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SPECIAL REPORT

Trump 2.0: Implications for Energy, Environment, and Trade

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The return of Donald Trump to the White House promises major changes in the United States' energy and environmental policies and in broader areas that affect energy, including trade and international politics. However, Trump has sent mixed signals about the kinds of policy change he might pursue, and the individuals advanced for roles in his administration sometimes have incompatible positions. The most key implication of his presidency for energy may be greatly increased uncertainty and volatility.

What will be the main implications of the Trump 2.0 Presidency on energy, environment, and trade? Will fossil fuels take centre stage again, and will low-carbon incentives be scrapped? How big an impact will the likely attempts to slow renewables and electric vehicle deployment have?

SPECIAL REPORT

This research paper is a Special Report published by the Al-Attiyah Foundation. Each Special Report focuses on a prevalent current affairs topic that has ramifications for the energy industry and wider community. The papers are distributed in hard copy to members, partners, and universities, as well as made available online to all Foundation members.

03 EXECUTIVE SUMMARY

- Trump's "America First" agenda in his second term aims to reassert US energy dominance, prioritising fossil fuels and abandoning or even reversing Biden-era policies that focused on the energy transition and climate action.
- Trump's policy will be volatile, unpredictable, and often driven by news flow, by lobbying, and by prominent individuals, both those with formal positions in the administration, Congress or other parts of government, and those outside it. The key individuals advanced for roles in the administration so far have different, and sometimes contradictory, positions on issues such as Russia-Ukraine, tariffs and electric vehicles.
- Despite Biden's legislative successes, permitting reform remains a challenge. The proposed Energy Permitting Reform Act could speed up project approvals but risks expanding fossil fuel development and compromising environmental protections.
- Repealing the Inflation Reduction Act (IRA) in toto is unlikely, as it enjoys bipartisan support and significant backing from Republican-governed areas. About 80% of IRA-backed investments have flowed into these regions, with particular benefits for nuclear power and oil and gas production.
- While the IRA itself will likely survive, up to 30% of its energy and climate-related funding could be at risk of cuts. Tax credits for electric vehicles, which are consumer-based and less protected from business opposition, are most vulnerable to rollbacks.
- Reduced EV adoption in the US could delay climate progress both domestically and globally, weakening international climate cooperation. This could also affect demand for critical raw materials like lithium, cobalt, and nickel, leading to price fluctuations and reinforcing monopolistic global trade patterns.
- Trump's administration will likely reverse Biden's moratorium on LNG exports, ease regulations, and push for more drilling in areas like Alaska. This could lead to new export permits and potentially impact domestic gas prices, resulting in consumer subsidies.
- Trump is expected to focus on domestic issues initially, with trade negotiations, particularly over the US-Mexico-Canada Agreement, set for 2025-2026. His approach to China will likely be more confrontational, potentially adding geopolitical risk to energy markets if trade tensions escalate.
- Trump's approach to the Russia-Ukraine war and Middle East conflicts will play a significant role in global energy stability. Positive relations with GCC states, bolstered by the Abraham Accords, could help stabilise the region, reduce tensions, and benefit global trade. However, his stance on Israel and Iran may also introduce new risks. Relations with OPEC remain a wildcard, as in 2020 when Trump encouraged a deal on production cuts after having previously criticised the organisation.

A frenetic presidential campaign has resulted in Donald Trump being re-elected for a second non-consecutive term, with the US once again facing a stark choice on climate and energy. Trump's "America First" agenda, bolstered by the Heritage Foundation's "Project 2025" (which Trump has distanced himself from but which allegedly has strong influence on his programme) signals a more strategically coordinated approach than in his first term, but still aims to secure US energy independence and dominance by reasserting fossil fuels, directly counteracting Biden-era policies that championed the energy transition.

Additionally, his agenda vows to reform federal agencies and impose higher tariffs on foreign imports to cut government spending, raise government revenues to be able to cut taxes elsewhere, curb inflation and reshore manufacturing, with significant geopolitical and national security implications. Tariffs are also threatened as a political weapon with a variety of goals.

Fact Table 1 Who has Donald Trump Picked to Serve in his Cabinet and Administration?[i]

Nominee	Post For	Senate Approval	Views
 Marco Rubio *For Secretary of State*	Trump Cabinet	Required	Staunch supporter of Israel and has served on the Senate Committee on Foreign Relations and as the senior Republican on the Senate Intelligence Committee. Consistently backed military and economic aid to Israel focussing on its security concerns. Advocate for fostering strong ties with GCC nations to enhance regional stability and countering Iran. Also hawkish on Russia and China
 Elise Stefanik *For Ambassador to the UN*	Trump Cabinet	Required	Stauch advocate for Israel and chairwoman of the House of Representative's Republican Conference. Throughout the Gaza war, Stefanik has intensified criticism of the UN for condemning Israel's air strikes and ground assaults in the enclave
 Pete Hegseth *For Secretary of Defence*	Trump Cabinet	Required	Fox News host tapped by Trump to take charge of the US's vast military with an annual budget approaching US$ 1 T. Army veteran who served in Afghanistan and Iraq and has spoken against the Pentagon's "diverse" recruiting programme
 Tulis Gabbard *For Director of National Intelligence*	Trump Cabinet	Required	First Samoan-American to serve in Congress formerly representing Hawaii as a Democrat, joining the Republican party in 2022. A combat veteran sent 3 times to the MENA region. Hailed as "fighting for the freedoms of all Americans" by Trump. Considered favourable to Russia
 Chris Wright *For Secretary of Energy*	Trump Cabinet	Required	Founder and Chief Executive of Liberty Energy. Known defender of fossil fuel use and has made public claims that "there is no climate crisis". Vocal advocate of oil and gas development and fracking – a key pillar of Trump's quest to achieve US "energy dominance"
 Doug Burgum *For Secretary of Interior and Chairman of National Energy Council*	Trump Cabinet	Required	North Dakota governor and former Republican presidential primary contender who endorsed Trump after he dropped out of running. Close ties to deep-pocketed energy industry CEOs. Will have a seat of the National Security Council, which will be first for the Interior Secretary
 Elon Musk *For Head of the Department of Government Efficiency*	Trump Administration	Not Required	Owner of SpaceX, Tesla, and X and world's richest person. Once a critic of Trump, has risen to a position of extraordinary influence in the president-elect's orbit. Reportedly spent US$ 100 M to help Trump win. Pro-EVs view does not align with Trump's anti-EV stance, but backs tariffs against other competitors as they will help Tesla consolidate a greater market share
 Mike Huckabee *For Ambassador to Israel*	Trump Administration	Not Required	Staunch defender of Israel. His nomination comes as Trump has promised to align US foreign policy more closely with Israeli interests. Says there can be no negotiating with Hamas, which the US has designated a terrorist group

