



U.S. Election



# Federal Climate Outlook

October 2024

## Foreword

**Climate is on the ballot this year as the upcoming U.S. elections pose a key question for whether voters will choose to continue President Biden's accelerated decarbonization or potentially pursue some rollbacks of Biden era policy, especially as it has become an increasingly partisan challenge. This is critical for not only the U.S., but globally, as the U.S. is both the world's second largest CO<sub>2</sub> emitter and a key player in the global economy. In this two-part series we explore this at first a federal level and then at the state level in our second instalment.**

**Part One:** At the federal level, we first demonstrate how past presidencies have impacted the climate trajectory of the U.S. and the legacy left by President Biden for the next elected U.S. president. Following this, we model three key scenarios for the upcoming presidential elections, which are Trump with a Republican Senate, Trump with a Democratic Senate, and Harris Elected. Each of these scenarios have significant and varying implications for the U.S.' decarbonization progress both in the medium and long term, especially as federal level policy has the potential to uniformly increase national standards for climate policy.

**Part Two:** Comparatively, the second instalment takes a more granular approach by analyzing state level policy through our scoring of every state's climate policy credibility and durability. This identifies how mature different states are progressing climate policy across the nation as well as the rollback risk of any policy under future leadership from the governor and state legislature. This is particularly critical for those looking to determine how stable the investment environment is for those deploying green capital.

Together, these publications provide a view of the challenges and opportunities ahead as the trajectory of climate action in the U.S. is reshaped, with profound implications on a state, federal, and even global level.



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## 2024 Elections: Climate on the ballot

