# What US Election Outcome Means to Energy Outlook: S&P Global Platts Analytics Perspective

**Side-by-Side Comparison of Commodities Impact under Either a Biden or Trump Win**

NEW YORK, Nov. 3, 2020 /PRNewswire/ -- The impact of the US elections on commodities remains uncertain, in that a re-election of President Donald Trump would likely mean a continuation of easing regulatory constraints on the oil and natural gas industries, while a Joe Biden election victory would most likely increase regulation and encourage growth in renewables, according to the Platts Analytics US Election analysis released by S&P Global Platts ("Platts"), the leading independent provider of information and benchmark prices for the commodities and energy markets.

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However, in the short term it will be the likelihood of stronger economic growth and a more positive outlook on global trade under a Biden administration that could lend support to energy prices. But under such a scenario, offsets could include the potential return to the negotiating table on the Iranian nuclear deal and growing humanitarian issues in Venezuela, with any early return of oil supply from either country weighing heavily on energy prices.

An Election win by either candidate points to large rollback of agriculture sector subsidies.

Political polls overwhelmingly tilt towards a Biden victory, along with Republicans losing their majority in the US Senate. In the US House of Representatives, the Democrats are expected to extend their majority by perhaps six seats. Despite the overwhelming poll data, S&P Global Platts Analytics still believes there remains a large degree of uncertainty regarding the outcomes. Below find a brief look at some of the implications of the outcome of the US Elections:

**If a Trump Re-Election:**

- Under Trump we can expect a continuation of Trump's trademark style of one-off transactional diplomacy, treating allies and adversaries no differently, while Biden would look to heal relationships and strengthen trade partnerships. Significant progress has been made in the Phase 1 China-US trade deal despite the 2020 commitments not being met (with agricultural goods ramping up) in part amidst weaker prices. The shortfalls in purchases are expected to be rolled over into the 2021 commitments supporting energy and agricultural commodities.
- Under Trump energy policy is likely to remain supportive of the energy industry, encouraging US exports and loosening regulatory constraints, while Biden will pursue Obama-era policies, with tighter regulation on pipeline, flaring and fracking especially on federal lands.

**If a Biden Victory:**

- Under Biden we expect faster economic growth, higher employment, acceleration of inflation, a weaker dollar, and smaller deficit supported by the assumption of a greater degree of stimulus to support growth, less restrictive assumptions on immigration, stronger healthcare programs, and support for a higher minimum wage.

- Tax policies and perceived subsidies to the energy industry could come under renewed scrutiny under Biden. Provisions such as the master limited partnership structure, depletion allowance, intangible drilling costs, and section 199 domestic manufacturing deduction could be reduced. Such actions, along with still weak energy prices for both oil, gas, and coal, would further hinder the recovery path for the energy industry.
- Under Biden the renewables industry will see a more favorable environment and a return to the Paris Accord commitments, which will accelerate investment in solar wind and storage, impacting fossil fuel demand in thermal power generation.

SEE SIDE-BY-SIDE OUTLOOK COMPARISONS

| | **Trump Victory** | **Biden Victory** |
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| **US Foreign Policy – Energy impact** | | Likely to focus immediately on repairing relationships with allies and bringing them onboard on various foreign policy initiatives including Iran, Venezuela, China, and Russia. A return of Iranian barrels is more likely under Biden, although we do not expect a meaningful return before 2022. |
| | Exports of LNG and crude will be pushed as a trade balancing mechanism in Asia and Europe. | Multilateral approach to trade and other global partnerships, with less friction with a host of key trading partners (Latin America, EU, China). |
| **Energy Policy** | Subsidies and tax changes will be deployed to promote fossil fuel development; and | Regulatory focus will tighten and favor oil and gas majors over independents, given additional costs involved in limiting flaring and venting from both fields and pipelines. |
| | Remaining federal incentives to promote renewables will be cut back or eliminated altogether. | Policy will shift towards additional deployments of renewables and batteries at the expense of fossil fuels in power generation. |
| | The near-term impact on US oil and gas supply is largely limited regardless of election result, as significant permits and drilled but uncompleted wells, or DUCs, provide a cushion in the event of a ban on new federal drilling permits. | Drilling on federals lands will be reviewed along with current oil and gas tax provisions, with rollback of Obama-era methane regulations, or even the implementation of tighter regulations on existing, not just new, (stripper) wells. |
| | A second Trump administration is likely to maintain the status quo in terms of oil and gas tax provisions, so as not to create further headwinds for an industry already struggling from weak commodity prices. | Near-term impact on US oil and gas supply is largely limited regardless of the election result, as significant permits and DUCs provide a cushion in the event of a ban on new federal drilling permits. |
| | A return of Iranian barrels is not out of the realm of possibility but risks of missteps and tensions in the Middle East are heightened. | Increased underlying cost of US natural gas (and therefore raising the cost of US LNG) through a number of likely executive orders, which would be aimed at lowering methane emissions and banning new oil and gas leasing on public lands. |
| | Reduced risks that federal regulations will start to assess full life-cycle costs, which would include upstream carbon emissions and methane leakage associated with new LNG export projects. | |
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| **Cont'd** | **Trump Victory** | **Biden Victory** |
| **Petrochemicals** | Risk of additional trade tensions with key Asian demand countries, namely China, which could impact ethane, LPG, ethylene and polyethylene trade. | Midstream sector investment moves toward CO2, H2, but construction would likely occur after the upcoming term. US ethylene cracker investment Wave 3 would be at risk. |

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| | Wave 3 of US ethylene units would likely proceed. Thus, anticipate no change to potential relaxation of regulations on single-use plastics and recycling. | Single-use plastics and recycling would move to the fore, with potential for more regulations on single-use plastics and encouraging of recycling. |
| **Renewables & Climate** | The opportunity to defend reversals of Obama policies in court. | Re-engagement with Paris Climate Accord. However, comprehensive climate proposals (including targeting decarbonized power sector by 2035) depend on US Senate makeup and the relative importance of other (non-energy) policy priorities. |
| | Likely means imposed Section 201 tariffs on imported solar module tariffs in 2018, as well as work to extend and even increase the magnitude of those tariffs. | Work to reverse the Trump administration's rollback of Obama-era regulations (Congressional Review Act could give quick wins). The EPA would approve California waiver, allowing it to set tougher-than-federal clean air standards -- which other states can then follow to set vehicle policy. |
| | Continued slow-walking of offshore wind permitting; potential use of CFIUS rules to block offshore wind deals involving foreign state-owned companies (Equinor, Orsted, etc.) | The extension of Wind Production Tax Credit and Solar Investment Tax Credit, continued support of CCUS--which have historically been bipartisan. |

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