Four immediate energy and climate considerations await Trump's new Administration. Those considerations are:

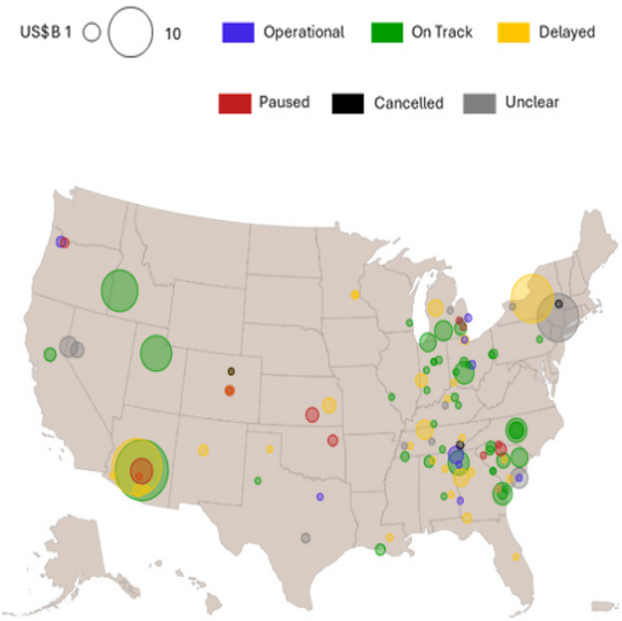
1. Permitting Reform

Despite Biden's legislative successes, comprehensive permitting reform remains elusive. According to the American Clean Power Association (ACP), if Trump does not address permitting and environmental review bottlenecks, as much as 100 GW of new clean energy projects could be delayed, and US$ 100 B of potential investment lost over the next decade[ii]. About 40% of Biden's major IRA manufacturing projects are already experiencing delays[iii] due to lengthy review timelines favouring stakeholder input and environmental justice considerations, and are now at risk of losing out to permitting for drilling and leases for oil and gas production which Trump has vowed to expedite[iv].

An Energy Permitting Reform Act[v] currently under consideration in the Senate would prioritise speedy approval over thorough review of environmental impacts, including threats to water quality. Additionally, it will shorten the time allowed to file legal challenges to energy projects – from six years to 150 days – making it harder for local communities to challenge government agencies and have their voices heard.

While the Act has been touted as also advancing renewable energy more "speedily", opponents argue that its environmental benefits would be far outweighed by the expansion of fossil fuel development and new threats to the safety and quality of water resources. Even if it doesn't pass during the current lame-duck session of Congress, it will be more likely to pass once Trump takes office in January.

Figure 1 Map of delayed and paused manufacturing projects in the US[vi]



Impacts

- If conditions to access tax credits and funding are made stricter, for example by being based on the origin of clean manufacturing products and parts, clean energy project initiation could be further delayed, or in the case where such conditions are met, be permitted without a thorough scrutiny or by government staff reviews, directly impacting US competitiveness in the global cleantech race.
- Additional jobs could be created in the short-term in the fossil fuel sector.
- Reduced US competitiveness will be to the advantage of other countries' clean energy manufacturing competitiveness agenda, many of which are vying to spearhead the energy transition, including China, the EU, Japan, South Korea and some in the Middle East such as the UAE and Saudi Arabia.

Table 1 List of Delayed and Paused Clean Energy Manufacturing Projects Under the IRA[vii]

Project	Developer	Location	Value (US$)	Status
Solar Panel Factory	Enel	Oklahoma	1 B	On Hold
Battery Storage Facility	LG Energy Solutions	Arizona	2.3 B	On Hold
Lithium Refinery	Albemarle	South Carolina	1.3 B	On Hold
Semiconductor Factory	Pallidus	New York	0.44 B	On Hold
Semiconductor Factory	Integra Technologies	Kansas	1.8 B	On Hold
Semiconductor Manufacture	Taiwan Semiconductor Manufacturing	Arizona	40 B	Delayed by 2 years
Semiconductor Factory	Chang Chun Group	Arizona	0.3 B	Delayed by 2 years
Semiconductor Factory	KPCT Advanced Chemicals	Arizona	0.2 B	Delayed by 2 years
Solar Panel Factory	Maxeon	-	-	Delayed
Solar Panel Factory	Heliene	-	-	Delayed
Solar Panel Factory	Meyer Burger	-	-	Delayed
EV Manufacture	Lear Corp.	Detroit	0.1 B	Stalled
Electrolyser Manufacture	Nel Hydrogen	Michigan	0.4 B	Paused
Battery Parts Manufacture	Anovion	Georgia	0.8 B	Delayed
Solar Manufacture	VSK Energy	Colorado	0.25 B	Scrapped
Solar Parts Factory	VSK Energy	-	1.25 B	Delayed

2. Industrial Policy & IRA Implementation

Trump's industrial idea for the US is to forge the resurgence of a solid and competitive American base based on fossil fuels to lead the technology competition with China. This push for fossil fuel sources will likely be accompanied by an attempt to overturn or weaken the outgoing Administration's measures for the energy transition, with the Inflation Reduction Act (IRA) caught in the crosshairs.

Repealing the IRA will be a tough ask for Trump, who describes it as the "biggest tax hike in history", as undoing it would require broad support in Congress, a difficult task even with a Republican majority. Contributing to its resilience, ~80% of IRA-sponsored investments have benefitted Republican-governed areas[viii] , making it quite palatable in Republican circles, particularly for nuclear power and to a considerable degree conventional oil and gas production, and for technologies favoured by the oil and gas industry, notably "blue" hydrogen and ammonia, and carbon capture, use and storage (CCUS).

It is probable that some IRA tax credits may be targeted, but it is unlikely the IRA tax credits will be treated as a monolith. Trump will face budgetary pressures as tax cuts provided under his previous Tax Cuts and Jobs Act (TCJA) expire at the end of 2025. To fund an extension of the TCJA, his Administration may be forced to rescind or significantly modify some IRA tax credits[x]. The continuation of the TCJA's measures would cost approximately US$ 3.4 T in the budget window until 2035, escalating the federal debt-to-GDP ratio by approximately 9 percentage points compared to the current law[xi]. However, these efforts could face opposition from Republican districts who have benefitted from the IRA.

More importantly, the IRA's tax incentives are furthering energy independence and the reshoring of manufacturing – two primary goals of Trump. Still, the Republican-majority Congress may decide to review recently finalised rules under the IRA and revoke them. For example, the Clean Vehicle Tax Credits, Advanced Manufacturing Production Credit, and Waste Emissions Charge Rules were only recently finalised, making them susceptible to review.

