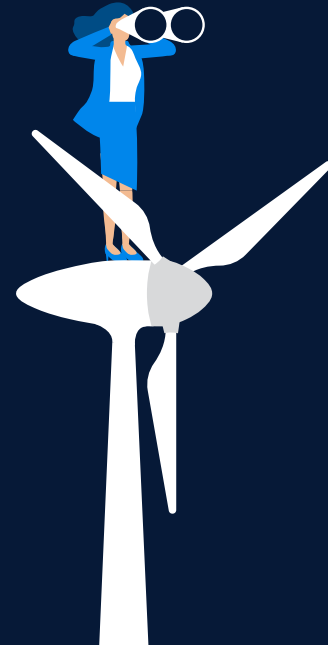


Policy matters: U.S. election could impact renewables and electric vehicles

In the Loop
August 2024



Key Insights

- Harris and Trump have divergent priorities for energy and transportation policy. We believe the biggest potential impacts are in power generation and electric vehicles (EVs).
- Reducing carbon emissions and developing America's green economy are high on Harris's agenda.
- Trump is likely to favor traditional energy sources. Trade tariffs and how the Inflation Reduction Act is implemented could impact EVs and renewables.



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The U.S. presidential candidates have outlined starkly different priorities for energy and transportation policy.

- Reducing carbon emissions and developing America's green economy remain high on Democrat Kamala Harris's agenda.
- Republican Donald Trump, meanwhile, has highlighted his commitment to unleashing traditional U.S. energy resources.

How these contrasting agendas could translate into governmental action bears close watching. Policy divergences on renewable energy and electric vehicles (EVs) have the potential to be the most impactful for companies and investors.

More of the same for energy and transportation with a Harris win

The election will have important implications for the Inflation Reduction Act (IRA). This signature legislation, passed during President Biden's second year in office, uses direct payments and tax credits to promote the greening of U.S. industry over the coming decade.

A Harris win likely would ensure that the IRA is implemented in ways that align with her policy objectives, providing clarity and support for renewables, EVs, and other clean-energy technologies.

On the regulatory front, we would expect a Harris administration to keep restrictions on leasing public lands

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and waters for energy drilling. Efforts to reduce greenhouse gas emissions from transportation, power plants, and oil and gas operations would also continue.

Any push for permitting reform on energy infrastructure likely would emphasise electricity transmission. Grid upgrades will be critical to system reliability as electricity demand grows and renewable power sources are brought online.

Risk of IRA reductions with a Trump win

Despite Trump's criticisms of the IRA, a full repeal of the law could prove challenging even if Republicans also control the U.S. Senate and House of Representatives. Many of the states that voted for Trump in the 2020 election are benefiting from the IRA as its incentives—especially for advanced manufacturing—drive project announcements in their communities.

Changes to specific elements of the IRA appear more likely. The makeup of Congress could influence the potential pathways for these adjustments and their complexion:

- Republican control of both congressional chambers would open the door for repeal of certain tax credits. This option might be more politically palatable than repealing the law completely.
- Executive action would be the most expedient approach. As president, Trump could limit or expand access to certain programs by directing the federal agencies implementing the law to revise their guidelines.

Uncertainty is high, and the range of potential outcomes is wide. Nevertheless, in our view, Trump's policy priorities suggest that certain areas of the IRA could be more at risk for targeted action than others.

— **Electric vehicles:** Items that boost EV affordability would likely be at highest risk. Trump appears to view these supports as a headwind for traditional U.S. automakers and fossil fuel industries and a possible boon to foreign countries that figure prominently in EV supply chains.

— **Renewables:** Trump's election could pose medium risks to tax credits for wind and solar power, potentially creating uncertainty for utilities and renewable energy developers.

— **Hydrogen:** Tax credits could be broadened in a Trump presidency to make them easier to access for projects that use natural gas to produce hydrogen.

Deregulation and trade disruption could be key themes in Trump act II

All signs point toward Trump renewing his push to reduce the regulatory burden on fossil fuels in his second term.

Rolling back tighter emission rules and drilling restrictions advanced by the Biden administration would likely be on the agenda. Permitting reform could also place more of an emphasis on fossil fuel-related infrastructure. These moves would benefit the energy sector at the margin.

Meanwhile, Trump's preference for trade tariffs and possible efforts to crack down on the re-exportation of Chinese goods through other countries could increase costs for EVs and renewable energy.

Bottom line

The outcome of the U.S. presidential election could have important implications for America's energy transition and efforts to reduce the economy's carbon emissions. For investors, the biggest potential impacts are likely in EVs and electricity generation.



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