



Biden Focus on Regulation Could Have Broad Impact



Efforts to achieve environmental goals may be consequential.

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The balance of power between Republicans and Democrats in the Senate will shape President-elect Joe Biden's legislative agenda, determining the extent to which he can push through tax increases and influencing the size and scope of spending associated with any pandemic relief and recovery packages.



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If Republicans retain control of the Senate—which would include the Senate's committees and agenda—Biden would need at least one or two GOP senators to achieve his legislative goals.

Biden has signaled his intention to use his administration's regulatory authority to pursue many domestic policy priorities. Investors should not overlook how potential changes related to the environment, health care, and technology could affect some sectors and industries.

Environmental Policies

Biden supports the passage of "green infrastructure" legislation to help spur the economy's recovery from the coronavirus pandemic. Throughout his campaign, Biden proposed tax credits for electric vehicles, clean manufacturing, renewable power, and energy storage projects as well as spending on electric vehicle charging stations and other infrastructure initiatives.

While a GOP majority in the Senate would limit the scope of Biden's environmental legislation, his administration's efforts to address climate change could come at the regulatory level. This approach would involve implementing more stringent environmental rules than those that President Donald Trump removed or weakened.

The president-elect promised to crack down on greenhouse gas emissions through tougher fuel economy standards for vehicles and tighter standards for methane leaked into the atmosphere by oil and gas operations. Regulatory agencies are also likely to tighten their requirements for permitting, leading to higher compliance costs for oil and gas wells, pipelines, and other fossil fuel infrastructure.

Biden does not support a national ban on the practice of hydraulic fracturing, a

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technique used to extract hydrocarbons trapped in shale formations. However, he has expressed 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 to reflect environmental costs.

Investors should also expect Biden to take a more holistic approach to environmental regulation, embedding climate review processes across the federal government and employing more agencies to implement rules related to climate change—not just the Environmental Protection Agency.

Health Care and Big Tech

Although Biden’s emergence as the Democratic presidential nominee significantly reduced the odds of an overhaul of the U.S. health care system, his administration could pursue policies at the regulatory level that would address pricing in the pharmaceutical industry. We would also expect regulators to reverse Trump administration rulemaking that discouraged participation in the Affordable Care Act while also proposing changes to expand health insurance coverage to more individuals.

Increased regulatory scrutiny should remain a fact of life for “big tech,” with a Biden Justice Department and

Federal Trade Commission likely to challenge the dominant U.S. internet and social media companies on the premise of anticompetitive action. Despite bipartisan concern about these companies’ growing power, a lack of consensus on the best way to address data privacy and content liability concerns should limit the near-term risk of legislative action on these fronts.

Some Caveats

Regulatory actions will be an important pathway for the Biden administration to achieve its policy goals, in my view, but these changes will take time to implement. If the GOP retains its Senate majority, Republicans could seek to delay the appointment of the president-elect’s choices to head federal agencies. While “acting” officials can perform the “nondelegable duties” of vacant offices, delays in confirmations would influence agencies’ productivity. Agencies will also need time to transition, build up staffing, and execute the rulemaking process.

Investors should also bear in mind that the Biden administration’s policy priorities could shift depending on the success of federal government’s efforts to curb the coronavirus pandemic and support the U.S. economy.

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