Seats and offices up for election in 2024

### Part 1: Federal



Senate

33/100



House

All



Presidential

Yes

### Part 2: State



Gubernatorial

13/51

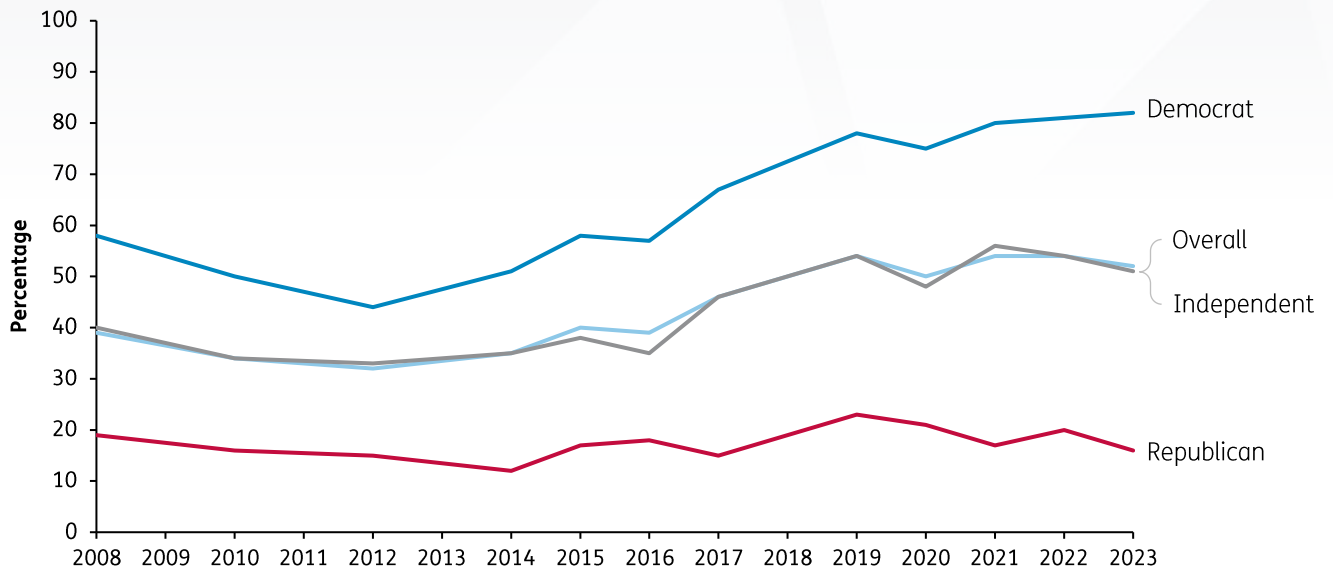


State Legislature

44/51

## Voter polarization: climate is a point of division between republicans and democrats







Percentage of survey respondents that consider climate change a critical threat



## Previous Federal Overview

### Energy transition influenced by federal policy

Federal policy influence on the energy transition

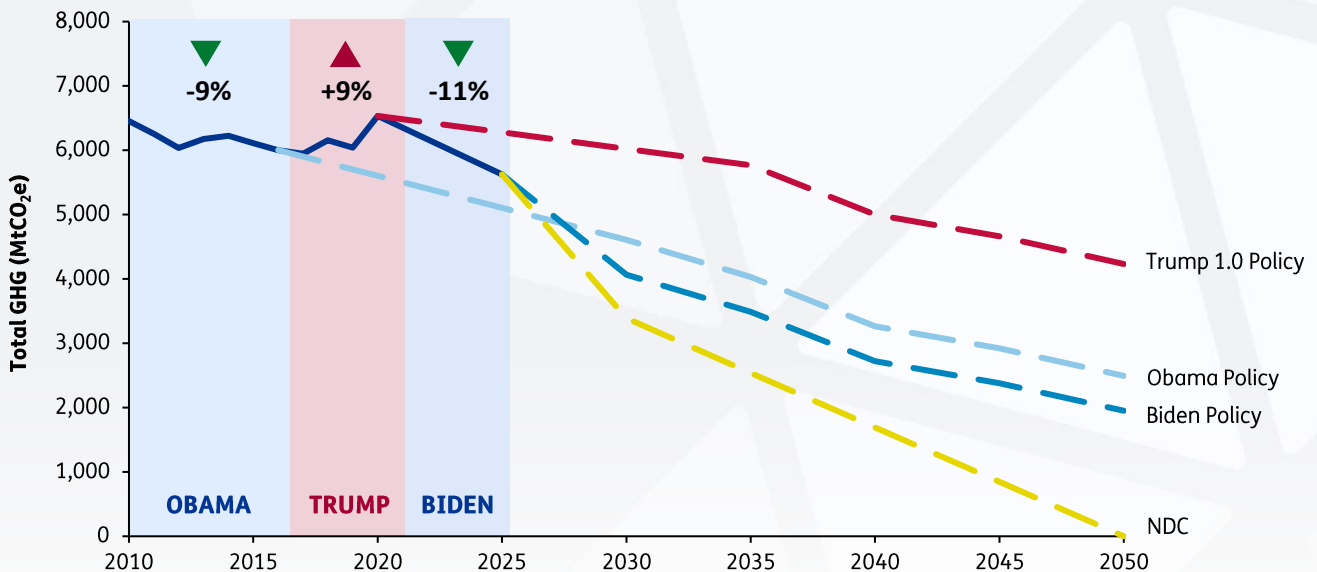
	Legislation	Executive orders	Regulatory (EPA*)	Climate impact
<b>Obama</b> 2008-2016 	<b>LOW</b> The 2009 American Recovery and Reinvestment Act, although not exclusively energy focused, included unprecedented renewables generation investment.	<b>HIGH</b> 2015 EO 13693 commitment to cut federal GHG emissions 40% by 2025, relative to 2008 levels and increase federal electricity consumption from renewable sources to 30%.	<b>HIGH</b> Adopted the Clean Power Plan to reduce CO <sub>2</sub> emission 32% below 2005 levels, by 2030, providing the legal ability to regulate carbon emissions.	<b>MEDIUM POSITIVE</b> 
<b>Trump</b> 2016-2020 	<b>LOW</b> Passed legislation on environmental protection, but no anti-climate legislation passed.	<b>HIGH</b> 2017 EO 13783 to dismantle key federal climate change actions, including regulations within Obama's Clean Power Plan.	<b>HIGH</b> 2021 budget cut of 26% to the EPA and replacement of the Clean Power Plan with the Affordable Clean Energy Act that undermined critical climate stipulations.	<b>MEDIUM NEGATIVE</b> 
<b>Biden</b> 2020-2024 	<b>HIGH</b> 2022 Inflation Reduction Act, the most significant action of Congress on clean energy and climate change in the nation's history.	<b>HIGH</b> 2021 EO 13990 declared the Administration's policy to listen to the science and improve public health and the environment.	<b>HIGH</b> 2024, the EPA announced a set of rules to reduce pollution from fossil fuel-fired power plants to protect communities from pollution and improve public health without disruption the delivery of reliable electricity.	<b>HIGH POSITIVE</b> 

\*EPA is the Environmental Protection Agency which regulates the use of pollutants and is responsible for protecting human and environmental health.

## Policy projected emissions

Policy has played and will continue to play a central role in directing emissions reductions across the U.S.

### Presidential Policy Impact on Emissions



Source: U.S. Department of Energy, U.S. National Archives, Baringa Analysis

## Impact of the Inflation Reduction Act

Biden has established the most notable piece of climate legislation to date – the Inflation Reduction Act – which will result in lasting decarbonization progress.

