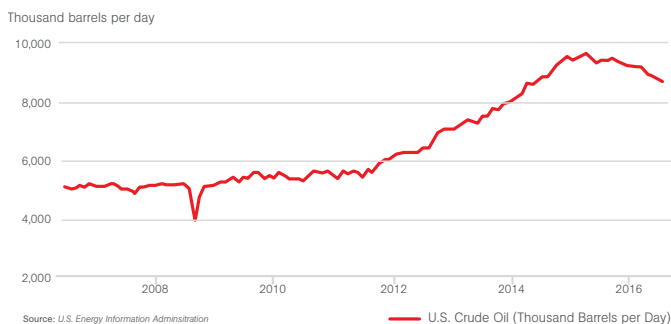


The Trump Card

As part of his promise to “Make America Great Again”, Donald Trump has said he will unleash an energy revolution that will bring vast new wealth to the US. He promises an “America First energy plan” with the fervour of a televangelist and the confidence of a self-made billionaire to re-write trade agreements, tear down the Environmental Protection Agency, and remove the United States from the Paris climate accords.

Trump presents the opportunity for a clean slate politically, and with this comes its own upsides and downsides. The unifying thread of Trump’s energy policy is a plan to peel back regulations across all sectors. This could make doing business in the US more palatable for certain players but more difficult for others.

US CRUDE OIL PRODUCTION



US domestic oil production peaked under President Obama at **9.6 million bpd in April 2015.**

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RENEWABLES RETREAT

In the renewable energy sector Trump has clearly outlined his agenda to turn away from existing goals to minimise climate change.

In one of many Trump tweetstorms, he said on 6 November 2012 that “the concept of global warming was created by and for the Chinese in order to make US manufacturing non-competitive”. In other tweets, he has said wind turbines are an “aesthetic disaster” and called them “monstrosities”. More recently, he told the audience at the 2016 Williston Basin Petroleum Conference that “we will not be in the business of government picking winners and losers” when it comes to which sources of generation are brought to market.

Trump plans to eliminate much of US energy policy and regulation. He believes that “regulations have grown into a massive, job-killing industry”, and as such “proposed a moratorium on new federal regulations that are not compelled by Congress or public safety.”

This includes eliminating regulations like the Waters of The US Rule, and scrapping the Environmental Protection Agency’s so-called Clean Power Plan.

While he also said that his administration would support continued research into advanced energy technologies – and he touts himself as a “great believer in all forms of energy”, he made it clear that he is not sold on many of the issues that environmentalists use to push renewable policy.

Though wind and solar do not appear to be among his personal favourites, he has voiced support for biofuels and the renewable fuel standard, calling for a “higher ethanol mandate”. At the same time, however, he stands opposed to the renewable identification number mechanism of the renewable fuel standard—which is widely thought to be a central component to ensuring more ethanol and other biofuels are mixed with gasoline at the pump.

Developers and investors in jurisdictions such as Texas and California have expressed confidence that its unlikely renewables development would be cut should Trump defeat his rival on 8 November. However regional developers in areas where cost competitiveness and utility and regulatory support is not so clear could be left to fend for themselves.

US NATURAL GAS PRODUCTION (GROSS WITHDRAWALS)



Natural gas withdrawals rose from 69.5 bcf/d at the start of the Obama administration to **92 bcf/d** in February 2016.

MINING FOR VOTES

Trump has boldly claimed that he will bring back coal.

In response to questions about what steps he would take to meet energy needs while at the same time remaining environmentally friendly and minimising job loss for fossil fuel workers, Trump said: "We need much more than wind and solar. There is a thing called clean coal. Coal will last for 1,000 years in this country. We have found over the last seven years tremendous wealth under this country."

As a champion of coal, Trump has won himself many supporters. It's unclear whether or not there's anything a Trump administration could really do to reverse the declining global economic viability of coal generation, especially given Trump's plan to expand oil and gas development and the advent of increasingly competitive renewable generation sources. Despite all of his assurances that he has a plan that will save coal, nothing in any of his policy statements or speeches have given any credence to that ambition and only time will tell whether Trump has what it takes to turn things around for coal country if he wins his bid for the Oval Office.

