

Clinton vs. Trump: US environmental policy, politics & market prospects

ENVIRONMENT ANALYST SUMMIT 2016 BUILD-UP REPORT: an insider and expert view on the Trump vs. Clinton race for the White House and how the most likely US presidential election scenarios will influence American environmental industry drivers and disruptors



As a taster for our conference session devoted to international market opportunities at **Environment Analyst's** upcoming 2nd annual conference to be held in London on 28th September - the **Environment Analyst Business Summit 2016** - we present this special report on the US political outlook and direction of environment and energy policy as Hillary Clinton and the Democrats square up to Donald Trump and the Republicans in November's presidential election.

Environment Business Journal's resident political and business analyst based in Washington DC **Andy Paterson** shares his views on what is becoming one of the most sensational presidential battles in recent history.

EA Q: Given the developments in recent weeks since the US President party candidates were finalised what predictions do you make for the forthcoming election?

AP: While Trump seemed to emerge from the GOP [Grand Old Party] convention in a tighter landscape; we've never posted a 50/50 forecast. In fact, we underscored the perennial 'Blue' state advantage that any Democrat wields. In August, Trump did whacky stuff, like duelling with the Khans [the family of a dead US Muslim soldier], Hillary deepened her advantage as Trump floundered on side issues. But more recently given Hillary's health scare, questions are being raised about her level of fitness to cope in the most demanding of roles.

But the fall election remains Hillary's to lose because of the electoral college advantage Democrats wield by virtue

of the number of solid 'Blue' states that have voted Democrat since 1992, verses the dedicated 'Red' states with fewer electoral votes...The chief question remains - which Blue states can any Republican ticket flip from 2012? Republicans need all three of Florida (FL), Ohio (OH) and Virginia (VA) to win, plus one of the 'swing'ers out west - Idaho (IA), Colorado (CO) or Nevada (NV). Advantage: Democrats.

The main scenario for Trump is to pick up some disgruntled working class Bernie Sanders voters, plus miners, factory workers, and pro-life Catholics in the 'Rust Belt': Pennsylvania (PA), OH, Wisconsin (WI), and Michigan (MI). Meanwhile, college-educated VA remains more problematic for team Trump.

On the other hand, a deeper dissatisfaction with the status quo fuelled the 'outsider' campaigns of Sanders for Democrats and Trump for Republicans [the same could be said for the UK's successful Brexit campaign]. Both Sanders and Trump hit US establishment politicians hard on job losses to unfair trade deals and currency manipulation by China. Disadvantage: Incumbents. Hillary may be most vulnerable on the issue of pallid recovery. And, she can be attacked as 'the Senator from Wall Street', with homeowners still suffering home equity erosion via miscreant bankers.

Despite the ferocity of the campaign - and it will get uglier - the possible scenarios are bounded by these harsher political realities:

- a) Republicans must defend 24 Senate seats to just 10 for Democrats; and
- b) The GOP majority in the House (247 Rs vs. 188 Ds) is ring-fenced by safer districts; Democrats win urban districts by big margins, while Republicans are spread out across more rural and suburban districts; and
- c) The slight electoral college advantage for Democrats as outlined above.

The election outcomes and their respective impact on major policies can be summarised by the matrix presented in Figure 1.

A Clinton Administration with Democrats taking the Senate would protect the Environmental Protection Agency (EPA) and fend off federal budget cuts sought by the House. A ninth Supreme Court justice would likely uphold the EPA Clean Power