### Biden Policy Overview

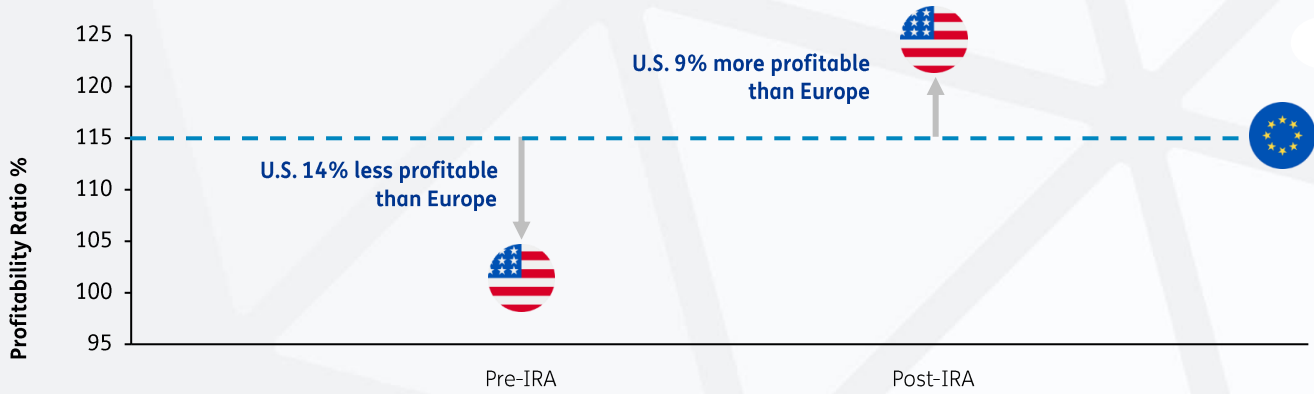
- ▲ **Legislated Emissions Targets:** *Inflation reduction act:* subsidy program for clean energy, climate mitigation and resilience, agriculture, and conservation. This has included \$369bn in subsidies through grants, loans and tax credits to public and private entities. A key stated goal of the act is to reduce carbon emissions by around 40 percent by 2030.
- ▲ **Energy Infrastructure Development:** *Bipartisan infrastructure law:* A bipartisan package spending significant capital on infrastructure development with a focus on transport, water and power access. The bill stipulates infrastructure development ought to be in line with climate mitigation efforts.
- ▲ **Stricter Vehicle Emissions Regulations:** *EPA emissions standards:* Mandated new pollution standards for light-duty and medium-duty vehicles produced in the U.S. between 2027 and 2032 that is designed to reduce emissions.
- ▲ **Re-alignment to International Climate Progress:** *rejoined the Paris Agreement:* Biden reversed Trumps decision to leave the Paris Agreement on his first day in office, recommitting the U.S. to international global warming limits.

### Key Targets:

Carbon pollution-free power sector by 2035, net zero emissions economy by no later than 2050, 500,000 EV chargers by 2030 and 50% of new car sales as EVs by 2030.



The IRA pushes U.S. profitability higher than Europe, for onshore wind



**Notes:** merchant profitability only. Capacity buildout is not incorporated in this analysis. . Renewable technologies analysed are onshore wind, offshore wind, and solar, as relevant.

**Source:** Baringa power market analysis

## Future Federal Overview

### 3 Critical Election Scenarios

Federal landscape outlook



**Trump with a Democratic Senate**  
 Trump's climate rollbacks tempered by a democratic senate



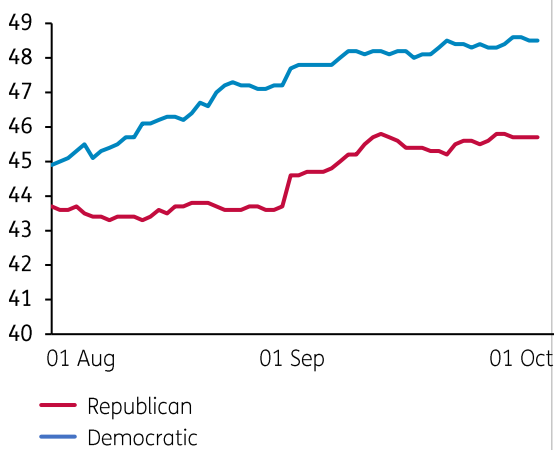
**Trump with a Republican Senate**  
 Trump's climate rollback extended by a republican senate



