



Energy under the Trump Administration

What Could Be Expected for Energy in the Trump Presidency

December 8, 2016

By Llewellyn King

Broadly, it is reasonable to believe that energy policy under the administration of President-elect Donald Trump will lean heavily on conservative nostrums.

It will favor the oil and gas industries, be sympathetic to nuclear power for electricity generation, and push for exports of U.S. oil and gas and, most likely, coal.

It will seek to diminish the environmental controls on these fossil fuels and will cast doubt about global warming. It will probably withdraw from the Paris climate accord. There will be little or no investment in new energy projects or environmental technologies, like coal gasification and carbon capture and storage.

It also will be under pressure to terminate tax advantages for renewables, notably wind and solar.

In seeking these goals the new administration will run into opposition not only from traditional liberal forces, with their predilection for renewables, but also into contradictions in the conservative philosophy, such as their support for global commerce.

For example, energy trade is a key part of the North American Free Trade Agreement (NAFTA), particularly as it affects Canada. Very large investments in power lines and pipelines depend on the security offered by NAFTA. A sudden dismemberment of the treaty and years of negotiations to establish a new one will send shock waves through the electric, gas and oil industries of Canada and Jon Sorenson, president of the New England-Canada Business

Council, says some of his members hope that emphasis on infrastructure will lead to a reversal of anti-pipeline decisions that began when President Barack Obama terminated the Keystone Pipeline, designed to bring oil from Alberta's tar sands south for refining and sale.

In the second Obama term, environmental concerns have been uppermost as witnessed by the Clean Power Plan. But despite this, it is the market rather than the government that has changed the energy equation in the United States, and is likely to continue to do so during the coming Trump administration.

In these past four years, natural gas has continued to shoulder both coal and nuclear out of the electricity picture. Also for the first time since the energy crisis of the 1970s, America has become a confident but small exporter of oil and gas. Look for this to continue with the emphasis on liquefied natural gas (LNG). Exports are small, due to a lack of export terminals, but they indicate a growing trend.

The Trump administration will certainly encourage these exports by pressuring the Department of Energy (DOE) and other government agencies, like the Coast Guard, to expedite permitting. New terminal proposals are expected, but nothing that is not currently under consideration is likely to be completed in the four-year first term of President Trump. American LNG is finding markets in Asia and South America. Market manipulation by the Russian gas firm Gazprom has kept European exports low.

In nuclear, again Mr. Trump is likely to be constrained by market forces. The best hope for saving much of the present nuclear fleet of 99 reactors (61 plants) is a move in states, like New York and Illinois, to support existing reactors for their climate benefits. This is more a matter for the states than the federal government.

What Mr. Trump can do to help domestic nuclear is unclear beyond reviving the Yucca Mountain, Nevada waste repository. He is likely to do that.

While conservatives have traditionally favored nuclear, the largest current argument for nuclear--facing competition from gas--has been the environmental one that many conservatives do not embrace.

In pushing nuclear, Mr. Trump may not be able to emphasize its environmental advantages because he has cast doubt on climate change, once describing it as a "hoax."

Other statements from the president-elect, point to a general embrace of traditional conservative values in energy policy. These heavily favor a very light regulatory hand; an acceptance of the assumption that regulation holds back energy development. He may find, in fact, much of the regulation comes from independent agencies like the Nuclear Regulatory Commission, the Federal Energy Regulatory Commission, and the Securities and Exchange Commission and from the states.

While coal could be helped by less regulation (particularly in mining practices such as mountaintop mining), it is unlikely to change the declining domestic market for this fuel. The brightest hope for coal operators is that Mr. Trump will encourage coal exports where possible.

Mr. Trump will, it is believed, take a hard line with the Environmental Protection Agency (EPA) and may seek to abolish it. But that may be hard to do as the new administration comes to learn that the remit of the agency goes far beyond energy and covers many issues like the transportation of chemicals, the remediation of toxic waste sites and the quality of drinking water.

Similar challenges will face the incoming administration when it comes to the DOE. Here the problem for Mr. Trump is that while there are conservatives who would like to scale back the department, this will not be done easily.

The DOE is a sprawling scientific archipelago that involves creating and maintaining the U.S. nuclear weapons capacity and running the world's largest chain of scientific laboratories: the venerable National Laboratories. There are 17 main labs and many other sites not so delineated. The DOE budget in fiscal 2016 is \$30.6 billion, reflecting the scope and diversity of its efforts.

In addition, there are many other DOE nuclear sites that are under remediation, including the sprawling sites at Savannah River, South Carolina, Hanford, Washington and Fernald, Ohio.

The DOE touches many small labs as well as work done in universities--and each of these has its own political constituency. These labs handle everything from small modular reactor (SMR) research and advanced reactor designs, to studying the dynamics of asphalt in potholes. They were responsible for the government's input into shale fracturing (fracking), which has led to the shale oil and gas boom. They also conduct worldwide monitoring to detect nuclear weapons testing.

The DOE under its current secretary, Ernest Moniz, played a key part in negotiating the Iran nuclear deal and monitoring it. By law, the DOE owns all used nuclear fuel in the United States and is charged legally with its ultimate disposal.

The new administration, as it gets to understand the DOE, might want to modify its mission, particularly in the area of renewables and in the funding of the National Renewable Energy Laboratory in Golden, Colorado. Much of the rest will stand, but it may want to close one of the big laboratories as symbol of its hostility to government extravagance.

Only the broad ideological outlines are known, but the implementation is a mystery. Much will depend on the staffing of the DOE, from the secretary down to the assistant secretaries and even the program managers.

Critical to the success of the administration in energy policy will be the funds available, and this depends on Congress.

On the face of it, money will be a huge problem in the Trump administration. He has promised to spend \$1 trillion on infrastructure, to substantially increase military spending and to cut taxes.

Most economists believe that with a last quarter growth rate of 3.2 percent and very little unemployment, it is unlikely that the Trump administration can grow itself out of new deficits. It also is unlikely that Congress will stand for new spending on any programs deemed non-essential.

No one is certain what Mr. Trump and his team will do. A silhouette of his energy policies is perhaps visible at the moment; in time, the remainder will be revealed.

Llewellyn King is executive producer and host of "White House Chronicle," a weekly news and public affairs program on PBS. He was the founder of The Energy Daily, which he published for 33 years.

Global America Business Institute | 1001 Connecticut Avenue NW, Suite 435,
Washington, DC 20036 | 202-499-7979 | FLL@thegabi.com | www.thegabi.com

STAY CONNECTED:

