

US opposition to clean energy could drive investment elsewhere

While the US' discouraging stance on renewables might deter both local and overseas investors, as global clean energy markets surge it could offer substantial opportunities elsewhere.

Joseph Jacobelli

The US has proven to be a highly attractive destination for clean energy investment capital over the past few years. The sector accounted for almost one-sixth of global clean energy investment in 2023, according to the International Energy Agency (IEA), though it remains a major investor in oil and gas. It amounted to \$280 billion in 2023, up 40 per cent from 2020, says the IEA.

Clean energy investments are computed in slightly different ways by different organisations. A report by the Rhodium Group/MIT-Center for Energy and Environmental Policy Research calculated investment reached \$274 billion in 2024, up from just \$75 billion in 2018; the data comprises clean technologies investments in the retail, energy, industry, and manufacturing sectors. Solar deployment and electric vehicle sales in the US broke records in 2023 and 2024, and renewables now dominate new power generation capacity, while new domestic clean energy manufacturing facilities are being constructed nationwide.

The massive number of clean energy investment opportunities created in the US in recent years was principally due to favourable policies by the Biden presidency. The administration's tenure had unprecedented policy support for such investments, exemplified by momentous legislation such as the Bipartisan Infrastructure Act and the Inflation Reduction Act. These created a beneficial environment for significant investments, offering financial incentives and regulatory support.

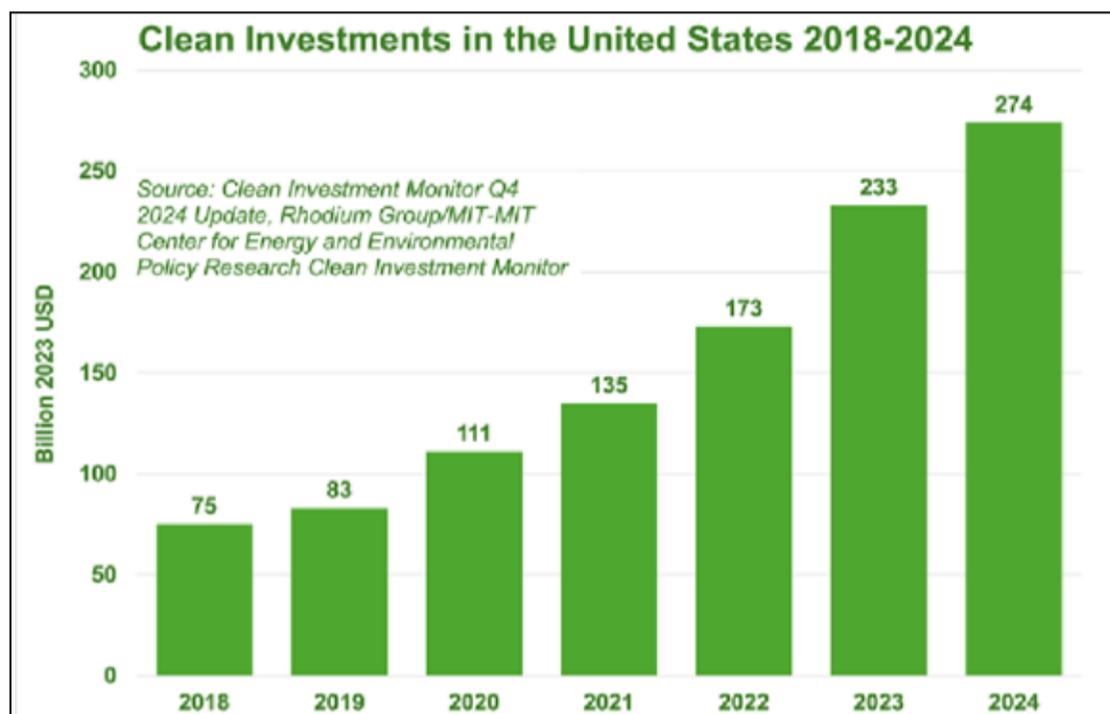
Under the new federal administration, several obstacles to the growth of the clean energy sector have arisen. Three key examples highlight these issues.

The first challenge is high uncertainty in federal policy. The Trump 2.0 presidency has kicked off with policy rollbacks, especially in the form of weaker renewables support, including tax credit cuts, while fossil fuel regulations are relaxed, focusing on oil and gas expansion over federal clean energy incentives. There is a risk that Federal Energy Regulatory Commission policies will favour fossil fuels in transmission markets. Admittedly, it is still early days, and sharp policy U-turns could be seen in the future.

The second hurdle is whether there will be legal battles between the federal government and some districts and states over supporting policies for clean energy – even by those districts and states held by Republicans.