Figure 2 Budgetary Effects of a TCJA Extension, US$ B

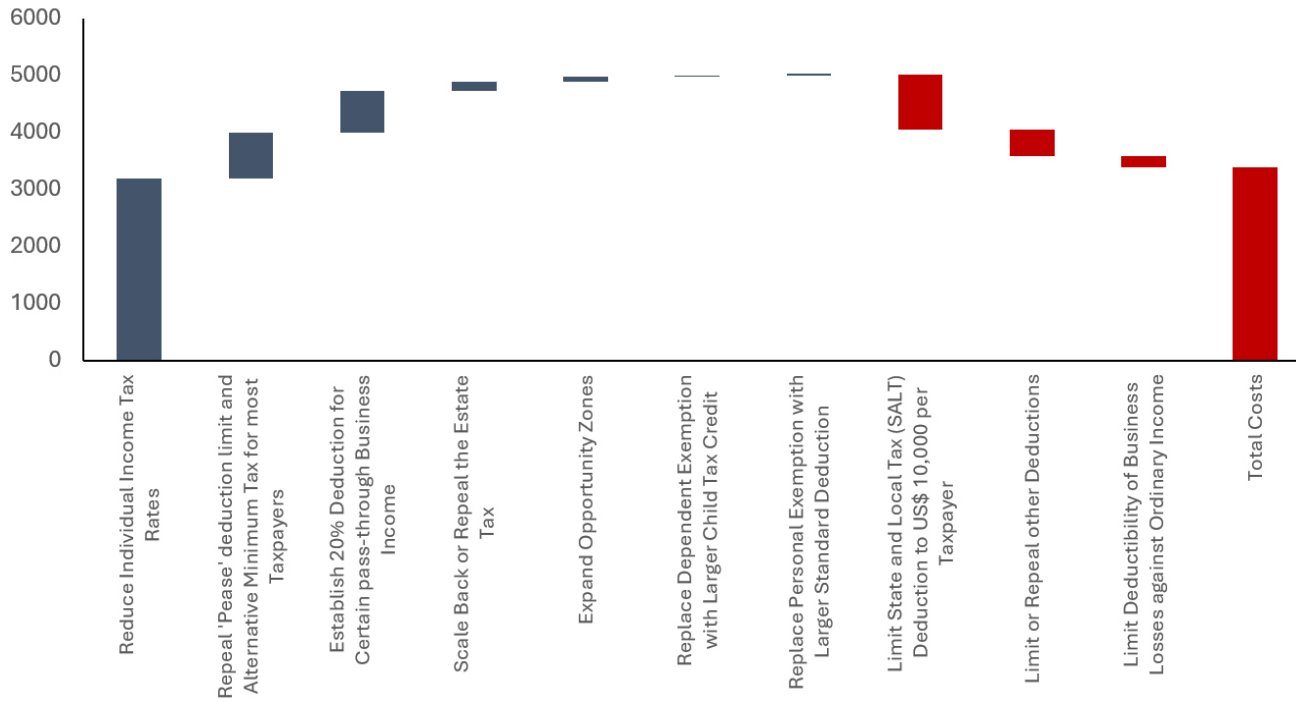
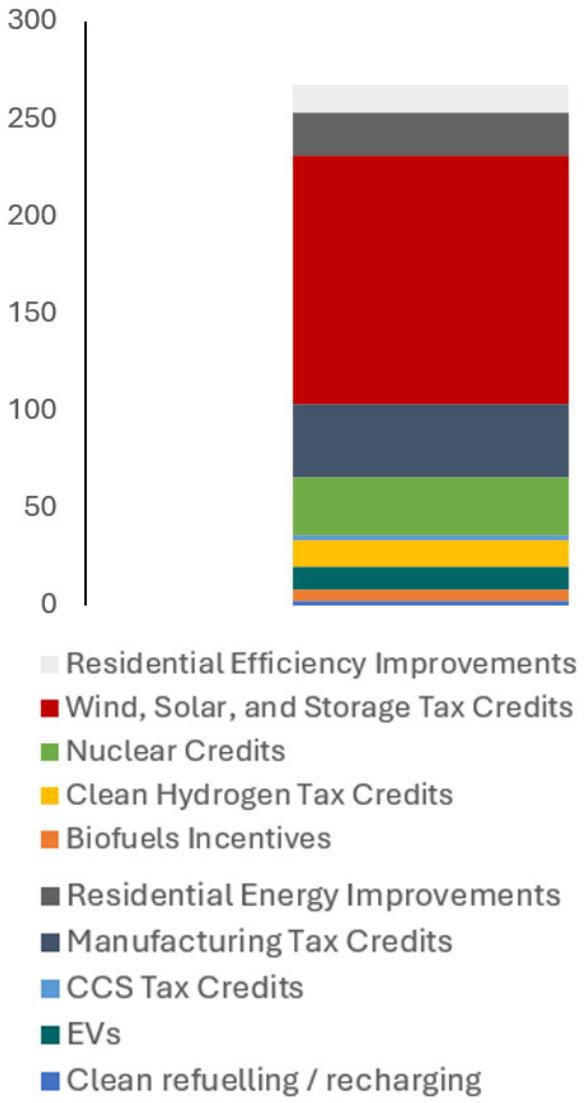


Figure 3 Breakdown of current energy and climate related spending estimates (Tax Credits) under the IRA



For the Waste Emissions Charge Rule, even if implementation of the rule's methane fee is not completely precluded by a congressional review, it could present an opportunity for Trump to swap the rule for one that implements a more industry-friendly methane fee. Additionally, the Clean Hydrogen Production Credit rules are still being finalised, which presents an opportunity for Trump to open credits for them to more fossil-based sources – such as natural gas[xiii] .

Impacts

- While the IRA itself is likely to survive, as much as 30% of its energy and climate-related funding is at various degrees of risk of being scaled back. Several tax credits, especially the consumer EV tax credits that have an initial spending estimate of US$ 12 B, could be rolled back more easily with softer business pushback as they are consumer-based, not manufacturer-based.
- The US$ 100 B non-tax credit funding, including loans and loan guarantees, as well as dedicated grants toward environmental justice, may also be lowered, if not stalled. For example, the DOE has committed about US$ 30 B of clean energy loans and guarantees to companies, but has only started lending around US$ 6.5 B.
- Tax credits for CCS, hydrogen (natural gas-based), nuclear energy, and manufacturing are likely to remain unchanged. However, since tax credits under the IRA are non-capped (and last for at least 10 years), actual spending can be a lot higher, potentially adding more pressure to fiscal sustainability and creating variabilities in costs.
- The IRA's clean hydrogen tax credit guidance, 45V, has yet to be finalised amid ongoing debate. A Trump Administration uninterested in green hydrogen's decarbonisation potential could delay this guidance, exacerbating risk and uncertainty.
- Recently finalised rules, such as the Waste Emissions Charge Rule, could be susceptible to a Congressional review, presenting an opportunity for Trump to implement a laxer methane fee for industry, potentially undoing environmental gains. This, though, risks making US LNG less competitive or even unacceptable in Europe.

