• *ANALYSIS*

The Paradigm Shift in U.S. Policies Under President Trump's Second Term:

Energy, Climate, Sustainability and Trade Agenda

Onur Kolçak, Büşra Zeynep Özdemir

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President Trump has swiftly moved to dismantle many of the climate-focused policies.

SUMMARY

Donald Trump's return to the White House as U.S. president is set to bring significant changes to global efforts against climate change as well as trade relations and energy markets. His proposed policies, including higher tariffs, increased domestic energy production, and pulling the U.S. out of the collective global warming efforts, could reshape economic, environmental, and geopolitical landscapes. This analysis explores the potential effects of Trump's agenda, providing a comprehensive look at how it may influence global trade and energy dynamics.

INTRODUCTION

The United States has long been a key player in global climate policy, given its historical contribution to greenhouse gas emissions and influence on international environmental agreements. However, Donald Trump's reelection in November 2024 and inauguration in January 2025 were significant turning points in the country's approach to climate change and sustainability. Since taking office, President Trump has swiftly moved to dismantle many of the climate-focused policies established by his predecessors, while promoting an agenda centered on fossil fuel production and energy independence. One particular casualty was the Joe Biden administration's extraordinary climate push as part of the Inflation Reduction Act of 2022.

This analysis examines the immediate changes in U.S. climate, energy, trade, and sustainability policies under a second Trump administration. It then predicts the trajectory of these policies throughout his presidency and assesses their broader implications for global climate change and sustainability efforts. Major shifts in U.S. policy can reshape the domestic environmental landscape while posing significant challenges to international cooperation and the fight against climate change. Moreover, they could strain international relations, as other countries may view the U.S. as a less reliable partner and even prefer to step back from their commitments.

IMMEDIATE CHANGES POST-INAUGURATION

Within days of his second inauguration, Trump issued a series of executive orders that marked a significant shift in U.S. climate policy. One of his first actions was formally withdrawing the country from the Paris Climate Agreement. He had executed the same move during his first term and made it a campaign promise for 2024. This decision, while not unexpected given his campaign rhetoric and strategic approach to "sending symbolic messages," underscored his administration's rejection of multilateral climate commitments and its prioritization of national sovereignty over universal cooperation against global warming.

In addition, Trump declared a national "energy emergency," in another symbolic gesture justifying the rapid expansion of fossil fuel production. This declaration was accompanied by directives to federal agencies, including the Environmental Protection Agency (EPA) and the Department of the Interior, to expedite permits for oil, gas, and coal projects. It effectively sidelined renewable energy initiatives. Once an important symbol of environmental regulation, the EPA has been directed to shift focus from climate mitigation to supporting fossil fuel-centered national energy guidelines. Under Trump, the agency may start reviewing and dismantling regulations like methane emission standards for oil and gas operations reinstated under Biden.[1] Similarly, the Department of the Interior has moved to open previously protected lands, including parts of the Arctic National Wildlife Refuge, to drilling.[2] These actions reflect a broader deregulation policy aimed at reducing what Trump has consistently described as "burdensome" environmental rules that hinder economic growth.

The EPA has been directed to shift focus from climate mitigation to supporting fossil fuel-centered national energy guidelines.

Another significant change has been the revocation of key Biden-era executive orders and funding mechanisms. The Inflation Reduction Act (IRA) of 2022, which allocated billions of dollars to clean energy projects, electric vehicle (EV) subsidies, and climate resilience programs, has been effectively suspended. While fully repealing the IRA would require congressional action, Trump has used his executive authority to halt the disbursement of funds and redirect resources toward fossil fuel infrastructure.

Similarly, the Infrastructure Investment and Jobs Act, which included provisions for renewable energy and climate adaptation, has seen its climate-related

1 "Biden-Harris administration finalizes standards to slash methane pollution, combat climate change, protect health, and bolster American innovation", the U.S. Environmental Protection Agency, December 2, 2023, https://www.epa.gov/newsreleases/biden-harris-administration-finalizes-standards-slash-methane-pollution-combat-climate , (Accessed at: February 17, 2025).

