

# Policy matters: U.S. election could impact renewables and electric vehicles

In the Loop  
June 2024



## Key Insights

- Biden and Trump have divergent priorities for energy and transportation policy. The biggest potential impacts are in power generation and electric vehicles (EVs).
- Reducing carbon emissions and developing America's green economy are still high on Biden's agenda.
- Trump is likely to favor traditional energy sources. Trade tariffs and how the Inflation Reduction Act is implemented could impact EVs and renewables.



**Gil Fortgang**  
Washington Associate  
Analyst, U.S. Equity Division

**T**he U.S. presidential candidates have outlined starkly different priorities for energy and transportation policy.

- Reducing carbon emissions and developing America's green economy are still high on Democrat Joe Biden's agenda.
- Republican Donald Trump, meanwhile, has highlighted his commitment to unleashing traditional U.S. energy resources.

How these contrasting agendas could translate into governmental action bears close watching. Policy divergences on renewable energy and electric vehicles (EVs) have the potential to be the most impactful for companies and investors.

## More of the same for energy and transportation in Biden act II

The election will have important implications for the Inflation Reduction Act (IRA). This signature legislation, passed during President Biden's second year in office, uses direct payments and tax credits to promote the greening of U.S. industry over the coming decade.

A Biden reelection likely would ensure that the IRA is implemented in ways that align with his policy objectives, providing clarity and support for renewables, EVs, and other clean-energy technologies.

On the regulatory front, we would expect a second Biden administration to keep restrictions on leasing public lands

**“** A Biden reelection likely would ensure that the IRA is implemented in ways that align with his policy objectives....

and waters for energy drilling. Efforts to reduce greenhouse gas emissions from transportation, power plants, and oil and gas operations would also continue.

Any push for permitting reform on energy infrastructure likely would emphasize electricity transmission. Grid upgrades will be critical to system reliability as electricity demand grows and renewable power sources are brought online.

### Risk of IRA reductions with a Trump win

Despite Trump's criticisms of the IRA, a full repeal of the law could prove challenging even if Republicans also control the U.S. Senate and House of Representatives. Many of the states that voted for Trump in the 2020 election are benefiting from the IRA as its incentives—especially for advanced manufacturing—drive project announcements in their communities.

Changes to specific elements of the IRA appear more likely. The makeup of Congress could influence the potential pathways for these adjustments and their complexion:

- Republican control of both congressional chambers would open the door for repeal of certain tax credits. This option might be more politically palatable than repealing the law completely.
- Executive action would be the most expedient approach. As president, Trump could limit or expand access to certain programs by directing the federal agencies implementing the law to revise their guidelines.

Uncertainty is high, and the range of potential outcomes is wide. Nevertheless, Trump's policy priorities suggest that certain areas of the IRA could be more at risk for targeted action than others.

- **Electric vehicles:** Items that boost EV affordability would likely be at highest risk.

Trump appears to view these supports as a headwind for traditional U.S. automakers and fossil fuel industries and a possible boon to foreign countries that figure prominently in EV supply chains.

- **Renewables:** Trump's election could pose medium risks to tax credits for wind and solar power, potentially creating uncertainty for utilities and renewable energy developers.
- **Hydrogen:** Tax credits could be broadened in a Trump presidency to make them easier to access for projects that use natural gas to produce hydrogen.

### Deregulation and trade disruption could be key themes in Trump act II

All signs point toward Trump renewing his push to reduce the regulatory burden on fossil fuels in his second term.

Rolling back tighter emission rules and drilling restrictions advanced by the Biden administration would likely be on the agenda. Permitting reform could also place more of an emphasis on fossil fuel-related infrastructure. These moves would benefit the energy sector at the margin.

Meanwhile, Trump's preference for trade tariffs and possible efforts to crack down on the re-exportation of Chinese goods through other countries could increase costs for EVs and renewable energy.

### Bottom line

The outcome of the U.S. presidential election could have important implications for America's energy transition and efforts to reduce the economy's carbon emissions. For investors, the biggest potential impacts are likely in EVs and electricity generation.

“

...Trump's policy priorities suggest that certain areas of the IRA could be more at risk for targeted action than others.

## INVEST WITH CONFIDENCE™

T. Rowe Price identifies and actively invests in opportunities to help people thrive in an evolving world, bringing our dynamic perspective and meaningful partnership to clients so they can feel more confident.