**Harris elected**  
 Harris elected and progressive climate policy pursued by the president

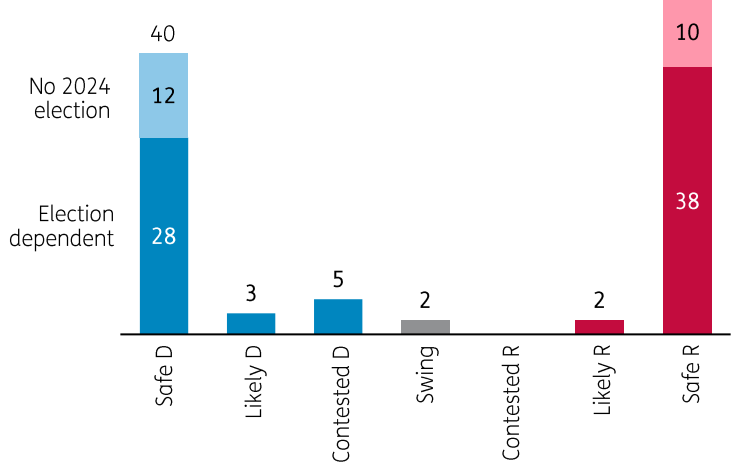


Presidential polling favoring Harris



**Source:** Schroders Economic Group

Republican leaning senate

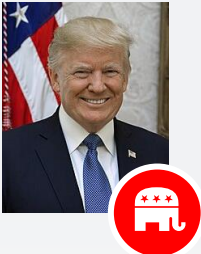







**Source:** Ballotpedia (July 2024)

## Election Scenarios: Harris vs Trump 2.0

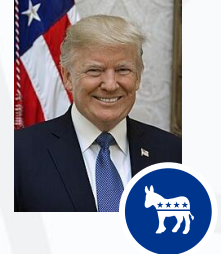
Conducted analysis reveals that if elected, Republican Government (2024–2028) would have less impact on U.S. transition trajectory in comparison to the impact of 2016–2020 presidential term.

### Future Policy Scenarios

	Legislation	Executive orders	Regulatory (EPA)	Climate impact
<b>Trump with a Republican Senate</b> 	<b>ROLLBACK RISK</b> IRA is repealed and Trump can push an anti-climate agenda without the IRA’s constraints, potentially also pushing through new anti-climate legislation.	<b>O&amp;G STIMULATIVE</b> EOs used to protect traditional energy assets and rollback policy to be in line with his previous term, as much as is possible.	<b>RESTRAINED</b> Republican agency administrator is appointed by Trump and approved by the Senate, facilitating a reduction in non-renewables regulation.	<b>HIGH NEGATIVE</b> 
<b>Trump with a Democratic Senate</b> 	<b>STATUS QUO</b> IRA cannot be repealed and Trump struggles to pass any new legislation.	<b>REDUCED EOs</b> EOs constrained by IRA legislative stipulations, though will use EOs to influence non-legislated climate policy.	<b>DEFUNDED</b> Trump’s EPA bound by IRA rules over Trump policy, so status quo regulatory stipulations largely maintained. Budget likely cut, reducing regulatory efficacy of the EPA.	<b>LOW NEGATIVE</b> 
<b>Harris elected</b> 	<b>STATUS QUO</b> Continue to support and expand IRA. Unlikely to pursue significant new climate legislation.	<b>EXPANDED</b> EOs utilized for furthering climate policy, likely to stipulate interim targets related to the IRA and boost climate policy.	<b>EXPANDED</b> Reinforce regulatory restrictions for carbon and expand EPA funding to facilitate further renewables deployment.	<b>MEDIUM POSITIVE</b> 

## Election Scenarios: Trump with a Democratic Senate

Tempered climate rollbacks and influence over IRA is limited, as Trump is cornered by existing legislation and climate pressure from a democratic senate.



### Policy potential

#### Priorities:

- ▲ Protect oil and gas industries to maintain jobs and economic growth from the industry and approve new projects where possible.
- ▲ Prevent ICE bans mandated on both the federal and state level.
- ▲ Block financial incentives for renewables and minimize influence of IRA over the U.S. energy trajectory.

