

## **The international energy situation under Trump 2.0**

### **<Report Summary>**

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While the situation in the Middle East is de-escalating, future developments are unclear

1. The military conflict between Israel/the U.S., and Iran has de-escalated. Meanwhile, the global supply and demand balance for oil is weakening due not only to the economic slowdown caused by the reciprocal tariffs, but also the easing of additional oil production cuts by 8 participating countries of OPEC+.
2. However, the future developments of the Iran situation, such as the direction of the ceasefire (in the short term) and whether a solution will be found for the problem of Iran's nuclear program, are unclear.
3. If the situation were to begin to interfere with safe passage through the Strait of Hormuz, it would negatively affect the entire world, including Japan. Roughly 30% of the world's oil trade (20 mb/d, 2023), along with roughly 20% of the LNG trade (85 million tons, 2023), passes through the Strait, and there is only limited capacity available via alternative oil pipelines (4.2 mb/d). Though the chance of this occurring is low, the immense potential impact of this so-called "tail risk" still needs to be considered.
4. Even in global terms, Japan's dependence on the Middle East is significant. Therefore, it is necessary to continue with comprehensive measures to ensure a stable oil supply, including preparations for emergencies (stockpiling) and various risk measures (such as diversification of supplier countries and contributions to stabilizing the Middle East situation).

Interpreting the impact on China from the policies of Trump 2.0

5. The policies of Trump 2.0 may be benefiting China contrary to their intent, such as strengthening their position in terms of free trade and preventing climate change, and providing Chinese companies with opportunities to expand internationally. China may also be reaffirming its strengths through the negotiations related to tariffs.
6. On the other hand, if the China-U.S. confrontation were to escalate, it may put further pressure on the weakened Chinese economy and cause domestic political and economic problems. A slowdown in Chinese energy demand will also impact the

international energy market, such as softening international demand and lowering prices.

#### Trump 2.0 and the consequences of the war in Ukraine

7. Despite its conciliatory approach to Russia, the U.S. has been unable to obtain a ceasefire and has failed to find a path toward ending the war. President Trump has already floated the possibility of imposing secondary tariffs on countries that import Russian oil, and these may become a reality depending on the response from Russia. If they do become a reality, the three largest importers (China, India, and Turkey) will feel the largest impact of the sanctions, and this will also affect the success of those sanctions. Focus will also be on the effects on the international energy market if the sanctions are strengthened.
8. Japan currently continues to import coal and LNG from Russia, and therefore needs to consider measures depending on the direction of the war and sanctions. Accordingly, focus will be on changes in energy prices and the impact on Japan under scenario 1.2.

*Scenario 1.1: The war continues, and the U.S. economic sanctions on Russia remain roughly the same.*

*Scenario 1.2: The war continues, and the U.S. strengthens sanctions on Russia, including secondary tariffs on countries importing Russian oil.*

*Scenario 2: A ceasefire is reached, and the U.S. economic sanctions on Russia are lifted.*

#### Developments to watch regarding domestic energy policy under Trump 2.0

9. The U.S. is considering relaxing regulations on CO<sub>2</sub> emissions from thermal power generation and the classification of greenhouse gases as hazardous for the purpose of ensuring a stable energy supply, improving the daily lives of the citizens, and reviving the manufacturing industry. It is therefore necessary to examine the future impact of this worsening of the investment environment for clean technologies.
10. The One Big Beautiful Bill Act was passed by Congress. Energy related provisions in the act include a reduction in the support period under the Inflation Reduction Act (IRA) established under the Biden administration and limits on foreign capital and parts, both of which affect clean technology investment in the U.S.

#### Some global movement toward a realistic energy transition under Trump 2.0

11. The establishment of the Trump administration has brought about changes to action on climate change, such as a move toward acceptance of a certain amount of funding for fossil fuels. Meanwhile, the World Bank lifted its ban on financing nuclear power (June 2025) while establishing a partnership with the IAEA (also June 2025).

Toward strengthening and deepening Japan-U.S. relations

12. One constant is that the U.S. is an important partner for Japan and that the strengthening and deepening of Japan-U.S. relations remains important. Meanwhile, a strategy is required that is predicated on the possibilities offered by the major changes in policy every four years.
13. Elements for energy cooperation must be found from the standpoint of U.S. national interests, irrespective of changes in administration. Current candidates thereof include SAF, biofuels, storage batteries, critical minerals, CCS, nuclear power (including fuel), and geothermal power.
14. On the other hand, LNG is important as a short-term solution for dealing with the trade deficit under the current administration. However, this requires procurement at competitive prices that are not inferior to those of other sources. While the overall vast supply of LNG in the U.S. should be considered subject to cooperation, it will be necessary to work with the countries of Southeast and South Asia because there is a limit to the amount that Japan can accept in terms of both quantity and time.

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