3. Electric Vehicles (EVs)

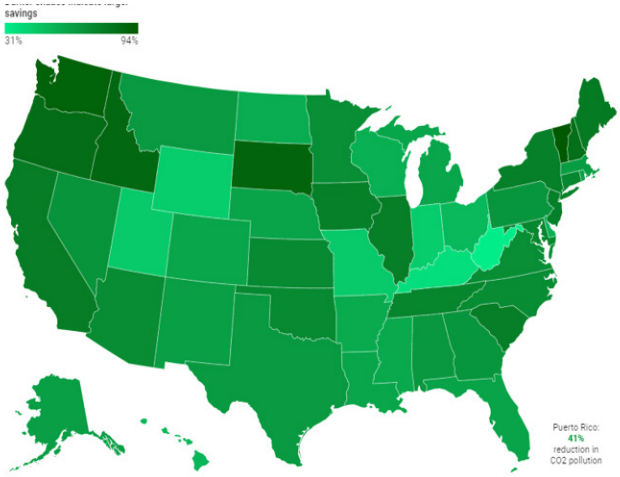
Trump has positioned himself as a staunch defender of the internal combustion engine (ICE), pledging to revoke tailpipe emissions regulations on his first day in office. While this move would be well within his authority and could offer a lifeline to a struggling industry, it may prove too little, too late, as EVs increasingly outpace ICE technology in performance and viability.

EVs convert 90% of their power into distance travelled, compared to only 30% for gasoline-powered vehicles. While full efficiency gain depends on how much of the electricity is derived from renewables, even coal-fired power plants are more efficient than an ICE engine. For example, even in West Virgina, where around 90% of power comes from coal, an EV cuts carbon pollution by about 30%[xiv]. The US average carbon footprint cut is already about 50% and rising.

Any reversal of US policy on EVs will directly impact US competitiveness while the rest of the world continues with its green expansion. Already over half of newly registered cars in China are EVs or plug-in-hybrids, more than twice the global average. The US is a laggard, and a weak EV policy will risk US OEMs becoming less competitive against players elsewhere making technological leaps.

For example, imposing 10-20% tariffs on all imports, and a 60% tariff on Chinese goods, will not protect domestic manufacturers. Trump already levied a 25% tariff during his first term and it did not do much to help US OEMs and automakers prepare for the electric future; neither did the outgoing Administration's 100% tariffs on Chinese EVs. His proposed 25% tariff on all imports from Mexico and Canada would harm legacy US automakers' supply chains, but help Tesla which sources most of its components from within the US

Figure 4 CO2 Emissions Comparison Between a Gasoline-Powered Crossover SUV (Toyota RAV4 AWD) and a Similar Electric SUV (Tesla Model Y) Across the US[xv]



Still, it will likely prove difficult and time-consuming for Trump to undo four years of EV support under Biden. As so many climate-related policies are enshrined in federal law, it will be hard to get Congress on board to nix them. More importantly, the Environmental Protection Agency and Department of Transportation's stronger GHG emissions rules finalised this year have received strong backing from the auto industry who have already made investment decisions to reduce tail-pipe emissions and remain competitive long-term. A largely industry-friendly Republican Congress will be unwilling to roll back climate-friendly incentives for the sector, particularly funding for factories that build EVs and batteries in Republican states.

Impacts

- EV tax credits may not be fully scrapped, but eligibility could be tightened or capped, limiting the number of qualifying EVs. For example, EVs with battery parts or minerals from China or Mexico currently receive only half the federal credit compared to North American-built EVs. Trump could tighten these rules to eliminate these vehicles from receiving any credit.
- Trump has endorsed "impoundment," a concept where congressional appropriations set a spending ceiling, not a floor. However, this likely doesn't apply to EV tax credits, as they affect revenue, not appropriations.
- Federal subsidies for converting factories to EV production help OEMs like GM, Ford, and Stellantis transition from ICE vehicles and compete with foreign rivals. Eliminating these subsidies would undermine their competitiveness, prompting trade groups like the Alliance for Automotive Innovation to protest, citing threats to national and economic security.
- A slowdown in the adoption of EVs in the US on the back of repealed credits could create a ripple effect globally, as manufacturers adjust production plans, especially in North America, reducing the pace of EV development to avoid financial strain. The move will worsen EV overcapacity outside the US, thus driving down prices and potentially accelerating adoption in the short term.
- Reduced EV adoption will delay progress towards climate goals in the US, weakening international collaboration on climate change, and potentially global supply chains. A shift away from tax credits could impact demand for critical raw materials like lithium, cobalt, and nickel, driving price fluctuations in global markets, and reinforcing monopolistic trade patterns.

4. Renewables, Hydrogen, and CCUS

Centrepiece policies that have led to massive development in renewable technologies and project finance are the renewable power Production Tax Credits (PTCs) and Investment Tax Credits (ITCs), extended under the IRA to 2032. However, starting 2025 these credits will become "technology-neutral" as long as a project can demonstrate it has zero or negative emissions.

This means that a wider range of technologies – solar, wind, geothermal, hydropower, marine, nuclear, and waste energy (including waste energy recovery) – will become eligible. Combustion and gasification technologies could also potentially qualify for credits if they can demonstrate enhanced emissions mitigation. The technology-neutral tax credits are set to start phasing-out after 2032, or when emissions from the US power sector drop to below 25% of 2022's emissions levels, whichever comes later.

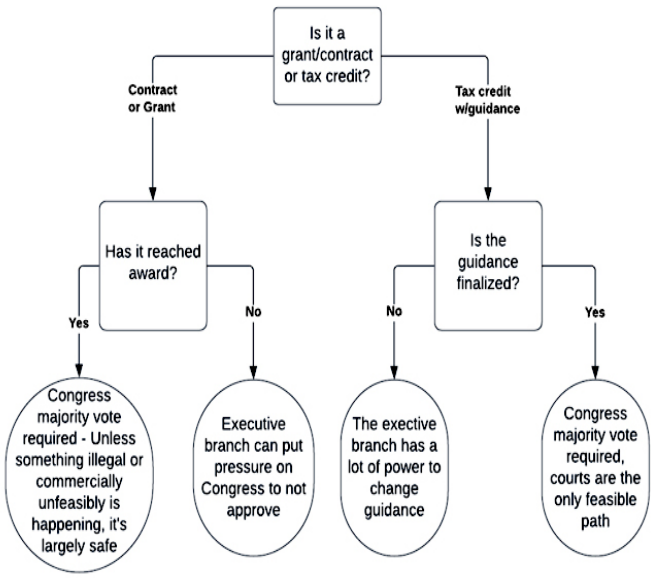
These credits are unlikely to be rolled back. Even under Trump's first Administration, technology-specific ITCs and PTCs were not repealed, and renewable energy continued to develop steadily. Additionally, the expansion of eligibility under technology-neutral tax credits will benefit non-renewable zero-emission projects – such as blue hydrogen and CCUS – a provision that may be welcomed by Republicans.