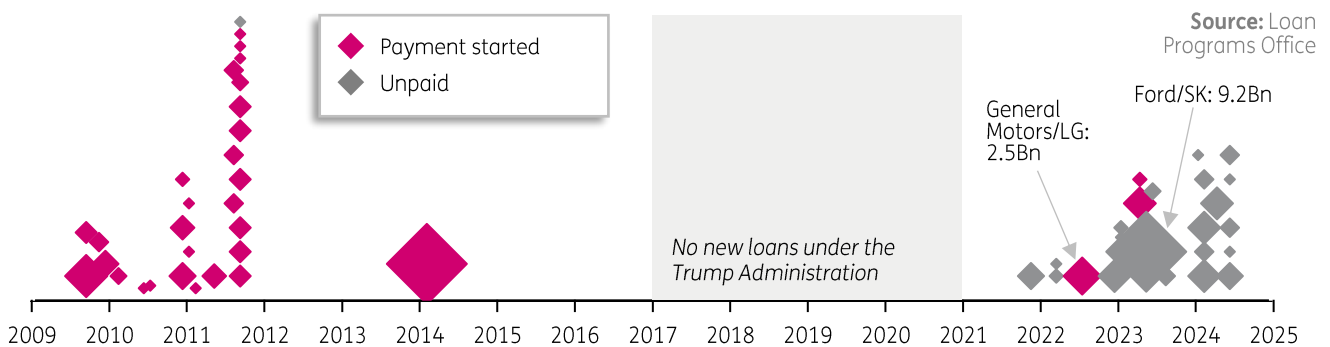
#### Areas of influence:

- ▲ **Social:** Trump's spreading of disinformation about adverse health effects of renewables and EVs will create further local pushback against decarbonization.
- ▲ **Legal:** there are currently lawsuits against oil & gas industry for global warming damages, which Trump is likely to block so that the industry can remain as operational and profitable as possible.
- ▲ **Existing Legislation Tightening:** the executive authority allows changes to implementation of the IRA, so can delay climate progress. Although Trump could not block funds, presidential power allows him to influence whether fund applications are approved and delay any approvals. In addition to this, through changing definitions included in IRA stipulations, eligibility for funds can also be altered and tightened, making funding harder to access.
- ▲ **Regulatory:** repeal EPA EV mandates, which stipulate emissions standards and EV targets, as well as the related EV incentives. This would likely be an immediate priority as a number of republican states are already pressuring the EPA to rescind the regulation, however, any incentives rollbacks will damage U.S. EV competitiveness with China, challenging Trumps wider protectionist economic policies.

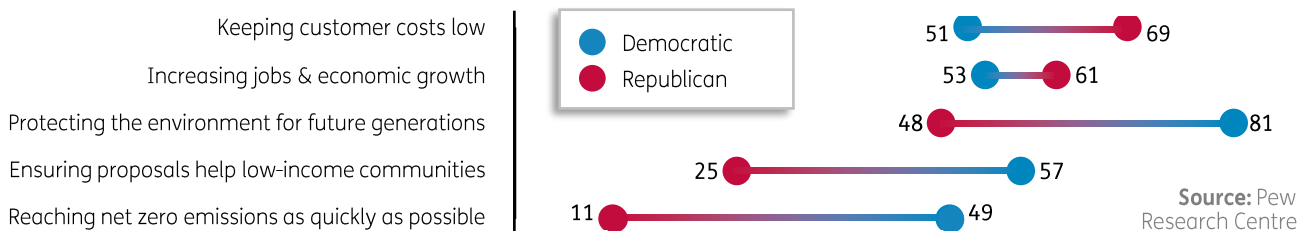
#### International angle:

Trump's protectionism against Chinese trade will increase cost of transition if coupled with delayed IRA funding, since renewables companies will struggle to access federal funding for the more expensive U.S. materials and manufacturing, as well as not have access to cheaper Chinese options. As in Trumps previous presidency, he is likely to back out of the Paris Agreement and remove or reduce the U.S. funding of international climate change initiatives.

**Trump is likely to refocus climate policy on keeping customer costs low, protecting oil and gas jobs, and economic growth, at the expense of the speed of progressing towards climate targets.**

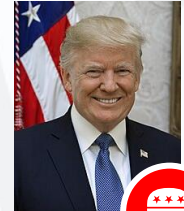


#### Percentage of votes that consider the following topic as critical



## Election Scenarios: Trump with a Republican Senate

**Mandate to rollback Biden era policy and refocus policy priorities away from climate progress. These policies will likely occur in addition to those taken under the Trump with a Democratic Senate scenario.**



### Policy potential

#### Priorities:

- ▲ Facilitate fossil fuel development through reversing Biden incentives and regulations, as well as approving increased oil drilling in the gulf of Mexico and Alaskan arctic.
- ▲ Repeal IRA and establish policy to prevent incentivized decarbonization, namely opposing renewable tax credits at a federal level.

