

On November 5, millions of Americans will head to the polls for a high-stakes election. As the head of a company with a growing business in the US and a track record of working on energy transition projects in North America, I will be closely watching the results and analysing what it means for Xodus ▶

US in Focus / October 2024

A HIGH-STAKES ELECTION IN THE US

As was the case with the recent UK election, energy, and specifically the Inflation Reduction Act (IRA), has been one of the key debates between Kamala Harris and Donald Trump.

Harris is a supporter of Joe Biden's flagship climate bill, the IRA and we are taking it as read that she will continue the policy of expanding offshore wind energy, and renewables more widely, providing further leasing rounds and subsidies.

On the other hand, Trump has stated that he will pull back any unused IRA funds and his Republican Administration is expected to deliver a shot in the arm for the oil and gas sector.

Energy policy needs to balance affordable, reliable and clean energy for the different needs of each state and community must be everyone's priority. Polar views are difficult to act on. In practice, we believe there's a strong likelihood that energy policy will fall somewhere in between these rather disparate positions. The nature of the US political system is such that irrespective of who becomes President, they will need to make concessions to build support for any proposed laws. A clear example of this is the IRA Bill itself, which was amended to include protections for the oil and gas industry so that the bill could progress without hardline opposition from certain Senators.

Both major parties are yet to explicitly outline their energy policy, so uncertainty will invariably remain beyond the election and well into next year. This potential for a political overhaul makes doing business tough, and I'm sure many will be happy when it's over, meaning planning for the future is easier.

Irrelevant of whether Harris or Trump get the keys to the White House, Xodus' commitment to North America and its energy sector remains steadfast, demonstrated by the recent appointment of Kader Dicko as Regional VP Americas based in our Houston office.

America still matters globally, and uncertainty in policy impacts us all and our own transition management. There can be no energy transition without the US and as a global consultancy we will use our expertise to drive positive change in all the regions we operate ■

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NOT A CASE OF EITHER/OR

US politics is often seen as an either/or choice between two parties with polarised views, but history tells us that the reality is far more complex.

It was George H. W. Bush who established production tax credits focussed on renewable energy; an issue now viewed as the reserve of Democratic administrations. Indeed, under his son, George W. Bush, the US became a world leader in wind energy generation and the Department of Energy was tasked with assessing how wind could contribute 20% of the nation's electricity supply.

More recently clean energy has become hugely political. Diversifying the electricity portfolio delivers a shot in the arm to energy security, particularly when it's an indigenous energy source with stable prices that aren't subject to fuel volatility. Admittedly, with the scale of clean energy required to power the US is vast, and the demand for energy growing, renewables won't provide energy security on their own, but rather as part of a system that includes gas and nuclear.

The future US energy landscape will be influenced by the outcome of the upcoming election, but federal policy intervention is only part of the equation. Half of the growth in US renewable energy generation since the turn of the century can actually be linked to state-level renewable energy requirements.

This clearly demonstrates that momentum for low-carbon investment can be independent of federal government. The majority of states have, at some

point, rolled out a Renewable Portfolio Standard (RPS) or Clean Energy Standard (CES) – the definitions of “renewable” and “clean energy” differ from state to state – that mandates the increased production of low carbon sources. Although some have allowed their RPS targets to expire, more than half of all states still have a legislated or voluntary standard in place.

Since 2018, 19 states have passed legislation to increase or expand their renewable or clean energy targets, including 15 states setting a target for 100% clean or renewable portfolio requirements, with deadlines ranging between 2030 and 2050. State-level RPSs and other voluntary renewable energy targets, alongside federal production tax credits, supported wind and solar capacity expansions of over 13% a year on average, between 2016 and 2020, during the last Trump administration. This is backed up by recent analysis from Rystad that found Republican-leaning states are unlikely to scrap their clean energy projects and jobs, no matter who is elected.

Regardless of the outcome of the next election, the path forward for renewable energy will largely depend on the continued efforts of individual states and market dynamics. At a federal level, compromise is a cornerstone of US politics and there will invariably have to be some give and take on energy policy if the administration is to avoid a stalemate ■

AN UNCERTAIN FUTURE FOR OFFSHORE WIND IN US WATERS

Undoubtedly, the US offshore wind industry has been dealt a blow by increases in the prices of material and supply chain costs, making multiple projects uneconomical at previously agreed power purchase prices with state governments. Tight economics, as well as challenges in technology and supply chain bottlenecks, pose risks regardless of who is in the Oval Office, but these are navigable.

As always, the only certainty is uncertainty, and the outcome of the impending presidential election will emphatically shape the trajectory of the US offshore wind industry, influencing everything from regulatory frameworks to investment climates.

If Kamala Harris wins, then she will invariably continue the Biden administration's push for clean energy, including offshore wind. This will include leaning on the IRA and the 2021 Bipartisan Infrastructure Deal, which committed over \$65bn for transmission and grid infrastructure to facilitate expansion of renewables.

Provision of funding and resources to expedite project approvals is also expected, with the administration emphasising the creation of jobs and economic benefits in the clean energy sector, benefiting communities across the country. What is key though will be Harris' ability to provide regulatory stability for investors and developers; that's what will lead to a step change in deployment.

If Donald Trump wins there could be a defined impact on federal processes, with permitting delays for new offshore wind projects possible, as well as the slowing or preventing of new lease sales. States may need to investigate alternative approaches to meet their RPS goals, or simply park their targets. Many local communities have already felt the benefits of progress and investments made in clean energy though, and the administration would need to prevent a backslide on this or risk losing voters.

Regardless of the outcome of this election, the need for federal action will remain. The US doesn't want to lose its competitive advantage and fall behind the rest of the world in a rapidly changing energy landscape. Ambitions to reduce the nation's dependence on imported energy and lower the costs to consumers hinge, in part, on the accelerated deployment of clean energy, and whoever emerges victorious after November 5 will be faced with the same challenge – making best use of taxpayer dollars to create economic benefit ■