FOSSIL-FUEL FRIENDLY

When it comes to oil and gas, Trump likes to say that he "learned a lot from Harold Hamm", a fracking mogul who is expected to become Secretary of Energy should Trump-Pence take the White House. Trump has a more favourable stance than both Clinton and Obama when it comes to oil and gas extraction. He has plans to open up both onshore and offshore Federal lands to exploration and exploitation, which he believes will unlock "incredible energy potential [that] remains untapped".

Trump believes that opening up Federal lands to oil and gas "where it is appropriate" is the key to many of his plans for economic growth and energy independence. "Under my presidency, we'll accomplish a complete American energy independence," he said in May.

He wants to see the rise in oil and gas production continue, and his ambitions to wipe the slate clean when it comes to environmental restrictions could be a boon for investment returns for all facets of oil and gas investment when taken at face value.

In support of his fossil fuel-friendly policy stance, Trump claims that "lifting unnecessary restrictions on all sources of American energy (such as coal and onshore and offshore oil and gas) will increase GDP by more than \$100 billion

annually, add over 500,000 new jobs annually, and increase annual wages by more than \$30 billion over the next seven years."

Moving from upstream to the midstream sector, in his first 100 days Trump has said that he would invite the developers of the Keystone XL pipeline to resubmit their application, and that his administration would make sure it was approved—but not without a price.

"I'm going to ask TransCanada to renew its permit application," Trump said, before adding in his rambling style that, "By the way I might be looking for a big piece of the profits from that so the American people can get some more money out of it."

This statement gives an insight into the strategy that Trump is hinging his economic policies upon. If things play out as he plans, Trump has said that he would leverage new developments in the oil and gas sector to finance the revitalisation of America's core social infrastructure including water and transportation systems, public schools, and other public facilities. He also said in the second presidential debate that loosening restrictions on energy companies could be the key to paying off the national debt and reigning in the trade deficit.

The Clinton Ticket

Clinton has a very comprehensive plan when it comes to energy policy. It is one that leans strongly in favour of renewables, and solar generation in particular. So while not every investor or developer will find her plans to be the most palatable, she is more likely than her opponent to be predictable. In the project finance space, political predictability goes a long way.

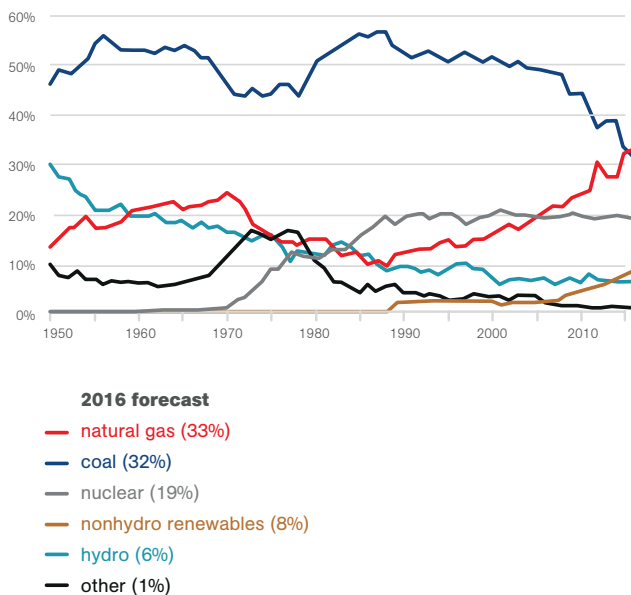
A RENEWABLE ENERGY SUPERPOWER

One of Clinton's top priorities will be to combat climate change with more clean energy jobs. Clinton stands strongly behind the Paris climate agreement, and believes the US needs to go further, declaring a bold plan to see the country become the world's first clean energy superpower. She has vowed on multiple occasions that, given eight years in the White House, she will oversee deployment of half a billion more solar panels by the end of her first term and enough renewable energy to power every American home by the end of her second.