#### Areas of influence:

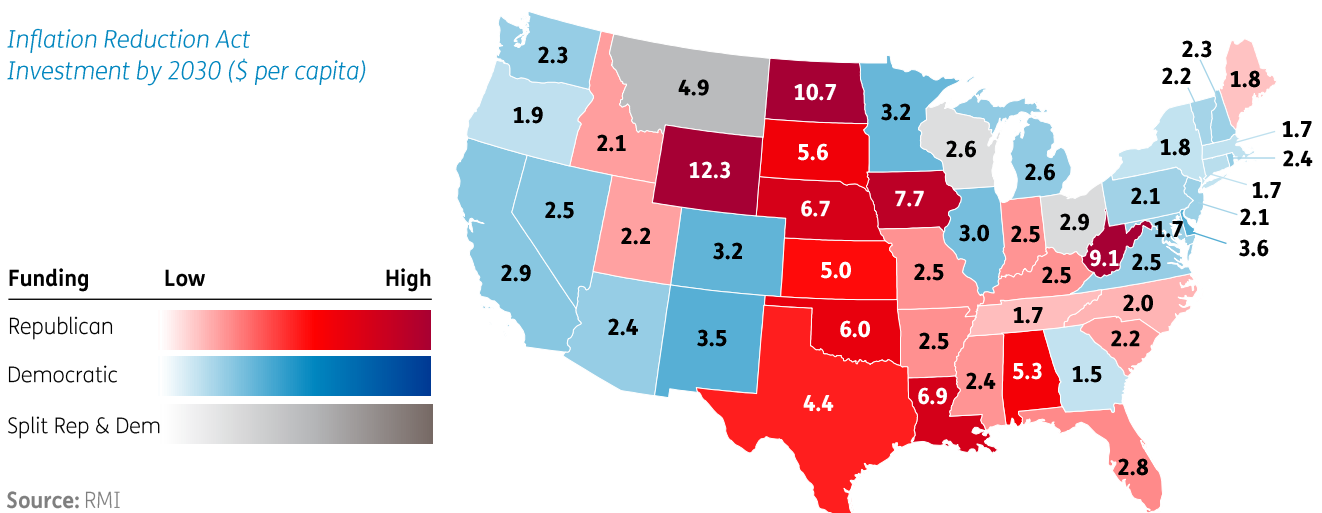
- ▲ **Repeal IRA:** repealing legislation is notoriously challenging, but becomes a possibility if republicans win the senate. If Trump does attempt this, this will potentially cause backlash from several republican states that are currently benefiting from IRA funding. If the IRA were to be repealed, it would significantly damage long term U.S. trajectory towards decarbonization.
- ▲ **Restructure EPA:** in order to reduce the efficacy of climate regulation and rollback non-legislated regulatory stipulations, instead refocusing on Trump's more economically oriented policies, which would cause a delay to climate progress across the U.S. This will likely include delaying the coal retirement by pushing back the deadline, which will result in a number of more stubborn units staying online for as long as possible, despite the policy only being delayed rather than destroyed. Thought this will likely be re-instated post-2030 and result in only a four-year delay of decommissioning in the long-term.
- ▲ **Fossil Fuel Expansion:** through streamlining the permitting process and limiting the environmental approval process. This will likely facilitate the approval and the speed of development of fossil fuel projects, particularly in the gulf of Mexico and the Alaskan arctic. Oil and gas development will also grant the U.S. a stronger foothold in the global fuels market, which aligns to Trumps international trade and economic development goals.
- ▲ **Environmental Decentralization:** rolling back climate policy on a federal level to grant states more ability to decide their climate progress and policy without federal intervention, for example rolling back the federal EV mandate that requires two-thirds of all new cars and trucks sold in the U.S. to be electric in just eight years.

#### International angle:

Back out of international agreements, such as the Paris Agreement, as done under Trumps previous presidency  
Increase protectionism against Chinese trade, which will cause a slow in renewables deployment as prices will increase, especially if coupled with a reduction in funding.

**Republican states key beneficiaries of IRA funding, IRA repeal is unlikely to be universally supported by republican state senators.**

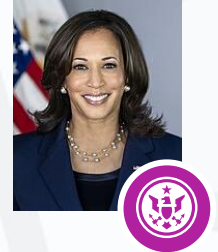
*Inflation Reduction Act  
Investment by 2030 (\$ per capita)*





## Election Scenarios: Harris Elected

A democratic re-election would renew their mandate to pursue a progressive climate agenda under Harris. This would likely prioritize meeting already ambitious targets, ensuring recently implemented policies under Biden are successful, and creating clean energy jobs.



### Policy potential

#### Priorities:

- ▲ Meeting ambitious targets laid out in previous policy, including the IRA, especially focusing on emissions reduction and renewables deployment.
- ▲ Protecting vulnerable communities through a just transition and focusing on creating green jobs.

