

Attention-attracting U.S. Presidential Election and Future U.S. Energy and Environmental Policies

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On July 31, the Institute of Energy Economics, Japan, held a webinar titled “U.S. Situation ahead of Presidential Election and Energy Policy Outlook.” At the webinar, an IEEJ expert made a presentation on (1) the present status of presidential election campaigns, (2) what happened in the United States under the COVID-19 pandemic, (3) details and assessment of energy and environmental policies under the Trump administration and (4) an analysis of a potential administration change. The presentation was followed by a question-and-answer session for all webinar participants. In the following, I would like to summarize key points to which I pay attention, including the importance of the United States for analyzing the international energy situation, based on the above presentation and question-and-answer session.

Why is the U.S. situation, particularly the presidential election, important? It is simply because the United States is the most important, influential country in the world. Who leads the country as its President is an issue that exerts great influence on the world. The United States is the largest economic power in the world. Because of its largest, strongest military power in the world, it is the most important superpower in international politics. Although the superpower position of the United States has begun to be shaken, the country is still the center of world order. Its policies and market trends are matters of which everyone in the world has no choice but to be conscious.

The United States’ presence in energy and environmental fields is also outstanding. Though ranked second after China in primary energy consumption, the United States is still the world’s largest consumer of oil and gas, the first and second largest internationally traded energy commodities in the world. Thanks to its shale revolution, the United States has become the world’s largest oil and gas producer. It also has the world’s largest nuclear power generation capacity and is among leading coal and renewable energy producers and consumers in the world. Therefore, the United States’ influence on and presence in the international energy market are remarkably great. Its domestic energy and environmental policies have the potential to shake the international energy market through their influence on the domestic market.

U.S. foreign policies and external energy and environmental policies move the world directly and greatly. Under the Trump administration, its policy on Iran has been symbolic. So have been its policies on China and Russia. Regarding climate change, the administration made decisions attracting global attention, including the one to withdraw the United States from the Paris Agreement. How the United States would maintain its interest in and engagement with the stabilization of global order, whether it would become even more inward-looking and what policies it would take for strategic international competition and the maintenance of its global supremacy are the issues that would continue to influence the overall international situation and energy geopolitics.

Regarding these issues, an apparent matter of interest to the webinar participants might

have been what changes would come if Democratic candidate Joe Biden wins the presidential election. As a matter of course, the presidential election result is unpredictable. So far, Biden has reportedly led incumbent President Donald Trump in polls. Even before the previous presidential election, however, Trump was basically trailing behind Democratic candidate Hillary Clinton. This fact is coupled with uncertainties about hidden Trump supporters and future economic and political situations to make it difficult to predict the presidential election result. Nevertheless, the general public may be aware of a potential administration change and Democrat-led Congress to bring about a unified U.S. government and interested in such potential great U.S. changes' impact on the world.

Attracting most attention regarding energy and environmental policies is a potential change in the climate change policy. While the Trump administration is not very "positive" about climate change countermeasures and gives priority to fossil fuel utilization as symbolized by its withdrawal from the Paris Agreement, Biden has come up with a policy to proactively enhance climate change countermeasures. He has been a centrist Democrat, keeping some distance from the most ambitious environmentalist group in the Democratic Party. Through the party's selection of its presidential candidate, however, Biden has come closer to environmentalists' Green New Deal initiative, calling for cutting net greenhouse gas emissions in the electricity sector to zero by 2035. Given that the Democratic Party plans to come back to the Paris Agreement, a Biden administration could reverse the climate change policy of the Trump administration.

In the context of tougher climate change countermeasures, fossil fuels could face headwinds. Given the shale revolution that has supported U.S. economic prosperity, however, the potential Biden administration may refrain from stalling the money-making revolution. At the webinar, however, a conclusion was that a Biden administration's "message" regarding energy and environmental policies would be great changes including that in the climate change policy.

We should pay attention to the potential changes that would be of international significance. In the climate change field, for example, the European Union is set to strongly promote a European Green Deal to push decarbonization along with a post-coronavirus restoration plan. While whether the European Green Deal would be successful is attracting attention, a U.S. policy change coinciding with an administration change is expected to enhance U.S.-EU solidarity on climate change and exert influence on global trends. Under the Trump administration, Japan has been standing in the middle between the U.S. and EU stances that conflict with each other in regard to climate change. If the United States and the EU come closer to each other or cooperate in climate change policy, Japan's future strategic response would become more difficult. In this sense, the potential U.S. policy change would attract global attention. If a new U.S. administration is inaugurated, the U.S. policy on China would be one of the issues attracting the most global attention. A dominant view is that the U.S. policy on China would remain tough even under a new U.S. administration. Regarding climate change and other global issues, however, a new U.S. administration could view cooperation with China as important. In this respect, future developments are attracting attention.

However, another key conclusion at the webinar was that it is uncertain how great energy and environmental policy changes under a new U.S. administration would be. Even if the Democratic Party wins the U.S. presidency and Congress, top political priority would be given to economic initiatives including restoration from the coronavirus disaster and healthcare. Energy and environmental policies would be given less priority. Given this point, any energy and environmental policy changes could not be so great or could take much time.

It is also important to identify the limitations on and realities of U.S. federal policies and their influence on markets. Irrespective of U.S. federal policies, state governments' energy and environmental policy as well as financial market developments and business initiatives can change the U.S. energy market that is the most important in the world energy market. We may have to pay much attention to U.S. trends including this point.

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