---

### Important Information

**This material is being furnished for general informational and/or marketing purposes only.** The material does not constitute or undertake to give advice of any nature, including fiduciary investment advice, nor is it intended to serve as the primary basis for an investment decision. Prospective investors are recommended to seek independent legal, financial and tax advice before making any investment decision. T. Rowe Price group of companies including T. Rowe Price Associates, Inc. and/or its affiliates receive revenue from T. Rowe Price investment products and services. **Past performance is not a reliable indicator of future performance.** The value of an investment and any income from it can go down as well as up. Investors may get back less than the amount invested.

The material does not constitute a distribution, an offer, an invitation, a personal or general recommendation or solicitation to sell or buy any securities in any jurisdiction or to conduct any particular investment activity. The material has not been reviewed by any regulatory authority in any jurisdiction.

Information and opinions presented have been obtained or derived from sources believed to be reliable and current; however, we cannot guarantee the sources' accuracy or completeness. There is no guarantee that any forecasts made will come to pass. The views contained herein are as of the date written and are subject to change without notice; these views may differ from those of other T. Rowe Price group companies and/or associates. Under no circumstances should the material, in whole or in part, be copied or redistributed without consent from T. Rowe Price.

The material is not intended for use by persons in jurisdictions which prohibit or restrict the distribution of the material and in certain countries the material is provided upon specific request. It is not intended for distribution to retail investors in any jurisdiction.

**DISCLOSURE CONTINUES ON THE FOLLOWING PAGE.**

---

## Important Information (cont.)

**Australia**—Issued by T. Rowe Price Australia Limited (ABN: 13 620 668 895 and AFSL: 503741), Level 28, Governor Phillip Tower, 1 Farrer Place, Sydney NSW 2000, Australia. For Wholesale Clients only.

**Brunei**—This material can only be delivered to certain specific institutional investors for informational purpose only. Any strategy and/or any products associated with the strategy discussed herein has not been authorised for distribution in Brunei. No distribution of this material to any member of the public in Brunei is permitted.

**Canada**—Issued in Canada by T. Rowe Price (Canada), Inc. T. Rowe Price (Canada), Inc.'s investment management services are only available to Accredited Investors as defined under National Instrument 45-106. T. Rowe Price (Canada), Inc. enters into written delegation agreements with affiliates to provide investment management services.

**Colombia, Chile, Mexico, Perú, Uruguay**—This material is prepared by T. Rowe Price International Ltd - Warwick Court, 5 Paternoster Square, London, EC4M 7DX which is authorised and regulated by the UK Financial Conduct Authority - and issued and distributed by locally authorized distributors only. For professional investors only.

**DIFC**—Issued in the Dubai International Financial Centre by T. Rowe Price International Ltd which is regulated by the Dubai Financial Services Authority as a Representative Office. For Professional Clients only.

**EEA**—Unless indicated otherwise this material is issued and approved by T. Rowe Price (Luxembourg) Management S.à r.l. 35 Boulevard du Prince Henri L-1724 Luxembourg which is authorised and regulated by the Luxembourg Commission de Surveillance du Secteur Financier. For Professional Clients only.

**Hong Kong**—Issued in Hong Kong by T. Rowe Price Hong Kong Limited, 6/F, Chater House, 8 Connaught Road Central, Hong Kong. T. Rowe Price Hong Kong Limited is licensed and regulated by the Securities & Futures Commission. For Professional Investors only.

**Indonesia**—This material is intended to be used only by the designated recipient to whom T. Rowe Price delivered; it is for institutional use only. Under no circumstances should the material, in whole or in part, be copied, redistributed or shared, in any medium, without prior written consent from T. Rowe Price. No distribution of this material to members of the public in any jurisdiction is permitted.

**Korea**—This material is intended only to Qualified Professional Investors. Not for further distribution.

**Mainland China**—This material is provided to qualified investors only. No invitation to offer, or offer for, or sale of, the shares will be made in the mainland of the People's Republic of China ("Mainland China", not including the Hong Kong or Macau Special Administrative Regions or Taiwan) or by any means that would be deemed public under the laws of the Mainland China. The information relating to the strategy contained in this material has not been submitted to or approved by the China Securities Regulatory Commission or any other relevant governmental authority in the Mainland China. The strategy and/or any product associated with the strategy may only be offered or sold to investors in the Mainland China that are expressly authorized under the laws and regulations of the Mainland China to buy and sell securities denominated in a currency other than the Renminbi (or RMB), which is the official currency of the Mainland China. Potential investors who are resident in the Mainland China are responsible for obtaining the required approvals from all relevant government authorities in the Mainland China, including, but not limited to, the State Administration of Foreign Exchange, before purchasing the shares. This document further does not constitute any securities or investment advice to citizens of the Mainland China, or nationals with permanent residence in the Mainland China, or to any corporation, partnership, or other entity incorporated or established in the Mainland China.

