

U.S. Climate Policy Outlook

Trump 2.0 and the Future of U.S. Climate and Energy

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Executive Summary

The BET Approach

Break
from the
inter-
national
norms

- **U.S. most likely to withdraw from the Paris Agreement, followed by the withdrawal from the UNFCCC**
 - **The China Challenge:** Withdrawal from the UNFCCC could hand China superiority in global climate leadership, hence the States would be willing to **amend the agreement for its good** rather than signing for a complete withdrawal
- **U.S. funding on International Climate Finance Plans reduced**
 - Scaling back from Biden’s commitment to international development in climate finance, the international community will undergo backlash in terms of achieving the 2030 agendas

Expand
fossil
fuels

- **“Drill, baby, drill” by deregulation**
 - **Rolling back Biden’s climate policies:** Federal charges for methane emissions are highly likely to be deregulated, oil and gas leases on public lands would be encouraged, the role of U.S. Environmental Protection Agency (EPA) significantly reduced
- **Full repeal of IRA funds and tax credits highly unlikely**
 - Considering that many of the tax credits under the IRA **benefit conventional oil and gas production companies**, the full repeal of Biden’s IRA initiative seems to be implausible

Transition
in
energy
industry

- **Trump’s approach would center on boosting the entire energy industry, renewable energy also included**
 - Rollback of provisions under IRA, especially subsidies for solar and wind energy due to low Return on Investment (ROI)
 - Lowering energy costs for lowering inflationary pressures
- **Yet the focus would much likely shift on oil and gas production, as well as nuclear powers**
 - Increased federal support for fossil-fuel based industry which have been previously neglected by the Biden administration

1. Break from international norms

The Paris Agreement, U.S., and China

■ U.S. most likely to withdraw from the Paris Agreement

- The China Challenge: Consequent withdrawal from the UNFCCC could put China in a superior position in global climate governance, hence the States would be reluctant to withdraw completely from the agreement.

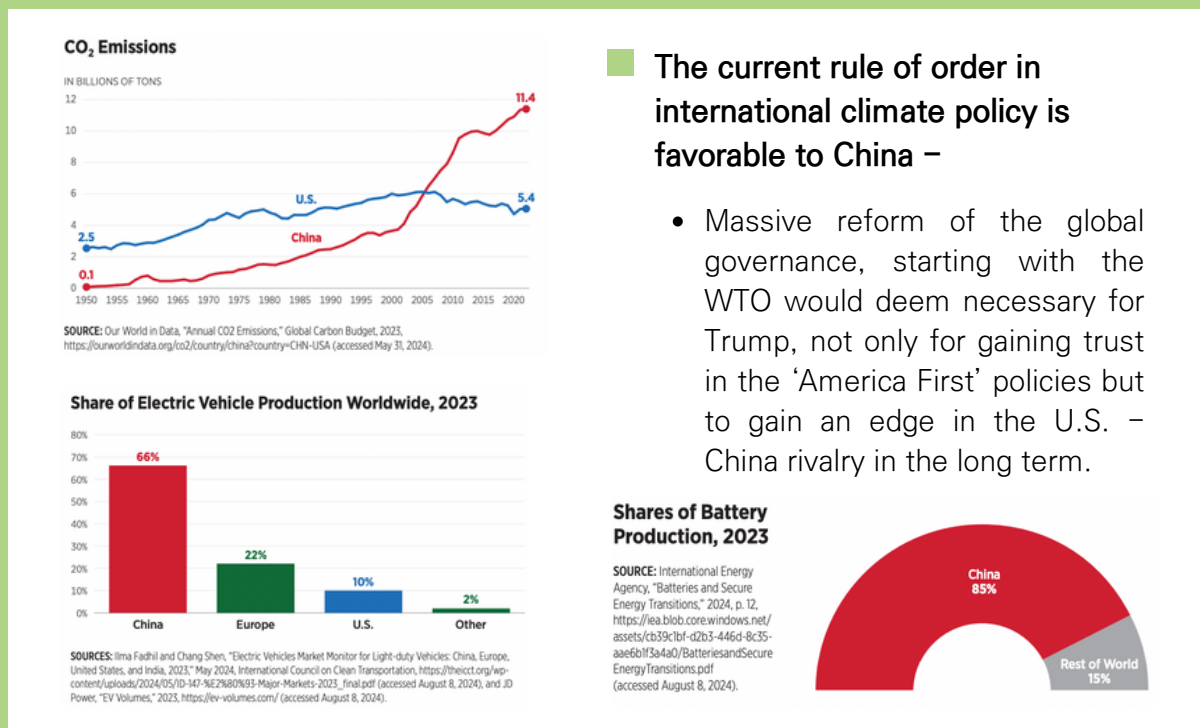
■ Climate leadership may be handed over to China