A Republican-backed US initiative to support blue hydrogen and CCUS will also benefit these fossil fuel-based emissions mitigation projects in other large oil and gas producing countries of the world, many of which have faced scepticism about their role in climate management from more anti-fossil fuel climate activists like Europe. US backing will also provide business opportunities to global heavy industries, many of which are pursuing CCUS as the leading decarbonisation lever for their operations.

In the US specifically, hydrogen and CCUS hubs could continue to develop if these credits continue, bolstering the position of the oil and gas industry. Permitting reforms, if any, could potentially improve the regulatory conditions for CCUS and blue hydrogen project development, potentially placing the US as a competitor to hydrogen from the MENA countries to markets like Europe, who is actively seeking hydrogen imports to meet internal decarbonisation goals and further reduce reliance on Russia. Conversely, a more robust US hydrogen sector could encourage collaboration between the US and the GCC countries, helping scale the sector and exchange knowledge, best practices, and technological know-how.

However, there could be less effort to scale "greener" emissions mitigation technologies like renewables. While their deployment is unlikely to pause, there could be lesser effort to retrain government staff, build transmission lines, or reform the national grid.

Figure 5 Flow Chart Showing Process of How Funding for H2 Hubs and 45V Can Be Changed[xvi]



Impacts

- Subsidies for renewable energy and EVs are more likely to be scaled-back or have eligibility criteria tightened than Big Oil-type technologies like blue hydrogen and CCUS.
- Stronger support for fossil fuel-based emissions mitigation technologies will provide the US with a unique opportunity to lead global efforts in lowering carbon emissions while still retaining its oil and gas exporter status.
- Still, final rules on tax credits could determine how "clean" blue hydrogen actually becomes. For example, a decision on how much electricity should come from renewables or through coal or natural gas for the electrolysis process could impact the number of credits earned.
- Oil and gas companies have insisted on more leeway in using fossil fuels with CCUS to produce hydrogen, or "hydrogen projects won't be built at all", potentially impacting job creation and sector development in Republican-voting states that received hydrogen hub funding under Biden, such as West Virginia.

Trump's promise of a repeat of his past "energy dominance" strategy is likely to be led by raising US oil and gas output and exports. One of the first actions of the incoming Administration will no doubt be to cancel the moratorium on new LNG exports imposed by Biden early in 2024, and then easing regulations on the industry so that capital currently sitting on the sidelines comes back. There may be renewed efforts to permit drilling in contentious areas, such as the Arctic National Wildlife Refuge in Alaska, and perhaps efforts to consider the impact of new export permits on domestic gas prices. Still, these developments will have minor effects, particularly during a four-year presidential term.

The LNG projects under moratorium would be unlikely to have been completed before 2030 anyway, and exploring and drilling in new areas also takes years. The most important determinants of US oil and gas output under Trump, therefore, as they always have been, will be oil and gas prices, technology, and industry structure.

US oil producers need between US$ 64/b – US$ 70/b to profitably drill a new well[xvii]. If Trump were to be successful in raising oil and gas output significantly, prices would fall, hitting the profits of oil companies and service providers, in turn curtailing drilling. Already gas producers have cut back output this year faced by persistently low prices.

Higher lease issuances under Trump are unlikely to translate into a major upside in production. Onshore oil production on federal lands made up about 12% of total US output in 2023 – including offshore production, this share grows to about 26%[xix]. Biden reduced lease sales on federal land and also increased royalty payments and bond requirements for production on federal land. Comparing the number of new leases issued during Trump's first three years in office, it totalled more than 4,000, compared to Biden's 1,400 [xx].

Figure 6 Oil prices required to drill a new well profitably in the US, US$/b. Lines show the mean, and bars show the range of required costs[xviii]

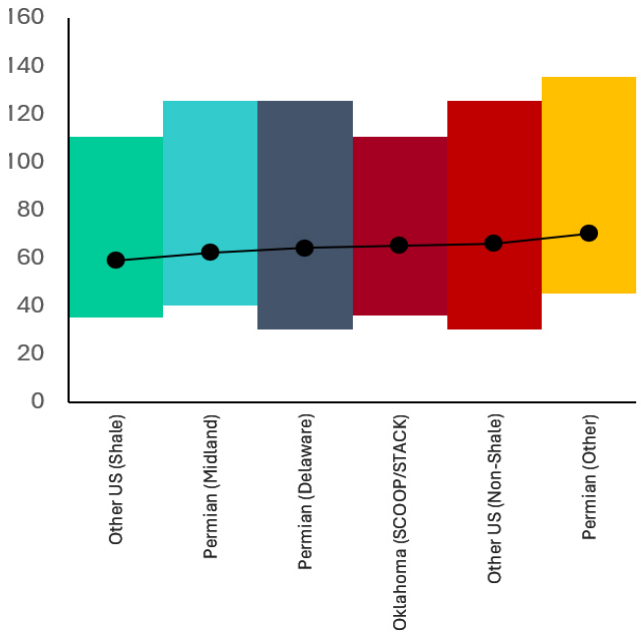
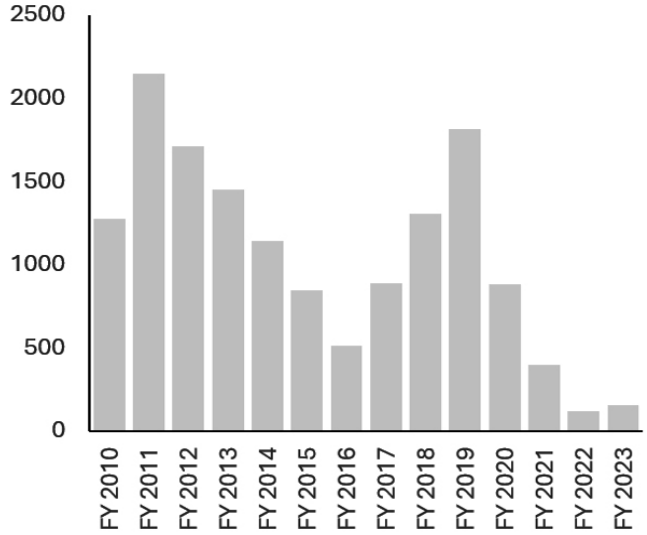


Figure 7 Number of oil and gas lease issuances on US federal land by year [xxi]



Still, lower issuances of leases have had little impact on output so far, and higher issuances under the new Trump Administration are similarly unlikely to translate into a major upside in production over the next four years due to the time-consuming nature of exploring and drilling in new areas.

