



Potential Winners and Losers From Biden's Climate Plan



August 2020

Regulations would affect the energy sector and automotive industry.

Presumptive Democratic presidential nominee Joe Biden has an ambitious climate agenda, headlined by pledges to eliminate carbon dioxide emissions from the U.S. electric power industry by 2035 and position the country to achieve carbon neutrality by 2050.



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With USD 2 trillion in federal investment, Biden aims to achieve three goals: create jobs, modernize critical infrastructure, and support the growth of green technologies—with an eye toward putting the U.S. on the cutting edge of the energy transition.

Given the difficulty of passing sweeping legislation even with a congressional majority, Biden's ideals-driven platform likely would get streamlined into an easy-to-pass bill. But we should expect the two themes anchoring Biden's climate proposals to serve as the foundation for his presidential agenda: tighter regulation of the fossil fuels industry and stronger incentives to catalyze domestic development of fuel-efficient and green technologies.

Regulation vs. Legislation: Focus on the Path of Least Resistance

If elected, Biden would have two priorities in the first several months of his term: mitigating the coronavirus pandemic's near-term effects and then

helping the economy recover. Biden has framed his environmental and climate policies as components of larger economic proposals, suggesting that federal investment in green infrastructure could be a fundamental feature in a recovery act. However, that inclusion depends both on the administration's priorities, which could shift between now and January 2021, and Biden's ability to get legislation through the Senate.

Because several components of Biden's platform would require Congress to pass and implement tax and spending provisions, the number of Democrats in the Senate would determine the extent to which his administration could accomplish its policy agenda. If the Democrats achieve a Senate majority, Biden could use the budget reconciliation process to pass clean energy and green infrastructure spending initiatives. Without that majority,

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the administration would need to moderate its legislative proposals.

Regulation would be Biden's path of least resistance in promoting environmental protections, presenting an opportunity to reestablish and strengthen the Obama administration's stance toward fossil fuels.

Winners and Losers From the Energy Transition

Although the details of Biden's regulatory proposals are still developing, we would expect his administration to increase federal scrutiny of U.S. oil and gas operators. Biden has promised to crack down on greenhouse gas emissions, including methane leaked into the atmosphere by oil and gas operations. We would also expect agencies to tighten their regulatory requirements for issuing permits, leading to higher compliance costs for oil and gas wells, pipelines, and other fossil fuel infrastructure.

Biden does not support a national ban on hydraulic fracturing; however, his campaign has voiced support for a moratorium on new oil and gas lease sales on federal lands, halting the issuance of new drilling permits in these areas, and adjusting the royalty structure for wells.

Biden has also proposed leveraging federal tax credits and streamlining regulations to incentivize the manufacture and adoption of renewable energy—including massive federal investment in grid modernization. These and other policies could enhance secular tailwinds for electric utilities.

Automotive Industry: Electric Vehicles Favored

Biden views the electric vehicle industry as critical to achieving both carbon neutrality and an American manufacturing renaissance. In addition to tax incentives that would spur domestic manufacturing and consumer adoption of electric vehicles, Biden pledged federal dollars to build 500,000 charging stations, tighter fuel economy standards for passenger vehicles, and a full upgrade of the federal automotive fleet.

Although a Biden administration may have to adjust its campaign platform to reflect shifting legislative priorities and bureaucratic challenges, we would expect the presumptive Democratic nominee to use the tools at his disposal to further his party's climate and green infrastructure agenda.

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