- China plans to submit **new Nationally Determined Contributions (NDCs)** by 2035, targeting all economic sectors and greenhouse gases.
- The Trump administration is unlikely to meet the Biden administration's goal of reducing emissions by 50–52% by 2030.

■ The States would be inclined to ‘amend’ than to withdraw completely

- Current climate agreements allow **China for greater flexibility in meeting targets**, imposing disproportionate costs on the U.S. economy
- “An alternative approach (...) would be to **remain** in both the Paris Climate Agreement and the UNFCCC and use those positions as **bargaining chips for non-climate diplomatic concessions** with nations who remain serious about climate action.” (Kienman Center for Energy Policy, 2024)

Complete withdrawal from the climate agreements might not be the key:



■ The current rule of order in international climate policy is favorable to China –

- Massive reform of the global governance, starting with the WTO would deem necessary for Trump, not only for gaining trust in the ‘America First’ policies but to gain an edge in the U.S. – China rivalry in the long term.

Source: Furchtgott–Roth, Diana. 2024. "How The Forced Energy Transition and Reliance on China Will Harm America". The Heritage Foundation.

2. Expansion of the fossil fuel industry

Deregulation and subsidies; IRA repeal highly unlikely

■ ‘Drill, baby, drill’: Rolling back Biden’s promises

- Immediate **reversal** of the Biden administration’s temporary suspension of LNG export approvals and methane emission restrictions
- Budget for the Environmental Protection Agency (EPA) significantly **reduced**

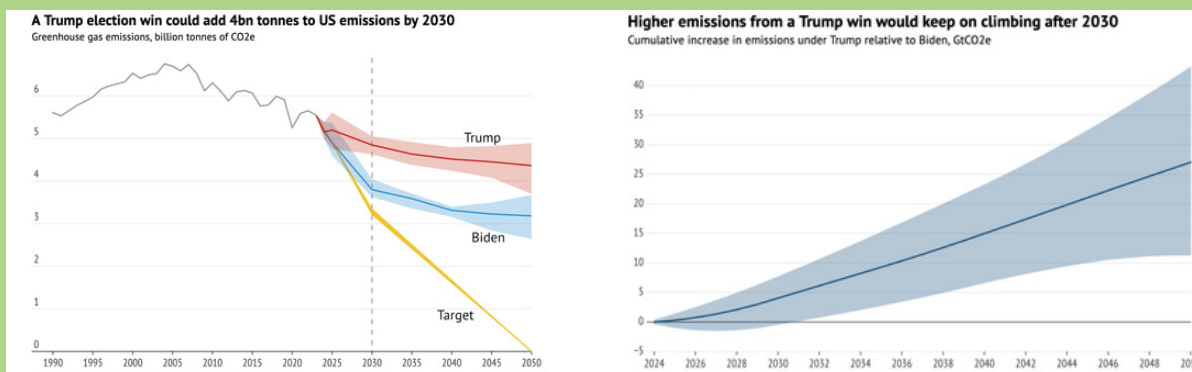
■ Deregulations and subsidies

- **Increased access to federal lands** for oil and gas; resumption of development in Alaska, including the Arctic National Wildlife Refuge (ANWR), reopening Atlantic offshore waters for oil and gas drilling
 - President Biden's recent ban covers over 625 million acres of U.S. ocean territory, including Atlantic and Pacific waters. **Reopening Atlantic offshore waters could impact up to 242 million acres associated with U.S. shale plays**, of which 24 million acres (9.9%) are in the federal mineral estate. (Congressional Research Service, 2020)
- **Expansion of tax deductions and subsidies** for the oil and gas industries
 - Trump has proposed lowering the corporate tax rate from 21% to 15% for domestic production, which could save oil and gas companies billions.