Any increase in oil production will provide upside to associated natural gas output, however with Trump at the helm, this could provide more certainty to the industry and provide comfort to investors to invest in pipeline infrastructure, alleviating a persistent bottleneck for the US natural gas market, particularly in the Permian region. Simultaneously, investment in natural gas pipeline capacity supports stronger crude oil output.

However, technological advancements and cost-cutting must keep pace with the maturing shale play. While the industry has managed so far, growth is slowing. Smaller, independent companies – like those founded by Trump's Energy Secretary nominee, Chris Wright – have largely faded from the scene.

Traditional supermajors like Exxon and Chevron, and a few big independents like Occidental and EOG have consolidated the shale patch, but with a focus to invest more steadily through industry cycles, and not pursue breakneck expansion.

The future of "energy dominance" also hinges on how the US tackles its geopolitical rivals. OPEC+ is likely to continue facing challenges in increasing output due to limited spare capacity among most of its members, with the exception of the UAE and Saudi Arabia. This is further complicated by commitments to compensatory cuts from persistently under-compliant members like Iraq. Should OPEC+ decide to abandon these cuts, it will likely have to accept lower oil prices, which could also negatively impact US producers. The advent of Trump makes the task of increasing US output marginally more difficult, but the problem lies mostly in weak Chinese demand and strong non-OPEC output.

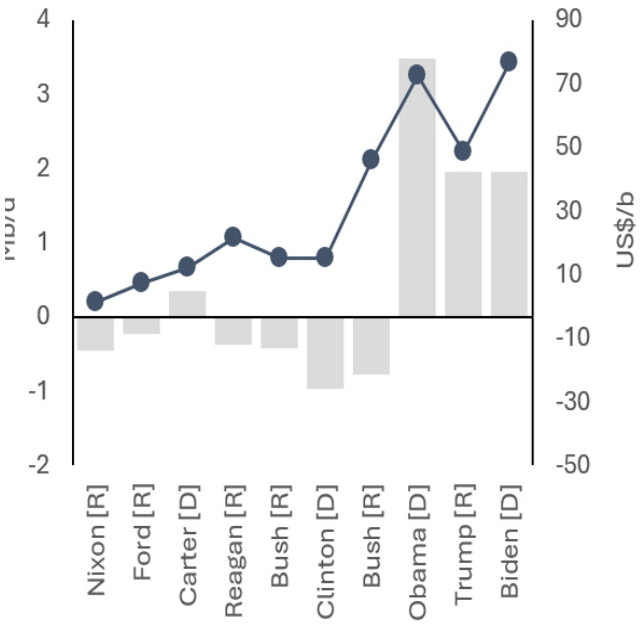
Figure 8 Iran Crude Oil Production vs Exports, Mb/d [xxii]

Even Iran has returned to production levels of 3.2 Mb/d as of October, compared to 3.8 Mb/d pre-sanctions. Trump's emerging foreign policy team appears very hawkish on Iran with a resumption of the "maximum pressure policy" imminent. The revival of stringent sanctions could cut the 1.9 Mb/d of exports Iran managed in October, but not to anywhere near zero. China's role as Iran's main buyer (at around 1.6 Mb/d) means some exports could still continue, as most of Iran's former trade partners ceased imports by 2019.

Saudi Arabia and the UAE could attempt to fill the gap left by reduced Iranian exports, but Iran is unlikely to accept an economic collapse quietly. Any escalation in sanctions against Iran would likely draw in China, limiting the Trump administration's leverage, especially given plans for an effective trade war. Pressuring China could further destabilise the region, potentially leading to Iranian retaliation against US or Israeli tankers, oil facilities, or even triggering broader conflict with unpredictable consequences.

Trump's promise to bring down Americans' energy costs by half within a year is impossible short of a massive recession. In fact, prices could rise, depending on the scope of proposed tariffs, hitting major purchases of oil and gas from Canada and Mexico. For example, tariffs cannot be applied on imported oil from these countries without causing gasoline prices to spike and causing issues in the US refining sector.

Figure 9 US Oil Production, Prices by Presidency [xxiii]



While the US is producing a record amount of crude – churning out an average of 13.4 Mb/d over the summer – the country's refineries are unable to process all of it and turn it into gasoline. Refineries across the US, mainly in the Midwest, refine a lot of heavier, more viscous crude with high sulphur content, which is typically sourced from Canada (the US primarily produces sweet, light crude). US Gulf Coast refineries have traditionally run Venezuelan barrels, but that has been cut off by US sanctions, which Trump is likely to tighten, if anything.

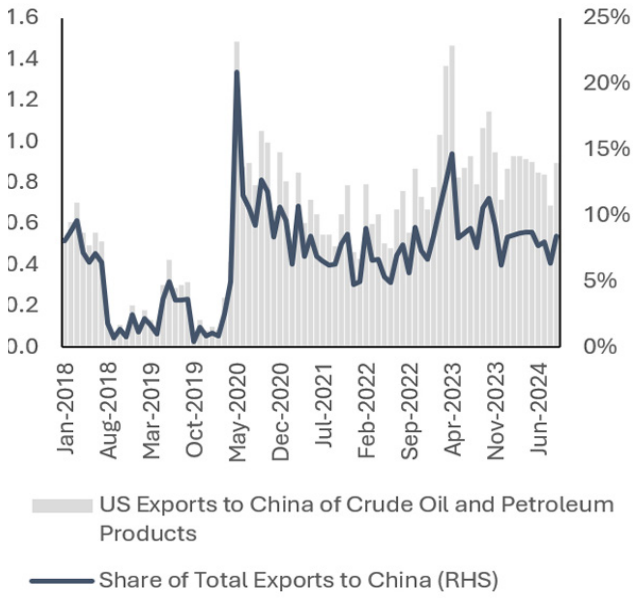
Mexican imports have dropped as the country's production has declined, and would fall further if tariffs are imposed. Middle Eastern grades such as Saudi Arab Heavy and Basrah Heavy are the most likely replacements, but are not ideal alternatives. If tariffs are placed on imported medium and heavy sour crude, that could raise prices at the pump, especially in the Midwest.

The refining industry has also spoken out against any proposed tariffs on imported oil, noting that broad, across-the-board trade policies that inflate import costs, reduce accessible supplies of oil feedstocks, or provoke retaliatory tariffs will "undercut our [US's] advantage as the world's leading maker of liquid fuels." This also applies to industry supplies: tariffs on steel, for example, would raise well construction and pipeline costs.