2 Kirstin E. Gibbs et all., "Executive orders move oil & gas development, permitting reform to top of Trump-Vance energy agenda", Morgan Lewis, January 27, 2025, https://www.morganlewis.com/pubs/2025/01/executive-orders-move-oil-gas-development-permitting-reform-to-top-of-trump-vance-energy-agenda, (Accessed at: February 17, 2025).

components deprioritized.[3] These immediate changes set the stage for a presidency that appears intent on reversing progress toward a green economy evolving around sustainability and climate action.

POLICY ROLLBACKS AND NEW INITIATIVES

The policy rollbacks initiated in the early weeks of Trump's second term have been as fast and extensive as during his first term between 2016 and 2020. Back then, the EPA dismantled the Obama-era Clean Power Plan to reduce carbon emissions from power plants.[4] Although the plan had been weakened and legally challenged during Trump's first term, the Biden administration had worked to revive and strengthen it.

During Trump's second term, we can expect a renewed effort to eliminate it, replacing it with policies encouraging fossil fuel-centered energy generation. This rollback is part of a broader strategy to boost domestic fossil fuel production, which Trump has framed as essential to achieving energy independence and creating jobs.

Additionally, new leases for offshore wind energy projects, which had expanded significantly under Biden, have been halted, signaling a retreat from renewable energy development.[5] Over the past 25 years, the total installed capacity of wind power surged from 2.4 gigawatts to 150 gigawatts by April 2024. Totaling 32 gigawatts of power, new offshore wind projects were expected to generate enough electricity for millions of American homes located on the East Coast.[6]

Under Trump, we can also expect to see an elimination of federal tax credits for EV purchases. This policy had been a key driver of extensive EV adoption during the Biden Administration. A 2021 executive order by President Biden aimed at making 50% of new vehicle sales electric or plug-in hybrid by 2030. By labeling that order a part of the "green new scam," Trump has an intention to save U.S. traditional carmakers. But for some in the automobile industry in the U.S., this may come at the expense of falling behind the Chinese companies in the global markets.[7]

3 "Unleashing American energy", the White House, January 20, 2025, https://www.whitehouse.gov/presidential-actions/2025/01/unleashing-american-energy/, (Accessed at: February 15, 2025).

4 Dana Nuccitelli, "The Trump EPA strategy to undo the Clean Power Plan", Yale Climate Connections, June 21, 2019, https://yaleclimateconnections.org/2019/06/the-trump-epa-strategy-to-undo-the-clean-power-plan/, (Accessed at: February 16, 2025).

5 "Temporary withdrawal of all areas on the outer continental shelf from offshore wind leasing and review of the Federal Government's leasing and permitting practices for wind projects", the White House, January 20, 2025, (Accessed at: February 15, 2025).

6 Spencer Kimball, "Trump's broadside against wind industry threatens projects that could power millions of homes", CNBC, February 16, 2025.

7 Joann Muller, "Trump's end to "EV mandate" could weaken automakers against China", Axios, January 23, 2025.

Trump has also been aggressively promoting fossil fuel production and extraction. His administration wants to expand drilling rights on federal lands and waters, including sensitive ecosystems previously off-limits to development. Hence, the Arctic National Wildlife Refuge, a long-standing target of the Republican party's energy policy, will likely reopen to oil and gas exploration.

A narrative of economic growth and energy security supports these initiatives. President Trump has argued intensively that increased fossil fuel production will reduce energy costs for American consumers and bolster the nation's geopolitical standing. However, critics say these policies lock the U.S. into a carbon-intensive future, undermining long-term sustainability and exacerbating climate change. The potential long-term effects of these policies on the U.S. and global climate efforts are significant, as they could lead to increased greenhouse gas emissions, further environmental degradation, and a setback in the global fight against climate change.

A narrative of economic growth and energy security supports these initiatives.

PREDICTED FUTURE ACTIONS

President Trump's focus on reciprocal and bilateral trade deals over multilateral agreements may also ignore climate concerns, prioritizing energy exports over emissions reductions. In today's world, where the urgency of addressing climate change is more apparent than ever, relying primarily on bilateral arrangements can undermine global cooperation. By favoring individual trade relationships, his approach risks removing the focus on broader, collective climate concerns that demand coordinated international action. This strategy focuses on energy exports and short-term economic gains and cooperation, potentially at the expense of long-term international emissions reductions and comprehensive climate partnerships around the globe.