The Rhodium Group/MIT research notes that from the third quarter of 2022 to the end of 2024, out of the \$289 billion in total clean energy-related investment, 77 per cent occurred in districts represented by Republicans. Furthermore, of the anticipated outstanding investment pipeline of \$524 billion, \$402 billion is expected in these districts, also 77 per cent, up until mid-March 2025.

Legal battles will make domestic and international investors nervous. Some experts believe that some Republican lawmakers could oppose efforts that endanger clean energy investments in their states. Will



Clean investments in the US 2018-2024. Investment reached \$274 billion in 2024, up from just \$75 billion in 2018

they? At this juncture this is a real uncertainty.

A third barrier is specific to wind energy. Trump has often criticised wind projects, especially offshore ones. Trump's executive order hurts wind development as it calls for a temporary stoppage on federal leases and permit issuance. Projects will probably face a slowdown in obtaining permits, which will likely be exacerbated as the new administration sharply cuts staffing at various regulatory agencies.

The other more positive sign of the coin is the counter-argument by some experts that federal government interventions may have limited direct influence on clean energy-related projects adoption. The primary drivers should remain state-level policies and market dynamics, with local governments and private sector actors playing pivotal roles in technological implementation and investment strategies. Additionally, some observers note that the current climate may foster acquisitions. Private equity firms such as Brookfield and KKR have already shown interest, according to the media outlet Semafor.

There are early signs of investor nervousness. At a high level, the existing US macroeconomic and political environment generates much uncertainty. The Conference Board's US economic outlook for 2024 to 2026 points to a real GDP growth rate slowdown by as much as one percentage point compared to 2024 (quarterly growth in 2024: 2.5-2.9 per cent, 2025 estimated at 1.5-2.5 per cent, and 2026 at 1.5-1.8 per cent). Current federal interest rates of 4.5 per cent are 100 basis points lower than the peak but still remain high – they were just 0.25 per cent in early 2022, while the number of further cuts remains uncertain but should surely be limited.

The well-publicised additional import tariffs Trump wants to apply is a

concern to investors as well. While stock markets are a very short-term indicator, year to mid-March European stock markets (like the Stoxx 600 Index) and some Asian stock markets (like the Hong Kong Hang Seng Index) have substantially outperformed US ones.

There has been a substantial outflow of capital from US stock markets in favour of European, Asian, and others. As the *Financial Times* noted on March 21, 2025: "Europe's new growth story is coinciding with a stumble, or worse, by the US. America's economy is slowing while the Trump administration's chaotic policymaking, particularly on tariffs, has sapped confidence in the future of the much-vaunted 'US exceptionalism'."

Could this be good news for clean energy investments elsewhere? With less clean technologies-focused capital dedicated to the US markets, there could be more direct investment flowing into Europe, Asia, and other regions.

Also, if the US reduces its demand for new clean energy-related projects (including clean technologies manufacturing), could this alleviate cost pressures on supply chains globally? Especially equipment and input materials such as rare earths and other commodities? Might this result in lower costs for solar panels, wind turbines, and batteries in Asia, Europe, and beyond? A positive answer would not be far-fetched albeit there is yet little evidence as it is still early days.

There are some early signs that this may be possible, especially on the capital allocation front. Several large clean energy projects in the country have been cancelled or postponed.

On day one in office, Trump halted construction of the nation's largest wind farm, the 1.2 GW Lava Ridge Wind Project, a 104 000-acre wind farm with 271 turbines in Lava Ridge, Idaho.

Soon after the inauguration on 20 January, the New Jersey Board of Public Utilities cancelled the bidding process for the state's fourth offshore wind solicitation, which had aimed at awarding between 1.2 to 4 GW of capacity with a price tag of several billion dollars. At the same time, 168 wind and solar projects permitting was temporarily paused by the US Army Corps of Engineers, which oversees the nation's wetlands. French utility EDF wrote down \$940 million in the value of its stake in the Atlantic Shores wind energy project off New Jersey in February. This came after oil major Shell, its partner, pulled out of its \$1 billion investment in January. Another oil major, BP, quit its application to connect the 2.5 GW Beacon Wind project to the grid in New York waters. In short, the picture is far from positive.

It is still too early to conclude that corporations, private equity firms, infrastructure funds, and others will refocus the deployment of capital in clean energy-related investments to Europe, Asia, or other jurisdictions. Many factors prevail. The target market must offer projects with attractive returns on investment. Apart from being consistent and transparent, regulation must be conducive to reducing red tape. The capital cannot wait around for months or years for all of the necessary permitting to be completed, something which many countries are guilty of. EU countries, as well as India, Indonesia, and Vietnam, are but a small sample in the list.

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