Trade is a key priority for Trump, but his proposed plans of establishing a baseline global tariff on most foreign products, followed by incremental increases based on alleged currency devaluation create uncertainty, potentially impacting US energy prices. He is likely to focus on domestic issues initially, turning to trade in late 2025 or early 2026, when the US-Mexico-Canada Agreement (USMCA) is up for review. His administration is expected to make fresh demands on Mexico, which has growing economic ties with China, while the approach to China will be shaped by a more contentious environment, where trade and military spending influence each other, posing risks to energy prices if energy trade becomes entangled.

US trade tariffs could prompt retaliatory actions, similar to China's response during the 2018 trade war, when it reduced US crude imports due to tariff concerns. This led to a widening of the WTI-Brent discount from about US$ 3/b to over US$ 11/b, a scenario that could recur, although with less pressure on the spread, given that China now imports a smaller share of US crude (around 6%, down from 21% in mid-2020 [xxv]). The US barrels have mostly been replaced by Russian and Iranian crude

Figure 10 US Crude Oil and Petroleum Products' Exports to China, Mb/d [xxiv]



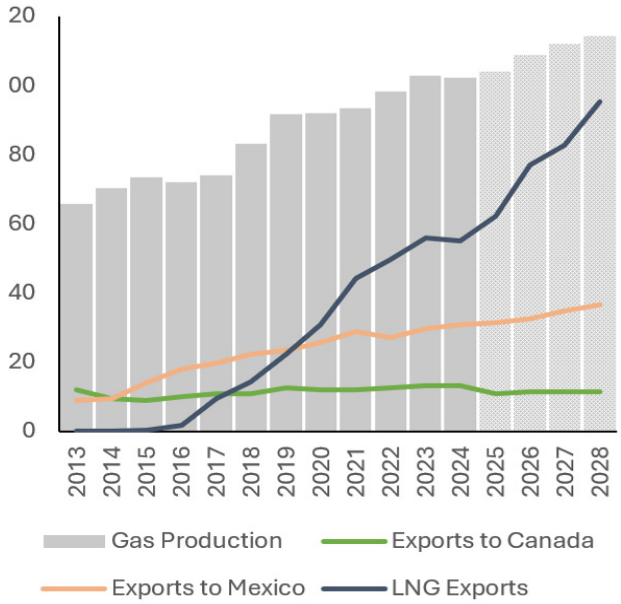
For natural gas, the risk centres on LNG exports. In 2018, China imposed tariffs on US LNG (first of 10%, then increasing them to 25% in June 2019), reducing exports to zero until tariff waivers were granted as part of the trade deal. Since then, shifts in the global gas market, with Europe becoming a more important buyer of US LNG, could offer some cushion if China targets US LNG exports. The other buffer could potentially be increased LNG exports to Japan and South Korea, which have recently become the site of stiff competition between varying suppliers, mainly the US, Australia, and Qatar.

Qatar is encountering greater competition in these markets due to differences in contract terms compared to those offered by the US, UAE, and Oman, which provide more flexible terms without destination clauses. Qatar may find stronger demand for its long-term, minimum offtake commitment contracts in emerging Asian markets, where a more stable supply is often preferred.

With significant LNG capacity expected to come online by the end of the decade, including from Qatar who is aiming to reach LNG production capacity of 142 Mt from 77 Mt currently, the market is likely to tilt further toward a buyer's market, affecting US LNG exports. Of note is that QatarEnergy is a partner with ExxonMobil in the Golden Pass LNG plant located in Sabine Pass, Texas, of which it will offtake, transport, and trade 70% of the produced LNG.

If Trump is indeed successful in reaching a peace deal or even ceasefire in Ukraine, some Russian gas exports to Europe might resume. That depends on a European decision rather than the US, but Germany and some central European states such as Hungary and Slovakia would be keen to return to buying Russian gas to reduce their energy bills.

Figure 11 US Natural Gas Production and Exports Forecast, Bcf/d [xxvi]



That would restore some shut-in Russian production and further contribute to global oversupply, weakening LNG prices.

Moreover, the US lacks onshore supply chain manufacturing across energy sectors. All sectors of the US energy market rely on imports of goods such as steel, critical minerals, solar cells, transformers, substation units, and many other necessary project components. Tariffs would raise supply chain costs, stagnating the US' progress on the energy transition.

Incoming EU regulations on imported methane emissions and the Carbon Border Adjustment Mechanism (CBAM) might provoke Trump into retaliatory measures that could further ensnare energy exports. For example, he could impose a "security tariff" on LNG as a bargaining tool to negotiate increased defence spending with the EU. LNG export increases to the EU in exchange for military spending and "contributions" to NATO represents a realistic scenario under Trump, but internationally

would be a another bad sign for the energy transition narrative, turning the US into a laggard.

How Trump handles the Russia-Ukraine war and the conflict in the Middle East will also influence the future of the geopolitical risk hanging over energy markets. Trump has said that he will "bring an end to the Russia-Ukraine war", but it is unclear how he will go about doing so. Brokering a weak peace deal would involve the removal of certain sanctions against Russia to which Europe is likely to protest. In any case, it would be in the interest of the US that Europe continues to shun Russian fossil fuels, given that the US oil and gas industry has been one of the key beneficiaries of this move.

In the Middle East, positive ties with the GCC states on the back of his role in the 2020 Abraham Accords and close relationship with Saudi Crown Prince Mohammed bin Salman could help support ongoing peace efforts to stabilise the region, reducing tensions and benefiting global trade. While Trump is supportive of Israel (as was evident during his previous term), he has said that he will look to bring peace to the region, although how, like the Russian-Ukraine question, remains to be seen.

There is the possibility that Trump may aim to achieve rapid gains in the region by taking an aggressive stance against Iran (pledging "hell to pay" if Israeli hostages in Gaza are not released before he takes office), but this would come at the cost of increased pressure on Iranian proxies, further eroding the viability of a two-state solution, exacerbating instability and diminishing prospects for lasting peace. There is a risk of aggressive action against Iran-aligned actors in Iraq, which could disrupt the country's oil exports or its receipt of payments.

IMPLICATIONS FOR MENA ENERGY PRODUCERS

Despite the overhang of geopolitical uncertainty over the region, and concerns over imported inflation and tensions over monetary policy, Trump's victory is likely to have a positive impact on economic growth in the short-term, particularly for energy exporters.