On the other hand, multilateral agreements are essential for establishing common standards, pooling resources, and sharing technological innovations, all critical factors in the fight against climate change. Without such unified frameworks, nations may pursue individualistic approaches that are less effective in curbing carbon emissions and mitigating environmental degradation.

Furthermore, the diminished commitment to multilateral, global partnerships on international issues, such as climate change mitigation, can limit opportunities for collaborative research, the exchange of best practices, and joint investments in clean energy technologies as a part of mitigation efforts. This lack of collective action may hinder the development of innovative solutions for reducing carbon footprints and weaken the global momentum needed to transition to a sustainable, low-carbon future.

Striking a balance between economic interests and environmental responsibilities is increasingly essential in this context. Trade policies must be crafted to support robust economic growth while protecting ourselves from the potential adverse effects of climate change. Combining sustainable practices into trade agreements can help us achieve a resilient global economy that addresses both immediate economic needs and the long-term challenges posed by climate change.

EFFECTS ON DOMESTIC CLIMATE ACTION

Looking ahead, Trump's second term will likely see further establishment of his first-term policies, particularly if his party maintains control of Congress. With a Republican majority in both the House and Senate following the 2024 elections, Trump has a unique opportunity to push through legislation that strengthens his energy and environmental agenda. One potential action is the full repeal of the IRA, which would eliminate funding for clean energy, climate resilience, and environmental justice programs. Such a move would require significant political power. However, controlling both the House and Senate, along with receiving public support and Trump's willingness to prioritize his fossil fuel-centered American economy policies, suggests that it is within the realm of possibility.

Besides, the Supreme Court, shaped by Trump's appointments during his first term and potentially expanded in his second, will also play a critical role. Conservative judges, many skeptical of federal regulatory power and overreach, could uphold challenges to environmental protections, further weakening the United States' ability to address climate change for generations to come. For example, lawsuits against remaining EPA regulations or state-level climate policies could result in rulings that favor deregulation, creating an adversary legal environment for sustainability efforts.

Despite these federal policy shifts, the response at the state and local levels will likely vary and be significant.

Despite these federal policy shifts, the response at the state and local levels will likely vary and be significant. Progressive states like California, New York, and Massachusetts have already signaled their intent to double down on climate action, regardless of federal policy. California, for instance, has maintained its stringent vehicle emission standards and renewable energy targets, leveraging its authority under the Clean Air Act to set its own rules.[8] This state-level resistance could lead to a patchwork of climate policies across the U.S., with blue states pursuing aggressive decarbonization. In contrast, red states align with Trump's fossil fuel agenda. While this decentralization may preserve some climate progress, it risks deepening regional disparities and undermining a cohesive national strategy.

8 Shelia Hu, "The Clean Air Act 101", Natural Resources Defense Council, October 21, 2022, https://www.nrdc.org/stories/clean-air-act-101, (Accessed at: February 16, 2025).

Market dynamics will also play a crucial role. The administration's focus on traditional energy sources has raised concerns about the future of renewable energy initiatives. Private sector innovation and consumer demand for clean energy could offset some of the damage caused by federal deregulation. However, the loss of federal subsidies and incentives may slow the transition, particularly in sectors like electric vehicles and energy storage, where government support has been instrumental. Thus, reduced federal support for clean energy projects and the rollback of regulations risk slowing the transition to sustainable energy systems.

Heated climate activism scenes are expected in the next four years. Trump's policies may mobilize climate activists, increasing protests and litigation. The youth-led climate movement, which gained momentum during Biden's term, will likely intensify its efforts, but with less public support now. Conversely, Trump's supporters, who predominantly support his energy policies, may view these changes as successful, deepening the political divide over climate change.

GLOBAL IMPLICATIONS

IMPLICATIONS FOR THE FIGHT AGAINST CLIMATE CHANGE

President Trump's isolationist approach is expected to continue on the international stage. Beyond withdrawing from the Paris Agreement, his administration may disengage from other climate-related pacts, such as the United Nations Framework Convention on Climate Change (UNFCCC). This retreat from global climate diplomacy could weaken the momentum of international climate negotiations, particularly at Conference of the Parties (COP) meetings, where U.S. leadership has historically been influential.

