

Energy & Environment

Outlook for the 119th Congress & the Trump Administration

Key Takeaways

- A second Trump administration will review and evaluate the potential to modify, if not repeal many of the Biden administration's actions on climate change and the environment. However, President Trump will need strong support in Congress to repeal or materially amend the Inflation Reduction Act of 2022 (IRA) which expanded and extended federal tax credits for the deployment of clean energy technologies and manufacturing and reallocating those funds to pay for new tax cuts.
- Anticipate a repeal and replace of the power plant rule, new source performance standards for oil & gas and emissions standards for greenhouse gas (GHG) and criteria pollutants from mobile sources, greatly impeding the Biden administration's electrification efforts.
- Executive orders will reinstate liquefied natural gas (LNG) export authorizations, expand oil & gas development on federal lands, withdraw the U.S. from the Paris Agreement and loosen restrictions on remaining IRA energy tax credits to promote hydrocarbons development.

Additional Insights

- Since Republicans will control the House, a top priority for the party will be to use the budget reconciliation process to repeal some or all of the IRA provisions related to energy tax credits and reallocate funds toward new tax cuts. Although this aligns with broader Republican priorities, some party members, especially those from red-leaning districts where the IRA has spurred job growth and attracted multibillion-dollar investments, will likely resist its complete repeal and, if red-leaning districts could face job losses as a result, you can expect President Trump to listen. Elements of the IRA which may garner broader support include tax credits for established clean energy technologies like solar, onshore wind and energy storage as well as the advanced manufacturing production tax credits under Section 45X with respect to the manufacturing of qualifying solar, wind and battery components, inverters, critical minerals and carbon capture, utilization & storage (CCUS).
- Expect President Trump to take swift executive action to reverse key Biden administration policies, including lifting the Department of Energy's (DOE) moratorium on LNG export authorizations; withdrawing the U.S. from the Paris Agreement once more; loosening of restrictions on applicable tax credits to qualify more hydrocarbon-based projects; and expanding oil & gas development on federal lands via the Bureau of Land Management.
- On the judicial front, the recent Supreme Court's *Loper Bright* decision opens the door for the United States to drop its defense of agency actions that the Trump administration believe do not best interpret ambiguities or silence in authorizing statutes. Expect the Trump administration to leverage the Supreme Court's decision to reinterpret environmental regulations, particularly those tied to the Clean Power Plant Rule and motor vehicle emissions standards.

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