In addition to her renewable resource plan, Clinton is using her candidacy as a platform to advocate 'advanced

buildings', noting in a policy statement that buildings today account for more than 40% of national energy demand, with annual costs of \$400 billion per year. As part of her campaign for greater energy efficiency, she announced a clean energy challenge that aims to see energy costs reduced by more than \$70 billion per year, or \$600 per average household. This includes reduction of taxpayer-funded energy costs on public buildings by \$8 billion per year. She believes that this initiative would not only create jobs as energy efficiency measures are deployed, but also help American businesses to become more competitive as they're able to lower energy costs and raise productivity.

ANNUAL SHARE OF TOTAL U.S. ELECTRICITY GENERATION BY SOURCE (1950-2016)



Earlier this year, gas overtook coal as the primary source of energy generation in the US for the first time.

US EIA anticipates a 26% decline in coal exports for the whole year, bringing exports to their lowest level since 2006.

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CROSS-BORDER TRANSMISSION

Despite her status as a Democrat Clinton's position on oil and gas may be less hostile than the conservative establishment would have the voting public believe.

It is true that she stood against TransCanada's Keystone XL pipeline but on a broader scale she is not wholly unfriendly to oil and gas, referring to natural gas as "an important transition" between coal and renewables. In an energy policy speech delivered on 5 November 2012 at Georgetown University, Clinton laid out a three-pillared "global energy strategy" comprising energy diplomacy, energy transformation and a need to address energy poverty. As part of a global energy transformation, Clinton referenced Colombia's 'Connecting the Americas' initiative which aims to link electrical grids across the Americas.

Clinton said: "Interconnection will help us get the most out of our system", giving an example that neighbours could export power to hydro-reliant neighbours during a drought, and positing that interconnection would lower capital costs for consumers.

Her view on cross-border transmission could also come as a boon for developers of oil and gas pipelines under development near the US-Mexico border and export-oriented LNG projects. She aims to see communities of southern neighbours "leapfrog to forms of energy that are not only reliable but clean and efficient", and away from

dirty energy resources such as firewood, dung, and coal. There is huge opportunity to link natural gas pipelines and it doesn't appear that Clinton would stand in the way of development.

All of this is not without a crux, however. On 16 July, Clinton said: "I do believe there has to be a greater fee on extraction while we do everything we can to transition to clean, renewable energy and energy efficiency."

Adding a cost burden to extractors could add strain to an industry that is in reality only now beginning to rebound.

Clinton also has a tenuous position on fracking, notably saying during a 6 March debate in Flint, Michigan: "By the time we get through all of my conditions, I do not think there will be many places in America where fracking will continue to take place."

This puts some of Clinton's energy and environmental goals at cross-purposes, with an indication that she will likely continue piling on regulations that stifle extraction on both public and private land. So while she's spoken favourably about natural gas extraction in foreign jurisdictions across Asia, Europe, and Latin America in her capacity as Secretary of State, that may be because in those areas of the world she sees gas as the lesser of available evils.

COAL COUNTRY

In her 2008 run for the White House Clinton strategically fell back on her roots as the great granddaughter of a Welsh coal miner, selling herself as pro-clean coal. In contrast, this time around she's taking a much different stance, instead coming out with a message that it's time to help the coal communities transition into a new energy reality by cutting capital gains taxes and spearheading retraining initiatives.

Clinton's plan calls for \$30 billion in spending to retrain and reorient coal country to clean energy and energy efficiency jobs. Judging by the boos she received at a speech in West Virginia, it's going to be a hard sell to a group that already feels betrayed by the government that has been blamed for the decline of coal.

Forcing renewable deployment in areas where developers are unable to achieve cost competitiveness on their own could create a serious strain on ratepayers on the one hand, and greatly reduce potential tax income from generators on the other.

ENERGY PROJECTS BROUGHT INTO OPERATION (2001 - 2016)