The United States' withdrawal from global climate leadership could also create a vacuum that other nations may struggle to fill. While the European Union is supposed to reposition itself in the absence of U.S. cooperation, it may hinder climate leaders' ability to drive international movement toward climate action. Developing nations, which rely on financial and technical support from wealthier countries to meet their climate goals, may face increased challenges, potentially leading to reduced ambition in their contributions and determinations within the Paris Agreement.

IMPLICATIONS FOR ENERGY MARKETS

Trump's energy policies emphasizing deregulation and the expansion of fossil fuel production, including offshore drilling and the relaxation of emissions standards

policies are expected to increase volatility in energy markets. Anticipated growth in U.S. energy exports could significantly alter geopolitical dynamics. Enhanced U.S. production could contribute to a surplus of oil and natural gas, driving down prices. By increasing its share in global energy markets, the U.S. could challenge the dominance of traditional energy-exporting nations, which have been heavily dependent on hydrocarbon revenues. This shift has the potential to weaken OPEC's influence and disrupt longstanding energy alliances. Countries such as Russia and Saudi Arabia might face heightened economic instability as a result. Yet, this scenario could also lead to competitive pricing strategies that further strain global energy markets.[9]

At the same time, these developments could trigger new geopolitical tensions. Energy-exporting nations adversely affected by declining prices might seek to strengthen alternative alliances or adopt aggressive economic policies, introducing new complexities to international relations. The interplay between energy security, economic dependencies, and political agendas will shape the global energy landscape in the years to come. Collaborative diplomacy and strategic negotiations will be essential in navigating these changes.

By increasing its share in global energy markets, the U.S. could challenge the dominance of traditional energy-exporting nations.

Economically, Trump's policies could disrupt global trade in green technologies. By prioritizing fossil fuel exports over clean energy development, the U.S. may lose its competitive edge in a rapidly growing sector, surrendering market share to nations like China, which dominates solar panel and battery production. A potential slowdown in renewable energy adoption might also stifle innovation and investment in the sector. This scenario could not only challenge the U.S.' competitiveness on the global energy stage but also delay international climate commitments prioritizing decarbonization. The intersection of economic priorities and environmental responsibilities will play a critical role in shaping the energy policies of the major economies.

The environmental implications of Trump's energy and climate policies cannot be overlooked. Deregulation efforts and increased fossil fuel production could exacerbate environmental degradation and undermine global efforts to combat climate change. Without U.S. participation, moreover, COP meetings and other international forums may struggle to achieve consensus on critical issues like climate finance and technology transfer. The absence of the world's biggest economy and the second-largest emitter from these discussions could embolden other nations to scale back their commitments, jeopardizing the global goal of limiting warming to 1.5 degrees Celsius (34.7 degrees Fahrenheit) above pre-industrial levels.

9 "World readies for Trump tariffs even before his White House return", Bloomberg News, January 15, 2025.

Emission trajectories, already strained by insufficient action, especially after the COVID-19 pandemic, may worsen further as U.S. emissions rise under Trump's policies, potentially pushing the world closer to extreme climate tipping points. The rollback of emissions standards might also adversely affect public health, particularly in vulnerable communities.

IMPLICATIONS FOR GLOBAL TRADE RELATIONS AND MULTILATERAL AGREEMENTS

In his first term in the White House, a cornerstone of Trump's economic policy was the imposition of high tariffs, with rates reaching up to 60%, primarily targeting imports from China, Canada, and Mexico. He already signed a presidential act on Feb. 1 to impose a 25% additional tariff on imports from Canada and Mexico, and a 10% additional tariff on imports from China.[10] According to some in the administration, strategies of the former presidents put the U.S.' competitors at an advantage over American industries, hence these measures aim to correct trade imbalances and foster domestic economic growth.