■ Partial modifications rather than full repeal on IRA

- Congressional support and existing private sector investments in IRA may lead to targeted changes such as **tax credit modifications and budget cuts**
 - Scott Bessent, nominee for Treasury Secretary: referred to the IRA as "the Dodday machine of the deficit," suggesting he might seek to dismantle it to reduce expenditures

Due to Trump’s pro-stances on oil and gas,
U.S. emission rates are expected to grow exponentially.



Source: Evans, Simon. 2024. "Trump election win could add 4bn tonnes to US emissions by 2030." Carbon Brief.

3. Transition in the energy industry

Shift of focus from renewables to oil and gas

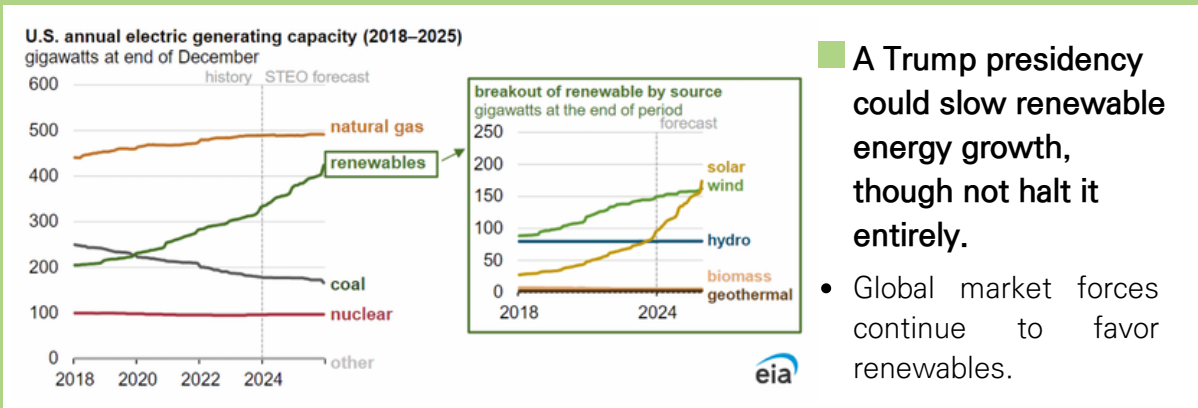
■ **Trump’s focus on oil and gas production does not entirely exclude clean, renewable energy development,**

- The majority of regions benefiting from renewable energy policies are Republican-leaning areas, potentially leading to partial reductions in green energy support.
 - **78%** of the \$346 billion worth of announced clean energy investments gone to **Republican** congressional districts (CNN, 2024)
 - Nearly **60% of the clean energy and EV projects** based in **Republican** congressional districts—of all projects, those in Republican districts represent 85% of the investments and 68% of jobs (E2, 2024)

■ **Trump aims to enlarge the entirety of U.S. energy industry, with the priority shifted to fossil fuel industry.**

- **The Electric Vehicle (EV) industry:** The IRA provides up to \$7,500 in tax credits for new EV purchases. A potential repeal could **reduce EV registrations** by 27% compared to current projections. (NBER, 2025)
- **Solar and wind power:** Capacity additions could **decrease** by 25 GW by 2040 across major U.S. power markets. In a more extreme scenario, up to 200 GW fewer renewables and battery projects could be deployed by 2040, (Aurora Energy Research, 2024)
 - However, **solar generation** is forecast to **grow** 75% from 163 billion kWh in 2023 to 286 billion kWh in 2025, and wind power generation is expected to increase 11% in 2025 (Energy Wire, 2025)

Despite potential changes in policy, the economics of renewables remain highly competitive.



■ **A Trump presidency could slow renewable energy growth, though not halt it entirely.**

- Global market forces continue to favor renewables.

Source: Kennedy, Ryan, 2024. "US solar power generation to grow by 75% through 2025, says EIA". PV magazine

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