approval process for many nominees will likely go smoothly, aside from some whose eligibility is questioned even within the Party¹.

President-elect Trump has nominated Chris Wright, a climate change denier and CEO of Liberty Energy (an oil fields services company) for Secretary of the Department of Energy; Lee Zeldin, a former Republican Party Congressman (NY) who advocates easing environmental regulations and supports the use of hydraulic fracking for shale development for Administrator of the Environmental Protection Agency; and North Dakota Governor Doug Burgum, who

* This paper represents the personal views of the author, and does not necessarily represent the views of his place of work.

¹ On December 3, 2024, the transition team for President-elect Trump finally concluded a memorandum with the US Department of Justice (DOJ) enabling it to entrust the DOJ with background checks and security clearances of senior government officials.

<https://www.nytimes.com/2024/12/03/us/trump-fbi-background-checks.html>

advocates easing regulations relating to the energy business for Secretary of the Department of the Interior. Burgum will serve concurrently as Chair of the National Energy Council, which will be newly established. Besides, Senator Marco Rubio (FL), who is known as a China hawk, is nominated for Secretary of the Department of State and fulfils a major role on the energy diplomacy front.

As part of its manifesto, the Trump Administration 2.0 is vowing to substantially ease the environmental regulations introduced under the Biden Administration, and promote increased production of fossil fuels. Reportedly, a draft executive order is being drawn up declaring that the US will once again withdraw from the Paris Agreement on the day of President-elect Trump's inauguration on January 20, 2025. The preparations for the transition of power are moving forward in a direction that will reverse a large number of the clean energy-related policies promoted by the Biden Administration, including increasing the number of oil and gas drilling permits on federal government-owned land, easing emissions regulations for thermal power stations, and withdrawing the targets of EV (electric vehicle) adoption. The incoming Administration is also leaning towards rescinding the Biden Administration's freeze on new permits for LNG exports to non-FTA (free trade agreement) countries. Although "drill, baby, drill" is one of the Trump Administration's slogans, however, it goes without saying that if too much drilling takes place, it will likely invite a decline in the price of oil. Ultimately, fossil fuel production volume will be influenced by market trends. Incidentally, according to the International Energy Agency's Oil Market Report, released in November 2024, the international oil market is forecast to see a supply surplus of more than one million barrels per day in 2025.

The Inflation Reduction Act (IRA), which attracted the most attention among energy policies implemented during the Biden Administration's term, has already contributed over \$100 billion in grants to clean energy industries². Given that the Republican Party holds majorities in both the upper and lower houses of Congress, the Trump Administration 2.0 might attempt to legislate to partially negate the IRA as "Biden's legacy". However, that the IRA is conversely bringing benefits to red states and swing states, it can be said that reaching a consensus on this within the Republican Party would prove difficult. Since quite a few low carbon business projects have been already invested in or for which planning is underway, including hydrogen and ammonia production and the introduction of CCS (carbon capture and storage), opposition

² Remark by John Podesta, Senior Advisor to the President for Clean Energy Innovation and Implementation. <https://www.reuters.com/sustainability/climate-energy/biden-pushes-out-over-100-billion-clean-energy-grants-term-winds-down-2024-12-03/>

to cutting off grants or scrapping preferential tax treatment is being voiced even from the oil industry—Republican Party’s traditional support base.

A move to strengthen nuclear power and the securement of critical minerals is undoubtedly a development that will continue to be regarded as important after the launch of the Trump Administration 2.0. The Trump Administration 2.0 will attach importance to nuclear power not from the standpoint of clean energy unlike its predecessor’s regime, but from achieving the supply-demand balance of the domestic electricity market, as well as from maintaining the US influence in the international nuclear power market, where the presence of Russia and China is on the rise. It seems likely that there will be a ramping up of support for the development of advanced reactors, including SMRs, which took place under the Biden Administration³. When it comes to critical minerals, the Trump Administration 2.0 will no doubt carry on trying to make supply chains inside and outside the US more resilient from the standpoint of manufacturing semiconductors and military items in particular, as opposed to the perspective pertaining to the need for increasing renewable energy-related facilities, storage batteries, EVs and so on under the Biden Administration. Currently, China occupies an oligopolistic position worldwide when it comes to many critical minerals. The incoming Trump Administration is indicating that it is prepared to adopt a more uncompromising stance toward China, and it is conceivable that critical minerals will attract greater attention as a crucial issue in the US-China standoff.

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³ On the inseparability of the civilian use of nuclear power and nuclear non-proliferation, see “The Divided World: Toward Restrengthening U.S.-Japan Nuclear Cooperation”, <https://eneken.ieej.or.jp/data/11834.pdf>