However, the downstream consequences of such tariffs are anticipated to be extensive and complex. These tariffs could increase the cost of imported goods, exerting inflationary pressure on consumer prices within the U.S. domestic industries reliant on global supply chains may face higher costs, diminishing their competitive edge. Furthermore, retaliatory tariffs from affected nations, particularly China, could disrupt global trade flows and escalate economic uncertainties, potentially leading to a full-scale trade war.[11]

In anticipation of these policy changes, many companies have accelerated efforts to restructure their supply chains. Firms are stockpiling goods to circumvent tariffs and exploring alternative sourcing options to mitigate long-term risks.[12] This trend could trigger a broader realignment of global trade patterns, enhancing the economic significance of countries like Vietnam, India, and Mexico.

Restructuring supply chains demands significant investment in infrastructure, logistics, and workforce development. Additionally, geopolitical uncertainties and regulatory discrepancies among potential new trade partners heighten economic risks for both businesses and governments. This shift underscores the necessity of global cooperation to foster resilient trade networks.

10 "Fact Sheet: President Donald J. Trump imposes tariffs on imports from Canada, Mexico and China", the White House, February 1, 2025.

11 Joe Sobczyk, "Trump still has a lot of details on his tariff plans to fill in", Bloomberg, January 15, 2025; Katia Dmitrieva & Brendan Murray, "What are the reciprocal tariffs Trump is promising?", Bloomberg, February 14, 2025.

12 Mike Dorning, Eric Martin & Tom Orlik, "Your guide to Trump's day-one agenda – from taxes to tariffs", Bloomberg, November 8, 2024.

Trump's protectionist stance risks weakening multilateral trade agreements, fostering a more fragmented global trade environment. Major U.S. trading partners, including Canada and Mexico, have begun recalibrating their trade strategies to mitigate potential disruptions. Similarly, the EU and leading Asian economies are exploring regional partnerships and diversifying their trade portfolios to reduce reliance on the U.S.

Such fragmentation could undermine established trade networks, slowing global economic growth, and increasing transaction costs. Concurrently, the formation of regional trade blocs might create both opportunities and risks for global economic stability. The evolving nature of these agreements will likely require extensive negotiation and collaboration among international stakeholders.

Major U.S. trading partners, including Canada and Mexico, have begun recalibrating their trade strategies.

The ripple effects of these policies will be most acutely felt in emerging economies. Nations heavily reliant on exports to the U.S. may experience declining trade volumes, leading to slower economic growth, and heightened socio-economic disparities. Southeast Asian and Latin American countries, as pivotal nodes in global supply chains, are particularly vulnerable to such disruptions.

Conversely, some emerging economies might capitalize on new opportunities by positioning themselves as alternative trade partners. However, leveraging these opportunities necessitates overcoming structural barriers such as inadequate infrastructure, regulatory inefficiencies, and limited access to capital. Governments in these regions must adopt proactive measures to remain competitive amid the evolving global trade landscape. Strategies like enhancing technological capabilities and pursuing bilateral trade agreements could bolster their economic resilience.

CONCLUSION

Since President Trump took office for a second term in January 2025, the U.S. has dramatically shifted its approach to climate change and sustainability. Through executive orders, regulatory rollbacks, and a focus on fossil fuel production, Trump has dismantled much of the progress made under previous administrations, prioritizing short-term economic gains over long-term environmental stability. For the next four years, his presidency will likely see further application of such policies, with significant effects on domestic and global climate efforts. While states, markets, and activists may mitigate some of the damage, the U.S.' retreat from climate leadership seriously threatens international cooperation and the collective fight against climate change. Managing all these complexities will require strategic foresight, adaptability, and international collaboration. Business-

es and governments must embrace resilience and innovation to mitigate risks and capitalize on opportunities presented by this new era.

While the long-term impacts of these policy changes will depend on numerous factors, such policies could drive the U.S. into a high-emission course, undermining global efforts to prevent the adverse effects of climate change. In the face of these setbacks, the global community must adapt, innovate, and persevere to ensure a sustainable future. Regardless of federal policy, this may act as an opportunity for climate change mitigation, which may need to evolve into a new path with new technological advancements in alternative energy options, such as nuclear, along with new technological applications to help mitigate the adverse effects of environmental disasters on people.

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