

## The path ahead looks challenging for the US' climate policies

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The Biden administration is struggling with the balance between dealing with climate change and its energy security.\* As energy prices soar, the government has maintained its policy of accelerating the shift to clean energy in the medium and long term while repeatedly displaying hope for an expansion of fossil fuel production by private companies in the near term from last year. On 31<sup>st</sup> March, it announced a plan to release oil from its Strategic Petroleum Reserve and to encourage private companies to increase oil production with penalties in response to the situation in Ukraine, which suggests it is rolling back its climate change measures.

Even under the Biden administration, which is said to be ambitious in addressing climate change, the US is struggling to fulfil policies in the first place. Although the government passed the Infrastructure, Investment and Jobs Act in November last year, the Build Back Better Act which was announced in October last year and includes USD 555 billions' worth of spending on tackling climate change faces opposition from moderates within the ruling Democratic Party due to its plans for large-scale spending when inflation rates are high (Table 1). It still does not look like the bill will be passed.

As the mid-term elections in November draw closer, the future of the Biden administration's climate policies becomes more uncertain. Normally, mid-term elections are said to be unfavourable for the ruling party. On top of this, high inflation since last year have created a headwind, and the rise in energy prices and disruption to supply chains caused by the crisis in Ukraine may lead to higher levels of inflation. Meanwhile, supporters of the opposing Republican Party have little interest in addressing climate change (Chart 2, upper) and opinion is divided about regulation of carbon emissions (Chart 2, lower). Therefore, if the Republican Party wins the mid-term elections, the possibility of proactive policies being introduced will become increasingly slim.\*\* In addition, there is the possibility that the Ukraine crisis itself will motivate the government to prioritise energy security based on fossil fuels over policies that address climate change.

Looking further ahead, in addition to former President Donald Trump, potential Republican candidates for the 2024 presidential election are former Vice-President Mike Pence and former UN Ambassador Nikki Haley, who are dismissive of the Paris Agreement. There is the risk that actions to address climate change will stagnate in the medium and long term, contrary to the wishes of President Biden.

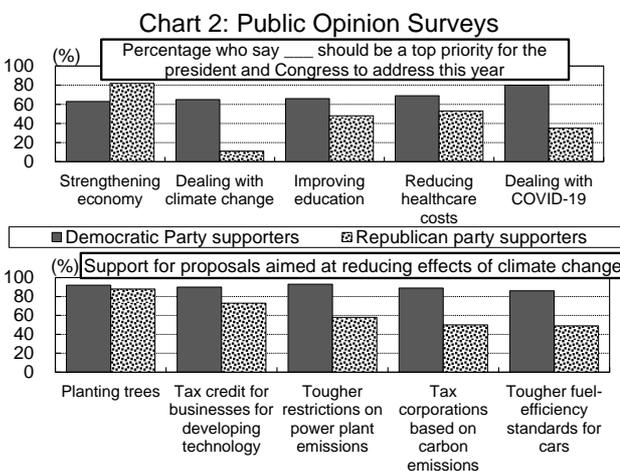
\*In the context of economic sanctions against Russia, the ban on imports of fossil fuels from Russia (8<sup>th</sup> March) is also tightening the gap between oil supply and demand.

\*\*In July last year, the Republican Party established a group called the Conservative Climate Caucus, which consists of more than 60 members of the House of Representatives and acknowledge the existence of climate change. Despite this, founder John Curtis said they are focused on the role of private companies in technology innovation and, as a group, they do not support specific law-making activities.

Table 1: The Biden Administration's Measures to Address Climate Change

Act	Details	USD (billions)
Infrastructure Investment and Jobs Act	Modernise public transportation	105
	Upgrade power infrastructure to deliver renewable energy, research and develop cutting-edge clean energy technology	60
	Make infrastructure resilient against the impacts of extreme weather events and cyber-attacks	50
	Modernise airports and ports	42
	Electrification of school buses	10
	Build a network of electric vehicle chargers	7.5
Build Back Better Act	Lower the cost of an electric vehicle made in the US by USD 12,500 and cost the cost of installing rooftop solarpanels by around 30%	555
	Target incentives to grow domestic supply chains in clean energy and give grants to existing industries, like steel, cement and aluminium, to decarbonise	
	Fund port electrification and development of cleaner public transport	
	Establish a Civilian Climate Corps to address climate change	
	Provide resources to farmers, ranchers etc. supporting their efforts to reduce emissions	

Source: White House, MUFG Bank Economic Research Office



Note: Survey periods are 10-17 Jan 2022 (upper) and 20-29 Apr 2021 (lower)  
Source: Pew Research Center, MUFG Bank Economic Research Office

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