

# THE TRUMP EFFECT ON GLOBAL CLIMATE AND ENERGY

Valeria Termini

---

THE ELECTION OF DONALD TRUMP could have an explosive impact on the global climate and energy outlook. Indeed, incongruences in the American President-elect's energy plan raises some serious questions. Trump simultaneously pledges to turn America into a net energy exporter while advocating protectionist policies that would distance the US from international trade agreements. In the same document stating his commitment to make "clean air and clean water" his environmental priority, he promises to end government support for renewable energy through rescinding "executive actions including the Climate Action Plan" and "revok[ing] policies that impose unwarranted restrictions on new drilling technologies."<sup>1</sup>

Much will depend on the new team in the White House. Given that Trump's current energy policy advisors, such as Michael Catanzaro and Mike McKenna, are well-connected lobbyists with ties to the petrochemical and oil and gas industries, a marked change in an inauspicious direction for sustainable growth in the long term is foreseeable.

The outlook for a world in which Donald Trump now plays a factor is characterized by three key issues.

---

<sup>1</sup> "An America First Energy Plan." *Donald J. Trump for President*. 26 May 2016. <https://www.donaldjtrump.com/press-releases/an-america-first-energy-plan>

## **Trump and the Transition to Renewable Resources**

First on the line is the transition toward the extensive use of renewable resources, made possible by the techno-digital revolution, upon which, in turn, an innovative framework of “intelligent and clean energy” is under construction for industry, transportation, and everyday life (smart cities). As with all technological revolutions, the potential for expansion exists, although Schumpeter’s “creative destruction” will force the fossil fuel industry to take on an extraordinary reorganization effort.

Trump is close to prominent fossil fuel industrialists who today suffer from competition with renewable resources and strict regulation from EPA (the Environmental Protection Agency, recently in the headlines due to its lawsuit against Volkswagen over allegations of cheating on carbon emissions tests). The EPA will certainly fall under the new President’s line of fire, especially since his first nomination for overseeing EPA’s transition is vocal climate skeptic Myron Ebell, director of the energy center of research of the coal industry. This appointment will be accompanied by the removal of support for renewables and the commitment “to cancel the Paris Climate Agreement and stop all payments of US tax dollars to UN global warming programs.”<sup>2</sup>

The partnership on climate change confirmed by President Barack Obama and Chinese President Xi Jinping at the COP21 UN Climate Conference in Paris (December 2015) was a fundamental part of the Paris Climate Agreement. The COP22 conference in Marrakech (November 2016) aimed to consolidate previous progress. According to his plans, Trump may disregard some of the commitments made by Barack Obama, such as the 26-28% reduction in US CO<sub>2</sub> emissions by 2025, especially since the agreement lacks sanctions. It is very difficult, on the other hand, to predict the reaction of China—the chief polluter among the 200 signatory states. Europe risks finding itself alone once again in shouldering the competitive burdens of unilaterally assumed binding commitments (an 80% reduction in CO<sub>2</sub> emissions by 2050 relative to the level in 1990), which have already been incorporated into European regulation.

## **Oil and Gas in Trump’s Geopolitics**

The second key element is geopolitical—namely, the new relationship that has formed in the past five years between oil and gas producing countries and consuming countries. An excess in supply has triggered a reduction in the price of natural gas and a collapse in the price of crude oil (trading today between \$46.33-\$47.71 per barrel, well below the threshold of \$50.00 per barrel). These price levels are destined to remain low for the foreseeable future, given OPEC’s inability to reinstate production quotas. Regardless, Trump proposes to immediately authorize the construction of the Keystone XL Pipeline between Canada and the Gulf of Mexico, which would transport crude oil destined for exportation (at a 830,000 barrels/day capacity). The project was blocked by the Obama Administration because it fails to meet environmental standards.

As for natural gas and LNG (liquid natural gas) exports, it is complicated to predict how Trump’s foreign policy will unfold under a supportive Congress, and an understanding of how his relationship with Russian President Vladimir Putin develops will be crucial. Trump will have to choose between two difficult alternatives. He could either support LNG exports, which would benefit American producers by lowering internal supply and increasing prices but risks displeasing Putin, who would thus have to face US competition in the European market—

---

<sup>2</sup> *Ibid.*

Russia's primary outlet. Or, Trump could create barriers to discourage exports, focusing supply on the domestic market, thus benefiting Russia at the cost of US producers. The alternative to both the former would be to divide the global gas market between the two principal players, leaving the Pacific to the US and Europe to Russia. While this may work in theory, the real market follows its own rules.

### **US Energy Independence that Benefits Putin**

Finally, US energy independence, the cornerstone of Trump's energy plan, would distance the US from the Middle East (if one were to exclude possible direct relations with Benjamin Netanyahu). Trump could choose to leave Putin the burden of acting as key political player in this region, in exchange for the US turning a blind eye to the construction of gas pipelines connecting Russia to Europe—projects that are currently stalled due to the EU's antitrust policies (the third package of the EU energy market legislation) and its Energy Union strategy, which includes "diversifying sources of energy and ensuring energy security through solidarity and cooperation between Member States." These pipelines—*Nord Stream 2* in the northern corridor and the *Turkish Stream* in the south—were strongly opposed by both the Obama Administration and the European Commission, because they would bypass the Ukraine in the supply of natural gas from Russia to Europe. In particular, the latter was recently reinvigorated by the intergovernmental agreement on energy between Putin and Turkish President Recep Tayyip Erdoğan.

Bilateral agreements on gas pipelines between Russia and individual Member States are weakening the Commission's efforts to apply antitrust principles. High Representative for Foreign Affairs Federica Mogherini and Vice-President of the European Commission in charge of Energy Union Maroš Šefčovič have joined forces to overcome national interests in order to create a European consensus against these projects. Nord Stream 2, which would allow direct supply of Russian gas to Germany (with an annual capacity of 110 billion cubic meters), would represent a grave setback for Italy and the EU. Italy, Balkan states, and other southern countries may serve as suppliers of gas to Europe, and the pipeline risks making gas production in the Mediterranean basin superfluous.

### **Conclusions**

For Europe, the climate and energy outlook does not seem very positive in any of the three key areas illustrated above. As for Italy, the country has a role to play, not only in the southern shore of the Mediterranean, by strengthening infrastructure and furthering historical and renewed alliances, but also in the Balkans, where the prospects for cooperation in energy policy are sound and promising.