**Malaysia**—This material can only be delivered to specific institutional investor. This material is solely for institutional use and for informational purposes only. This material does not provide investment advice or an offering to make, or an inducement or attempted inducement of any person to enter into or to offer to enter into, an agreement for or with a view to acquiring, disposing of, subscribing for or underwriting securities. Nothing in this material shall be considered a making available of, solicitation to buy, an offering for subscription or purchase or an invitation to subscribe for or purchase any securities, or any other product or service, to any person in any jurisdiction where such offer, solicitation, purchase or sale would be unlawful under the laws of Malaysia.

**New Zealand**—Issued by T. Rowe Price Australia Limited (ABN: 13 620 668 895 and AFSL: 503741), Level 28, Governor Phillip Tower, 1 Farrer Place, Sydney NSW 2000, Australia. No Interests are offered to the public. Accordingly, the Interests may not, directly or indirectly, be offered, sold or delivered in New Zealand, nor may any offering document or advertisement in relation to any offer of the Interests be distributed in New Zealand, other than in circumstances where there is no contravention of the Financial Markets Conduct Act 2013.

**Philippines**—ANY STRATEGY AND/ OR ANY SECURITIES ASSOCIATED WITH THE STRATEGY BEING DISCUSSED HEREIN HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES REGULATION CODE. ANY FUTURE OFFER OR SALE OF THE STRATEGY AND/ OR ANY SECURITIES IS SUBJECT TO REGISTRATION REQUIREMENTS UNDER THE CODE, UNLESS SUCH OFFER OR SALE QUALIFIES AS AN EXEMPT TRANSACTION.

**Singapore**—Issued by T. Rowe Price Singapore Private Ltd. (UEN: 201021137E), 501 Orchard Rd, #10-02 Wheelock Place, Singapore 238880. T. Rowe Price Singapore Private Ltd. is licensed and regulated by the Monetary Authority of Singapore. For Institutional and Accredited Investors only.

**South Africa**—Issued in South Africa by T. Rowe Price International Ltd (TRPIL), Warwick Court, 5 Paternoster Square, London EC4M 7DX, is an authorised financial services provider under the Financial Advisory and Intermediary Services Act, 2002 (Financial Services Provider (FSP) Licence Number 31935), authorised to provide "intermediary services" to South African Investors. TRPIL's Complaint Handling Procedures are available to clients upon request. The Financial Advisory and Intermediary Services Act Ombud in South Africa deals with complaints from clients against FSPs in relation to the specific services rendered by FSPs. The contact details are noted below: Telephone: +27 12 762 5000, Web: [www.faisombud.co.za](http://www.faisombud.co.za), Email: [info@faisombud.co.za](mailto:info@faisombud.co.za)

**Switzerland**—Issued in Switzerland by T. Rowe Price (Switzerland) GmbH, Talstrasse 65, 6th Floor, 8001 Zurich, Switzerland. For Qualified Investors only.

**Taiwan**—This does not provide investment advice or recommendations. Nothing in this material shall be considered a solicitation to buy, or an offer to sell, a security, or any other product or service, to any person in the Republic of China.

**Thailand**—This material has not been and will not be filed with or approved by the Securities Exchange Commission of Thailand or any other regulatory authority in Thailand. The material is provided solely to "institutional investors" as defined under relevant Thai laws and regulations. No distribution of this material to any member of the public in Thailand is permitted. Nothing in this material shall be considered a provision of service, or a solicitation to buy, or an offer to sell, a security, or any other product or service, to any person where such provision, offer, solicitation, purchase or sale would be unlawful under relevant Thai laws and regulations.

**UK**—This material is issued and approved by T. Rowe Price International Ltd, Warwick Court, 5 Paternoster Square, London EC4M 7DX which is authorised and regulated by the UK Financial Conduct Authority. For Professional Clients only.

**USA**—Issued in the USA by T. Rowe Price Investment Management, Inc., 100 East Pratt Street, Baltimore, MD, 21202, which is regulated by the U.S. Securities and Exchange Commission. For Institutional Investors only.

© 2024 T. Rowe Price. All Rights Reserved. T. ROWE PRICE, INVEST WITH CONFIDENCE, and the Bighorn Sheep design are, collectively and/or apart, trademarks of T. Rowe Price Group, Inc.