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BULLETIN

Trump Plans to Remake U.S. Energy and Climate Policy Again

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Donald Trump has promised a shift in the U.S. approach to climate policy. His plans for it, if implemented, will weaken global efforts to mitigate climate change and support the green transition of developing countries. U.S. energy policy is expected to more strongly support the fossil fuel sector, slow investment in renewables, and promote protectionism in trade policy, even with its closest partners.

One of Trump's key campaign promises is to halve energy prices (electricity, gas, and fuel) within six months through tax cuts and regulatory liberalisation. He has called the green transition a "scam" and proposes instead to expand conventional and nuclear energy, aiming to meet the growing demand for energy resulting from the development of AI, cryptocurrencies, and new data centres, and achieve the lowest energy prices in the world. Combined with trade protectionism, he believes this will help re-industrialise the U.S. and create jobs for thousands of Americans.

Energy as Cheap as Ever. The new administration's approach to energy, with the exception of renewables, will not differ significantly from Biden's. Between 2021 and 2024, the current administration issued a record number of oil and gas drilling permits, and the U.S. maintained its position as the largest oil producer and became the world's largest LNG exporter. Trump will continue this trend by liberalising export terms, including lifting temporary restrictions on LNG and production, allowing investment on federal lands (e.g., parts of Alaska), and rolling back environmental regulations. However, it is unlikely that these changes alone will lead to a surge in production and exports, rather to excessive price declines that would hurt oil companies' revenues. His aims are practically confirmed by the appointment of a new National Energy Council and the nomination of Chris Wright, a representative of the extractive industry and critic of the green transition, to be the Secretary of Energy. As part of Trump's energy expansion, he has called for the development of "clean" coal, hydropower, and any other form of affordable energy to meet the growing demand. To increase energy security (e.g., to avoid major blackouts like the one in Texas in 2021), he announced his administration will modernise electricity grids and construct gas pipelines.

On nuclear energy, Trump will also continue the previous administration's policy, including supporting extending the life of existing plants and increasing funding for innovation. He and his team will raise the importance of SMR technology, which they believe will play a key role in lowering U.S. energy prices. To accelerate investment in and the commercialisation of American-made nuclear technology, he plans to reform the industry watchdog, the Nuclear Regulatory Commission.

What remains unclear is the new administration's approach to renewable energy, which Trump blames for energy price increases and electricity supply instability. Investment in offshore wind farms, the development of green hydrogen and carbon capture-and-storage (CCS) is likely to be halted. In particular, his harsh criticism of the Inflation Reduction Act could lead to reduced funding for and the suspension of some support schemes (e.g., EV purchases). This will contribute to a slowdown in the energy transition. However, any significant course correction will be constrained by the reality that most green investments are located in "red

states", Republican strongholds where local authorities and congresspeople will be unwilling to disrupt them for fear of affecting jobs and the local economy. The shape of the energy transition policy will also depend on who has the president's ear, a reflection of how he runs his administration, in which currently the billionaire entrepreneur Elon Musk has an important voice. Musk, for example, seems to be changing Trump's opinion on the development of electric mobility.

Climate without Sacrifice. A much more profound change will be in climate policy, which Trump sees as pro-China and unfair because it blocks the normal development of the economy. He and his vice-president, J.D. Vance, are dismissive of climate change, describing related policies as extremist and damaging to industry because they block new projects. They plan the liberalisation of climate legislation and the marginalisation of protests by environmental organisations, with the aim to reduce regulatory and other costs and facilitate accelerated investment in the industrial and energy sectors. Of particular importance is the planned rollback of regulations limiting highly climate-damaging methane emissions, rules which mainly affect the mining industry. This is underlined by the selection of Lee Zeldin to head the Environmental Protection Agency (EPA). He has promised to "depoliticise" and deeply reform the EPA while ensuring "fair and swift deregulatory decisions". However, some of these actions may be slowed down by Congress and the states, which have a great deal of autonomy in this area. At the same time, Trump, like in 2017, has announced the immediate withdrawal of the U.S. from the Paris Agreement. In addition, his advisors have signalled a denunciation of the United Nations Framework Convention on Climate Change (UNFCCC), which will, among others, bolster "red states" efforts to forego climate protection policies.

Global Action. Trump will seek to withdraw the U.S. from the global fight against climate change, reducing the country's influence in shaping global climate policy and undermining its sense of purpose. This will encourage some other countries to reduce their ambitious climate targets—Argentine President Javier Milei has already signalled such a move. Trump will also halt U.S. funding for initiatives to help developing countries struggling with the effects of climate change.

The announced energy expansion plans ae expected to translate into increased U.S. participation in the global fossil fuel trade (including LNG exports to the EU) and new foreign investment. Nuclear, mining, and conventional energy technologies are expected to play a strong role. As in Trump's previous term, there is scope for greater pressure on members of the Organisation of the Petroleum Exporting Countries (OPEC) to bring down oil prices and work to stabilise the political situation in hydrocarbon-producing regions. In addition, the president-elect's entourage is hinting at a possible tightening of sanctions against Russia's oil sector, particularly the LNG industry, in an attempt to strengthen the dominant position of U.S. companies. These measures could lead to further price falls, which would hit the Russian budget and could be an important issue in the peace negotiations with Ukraine.

The strengthening of protectionist trade policies against China will limit imports of green technology into the U.S. This will affect Chinese products in the renewable energy (e.g., photovoltaic panels) and electric mobility sectors that are produced in third countries (e.g., Mexico and Canada), which could redirect Chinese foreign investment and exports to other markets, including the EU. At the same time, the U.S. will expect European countries to reduce economic cooperation with China. This will have an impact on EU exports of green technology, particularly for German companies, as the U.S. has been the second-largest export market for this industry.

In relations with the EU, the challenges could be exacerbated by conflicts over climate policy. The EU's plan to introduce a Carbon Border Adjust Mechanism (CBAM) in 2027 will increase the cost of importing some products from the U.S. (e.g., steel). This could trigger retaliatory measures from Trump, such as imposing import tariffs or exploiting Europe's growing dependence on U.S. LNG.

Conclusions and Prospects. Trump's presidency will bring a fundamental change in U.S. climate policy. The announced withdrawal from the Paris Agreement will reduce the incentive for other countries to make efforts to reduce climate change. This, combined with the announced energy and industrial policies, will only accelerate climate change, leading, for example, to an increase in the number and intensity of natural disasters. Developing countries, which are both the most vulnerable to and the least prepared for the effects of climate change, will be the hardest hit, leading to higher environmental migration to countries in the global North.

Increased LNG exports could lead to lower energy prices in the EU, while increasing its energy dependence on the U.S. The EU could take advantage of this situation to completely halt imports of energy resources from Russia and tighten its sanctions policy. It is also possible to deepen cooperation with the U.S. in the field of nuclear energy, especially in research, technology, regulation (on SMRs) and nuclear fuel production. In the field of green technologies, the EU would be well-advised to prepare for a temporary reduction in U.S. imports, especially in view of plans to slow down the green transition there. Possibilities for cooperation in the context of increasing U.S. protectionism and the planned entry of CBAM in 2027 could include the introduction of a common (transatlantic) carbon tax, but this would have to be presented as a tool to reduce unfair competition from China, for example.

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