- **Short-term Stock Market Boost**: GCC stock markets may see an initial positive impact from Trump's victory, with gains in major indices like Saudi Arabia's TASI and Dubai's DFM, offering confidence for investors in the region. The initially stronger dollar limits inflation in pegged GCC currencies and raises spending power, at the risk of eroding international competitiveness of non-oil industries. However, a balanced portfolio will be key, and GCC investors should consider high-grade bonds and diversification into international portfolios to protect against medium-term risk. Given the potential volatility in global markets, maintaining exposure to oil could serve as an effective hedge for local assets.
- **Increased Equity and Risk Management**: A sharp sell-off in bond markets, meanwhile, signals higher US interest rates, and potentially a stronger US dollar, which could put downward pressure on oil prices. For MENA oil exports, this could lead to higher financing costs for US-dollar denominated projects or investments, impacting their capital expenditure plans, and necessitating portfolio reshuffling strategies to include commodities like precious metals and critical minerals to maintain balance.
- **Tariff and Trade Impact**: Trump's plan to impose tariffs, including a 10% tariff on all imports, could fuel inflation and slow economic growth. While the MENA region has largely diversified trade towards Asia and Europe, with China and India as key partners for oil exports, any broader protectionist trends could still hurt their economies by disrupting global trade patterns and supply chains. For the MENA

economies, this is a unique opportunity to capitalise on domestic manufacturing capabilities for key parts of the energy transition value chain, components of which have historically been exposed to monopolies by certain regions, increasing supply chain volatilities.

- **Domestic Energy Transition Boost**: Trump's focus on ramping up US oil and gas production might reduce friction with some Gulf producers, but could also exacerbate the region's challenges as it diversifies away from fossil fuels. Gulf countries are already investing in technology and clean energy to reduce their reliance on oil, creating a potential policy clash with Trump's pro-fossil fuel stance. In any case, this provides the region with the opportunity to continue positioning themselves as leaders in the energy transition by investing in cleaner technologies and diversifying their energy portfolios. They can leverage their existing oil and gas infrastructure to support cleaner energy solutions, including CCUS and renewable energy investments.
- **Strategic Investments and Geopolitical Flexibility**: Trump's policies, such as strengthening US-Israel ties, may allow the Gulf to navigate the evolving Middle Eastern security landscape. Saudi Arabia has, though, also sought to improve relations with Iran. This policy is sensible to limit potential threats to the Kingdom, but is likely to be pressured by the Trump administration. Such diplomatic moves provide the region with an opportunity to strengthen internal alliances and reduce dependency on external actors, potentially boosting long-term economic stability through projects like the India-Middle East-Europe Corridor (IMEC) linking through Israel as a potential peace solution to the region.
- **Oil Production Leadership**: Trump's focus on increasing US oil production could place more attention on global oil markets, particularly OPEC. If US oil production does increase substantially, that further limits the ability of OPEC+ to start easing its long-time production cuts. A weaker global economy because of trade wars would also reduce oil demand growth in key centres, particularly China. The GCC countries' low production costs and capabilities in building capacity while strategically releasing supplies as part of the OPEC+ group, mean that they can continue to invest in spare capacity when others cannot. This makes them a crucial part of global energy security and oil market stability. Spare capacity is an important asset in an energy-insecure world, underscored by ongoing volatility.

While a second term for Donald Trump may slow the US's clean energy transition, it presents various opportunities for Middle East energy producers, particularly in the short term. Trump's policies, such as ramping up oil and gas production, could lead to a boost in energy exports and a favourable environment for GCC stock markets, offering initial gains and increased investor confidence. However, the broader economic impact may be more complex, with potential inflationary pressures and higher financing costs due to a stronger dollar and increased interest rates. For MENA energy producers, maintaining exposure to oil and diversifying into commodities like precious metals and critical minerals can help hedge against these risks.

Trump's protectionist stance, including tariffs, could disrupt global trade and supply chains, but it also offers an opportunity for MENA countries to capitalise on domestic manufacturing capabilities, especially in energy transition technologies. As the Gulf nations continue to diversify away from fossil fuels, Trump's focus on fossil fuel production may create policy clashes but also reinforce the need for the region to position itself as a leader in cleaner energy solutions, leveraging existing oil infrastructure for initiatives like carbon capture and renewable energy investments.

Moreover, strategic geopolitical flexibility, including strengthened ties with the US and Israel, could allow the Gulf to reduce external dependencies and boost regional economic stability. In the oil markets, the GCC's low production costs and spare capacity make them key players in global energy security, ensuring their continued importance in maintaining oil market stability amid ongoing volatility. Ultimately, while Trump's policies may create challenges, they also open up significant opportunities for the MENA region to strengthen its role in global energy markets and the broader geopolitical landscape.

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December – 2022

Are Electric Vehicles Really Green? The Truth About EVs

Electric vehicles (EVs) are touted as one of the pillars of a net-zero carbon future, along with renewable energy. Unlike internal combustion engines (ICE) that usually run on diesel or petrol (gasoline), they produce zero greenhouse gas emissions or other air pollutants from combustion at the point of use and continue gaining in "cleanliness" each year due to improvements in manufacturing processes and the "greening" of the electricity generation mix.

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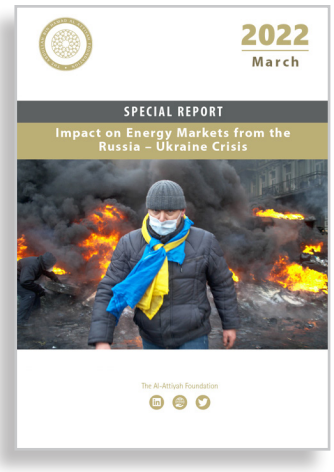

March – 2022

Impact on Energy Markets from the Russia – Ukraine Crisis

Russia is a critical global energy exporter:it accounts for 25 percent of world gas exports, nearly all to Europe, 18 percent of coal sales, and 11 percent of oil exports, as well as being an important supplier of metals, fertilisers and food.The Russian invasion of Ukraine has brought global energy supply chains to the forefront once again.

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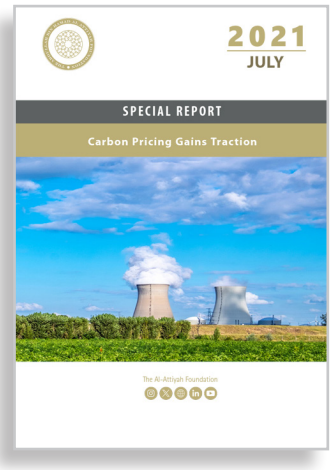

July – 2021

CARBON PRICING GAINS TRACTION

Around the world, climate change policies are tightening, and carbon pricing is playing a big part of that. Once carbon pricing systems are in place, countries can apply pressure to emitters at will – representing the stick part of any energy transition policy, alongside the carrot of possible subsidies and guarantees for cleaner options.

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