#### Areas of influence:

- ▲ **Funding:** ensure funding through the EPA is used and potentially extending funding for renewables deployment. This is especially critical as the U.S. continues to protect its manufacturing against cheaper Chinese manufactured components, and thus funding helps bridge this expense gap and begin the separation of economic growth from traditional economic growth, which are historically correlated.
- ▲ **Regulation:** further restrict carbon heavy sectors and rejection of new fossil fuel projects or infrastructure that cannot meet decarbonization goals.
- ▲ **Jobs and transition equality:** create further regulation to protect at risk communities from the adverse effects of an accelerated transition, centered around creating job security and opportunity in areas traditionally reliant on fossil fuel employment, while also providing security to areas most impacted by climate change.
- ▲ **Vehicle Emissions:** given the recent pushback from republican states on federal vehicle emissions restrictions and ambitious EV targets, Harris would likely use the election as a point of approval to push recently stalled regulatory progress.

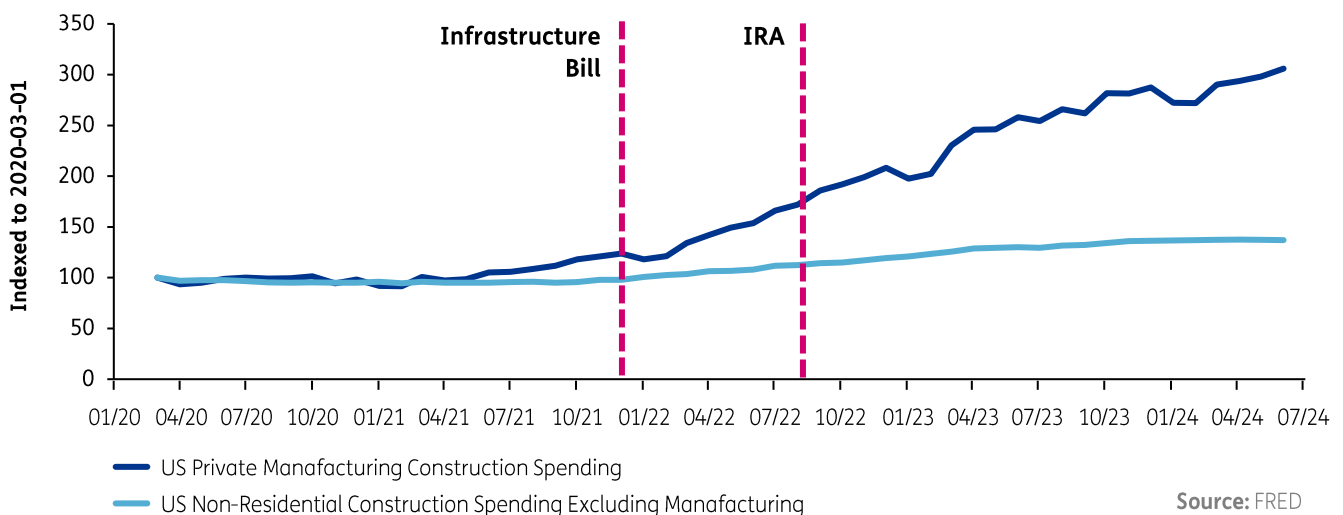
#### International angle:

Harris has long been a proponent of international cooperation, so will likely remain part of Paris agreement and continue to fund international decarbonization efforts. Likely to maintain protectionist measures against Chinese imports, and thus will keep funding to ensure that a transition is economically viable.

### Democratic policy will likely continue to focus on green jobs for a just transition.

Increased manufacturing capacity affords the U.S. more potential to provide domestic sourcing of key clean technology components, reducing exposure to foreign manufacturers and providing green jobs at home.

U.S. Factory construction spending post the Infrastructure Bill and the IRA



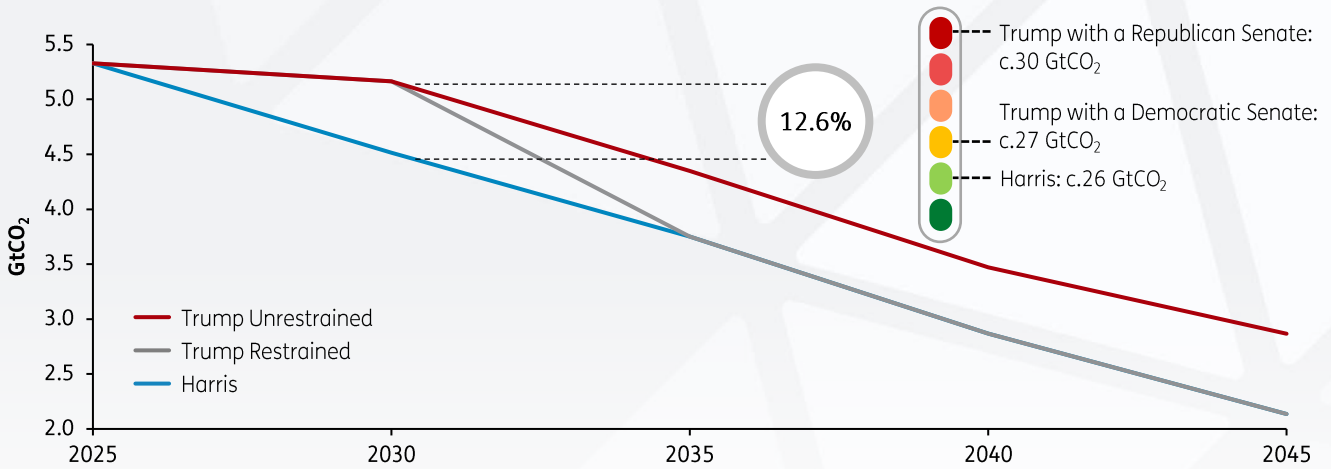
## Emissions and Elections

The analysis reveals that a possible Harris has the quickest emissions reduction trajectory, while Trump with a Democratic Senate only has a delayed trajectory, that has higher net emissions over the period. In contrast Trump with a Republican Senate has the power to significantly alter the emissions trajectory due to a reduction in EV deployment and an extension of carbon source power.

### Economy Wide Emissions

U.S. Economy Wide Emissions for the Three Election Scenarios

U.S. Cumulative Emissions 2020-2050



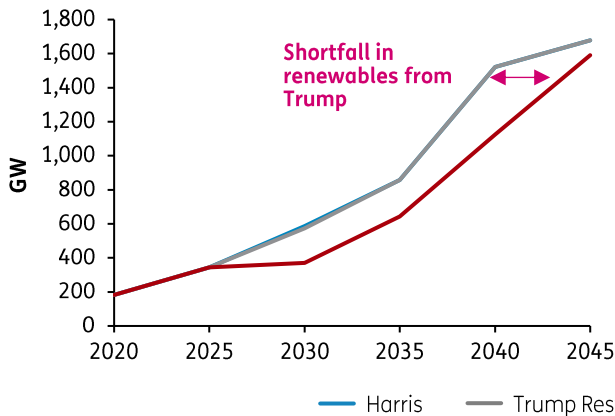
Source: Baringa analysis

## Converging Power Sector Decarbonization

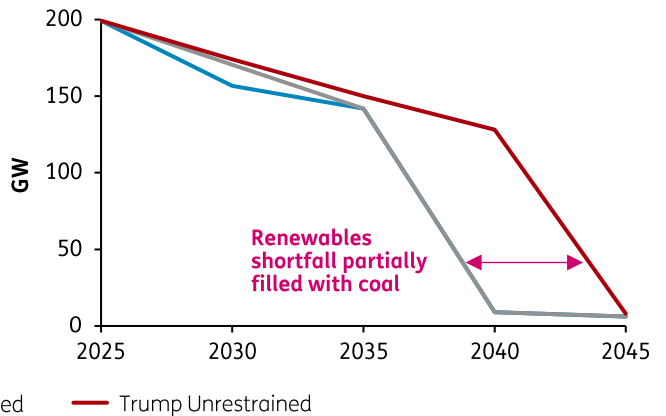
**Harris and Trump with a Democratic Senate long term renewables and coal decommissioning both trend towards decarbonization, while Trump with a Republican Senate only returns to the pathway post-2045.**

Harris will accelerate decarbonization in attempt to meet federal targets. Trump with a Republican Senate will delay, but not avert, progress towards decarbonization. This is due to a delay in coal decommissioning which will cause a slow in renewables development, which will eventually return to the Harris scenario in the medium run after the effects Trumps Presidency are largely reverted. Trump with a Democratic Senate most dramatically decelerates renewables deployment due to the extension of coal, which will slow decarbonization in the long-run.

U.S. Renewables Deployment



U.S. Coal Decommissioning



Source: Baringa analysis

## Our services and experts

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### Policy, regulation and risk

Our team of economists and energy experts assess country, policy and regulatory risk for asset owners and developers.

Baringa's global Climate Base Case provides a house view of the most likely course of the energy transition, utilizing our sector level Credibility & Durability methodology to optimize the deployment of capital into the energy transition.



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