Figure 1: 2016 Presidential election result scenarios

	GOP keeps House; Dems take Senate 35%	GOP keeps House; Senate 50-50 20%
Dems retain Pres.	White House leverage <ul style="list-style-type: none"> • Pentagon budget flat • Tug of war on agency priorities • EPA budget cuts fended off • Some agency plans for climate change, urban resilience • Dems get 2 or 3 Supreme justices 	Gridlocked gristmill <ul style="list-style-type: none"> • Pentagon budget grows less • Tax reform difficult • Urban renewal, city water projects • Battle on EPA regs intensifies • Fight over clean power plan • Lots of veto threats some vetoes
GOP wins Pres.	Right-sizing government <ul style="list-style-type: none"> • Spending cut fights in Senate • Tax reform a big priority in 2017 • Cuts in DOD are reversed • EPA withers with wave of retirees • Moderate supreme justices 	Senate cloture battles <ul style="list-style-type: none"> • Bigger push for domestic drilling, usage, pipelines, grid upgrades • Federal land sales and projects • DOD budget grows- more navy? • More energy R&D, incentives • Republican supreme justices

Source: EBJ

Plan (now suspended by the Supreme Court at 4-4) and other environmental regulations.

President Trump would look to gut EPA, and retract the Clean Power Plan - and litigation from environmental NGOs would ensue quickly. Tax reform would likely be the top priority for House Republicans to negotiate with the Senate for Trump to sign. Both candidates would seek to expand infrastructure spending.

A key problem facing both would-be candidates is that no victor will take office with the mandate Obama held in 2009, commanding majorities in both houses for the first two years. This could be a formula for more gridlock, the likes of which ultimately led to the US government shutdown in October 2013. Tea Party Republicans still believe they suffered nothing for that shutdown; their numbers increased in the 2014 election.

Still, a \$325 billion Transportation and Infrastructure Bill was signed in November, and the Bipartisan Budget Act last year extended tax credits for renewable energy projects to 2019, albeit on an expiring ramp.

The election in 2016 will not resolve political tensions; it may intensify them again as was the case in 2012. Blue states and Red states do not want to live under each other's policy priorities. The battle over the ninth Supreme Court justice will exemplify the divide.

EA Q: How is Trump's assertion that he would undo existing environmental regulations and revive the coal industry being received by the environmental industry and its commentators?

AP: Let's take him at his word, Trump would be a BIG FOSSIL FUEL president - more coal, more oil and gas. Trump is a 'drill, mine, pipe, light it up' machine; 'make America burn brightly again'; 'feel the burn!' Ironically, this shift to MORE fossil fuels could indirectly drive MORE work for environmental consultants: more filings! Low interest rates also help for financing.

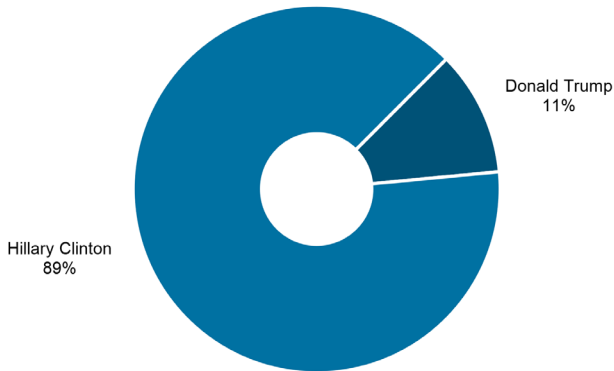
Promoting renewables and efficiency would fall to Congress and more intensively to the states - where it already has devolved to anyway. Now that the Renewable Energy tax credits were renewed in the Bipartisan bills last November, the state RE standards and city policies are the front lines for clean energy.

One big federal issue would emerge with Trump: the use or even privatisation of Federal lands, which we think would expand dramatically under Trump; after all he's a DEVELOPER!

That said, both candidates are pledging to expand infrastructure investment well beyond the \$325 billion Bill passed last year with GOP support in the House.

And as to how EBJ readers feel about the election, a survey carried out during its Pacific Northwest (PNW) regional conference attended by environmental consultancy directors

Figure 2: Who will be elected president in 2016?



SOURCE: EBJ MARKET SNAPSHOT SURVEY

and senior business leaders in July showed their “consensus prediction” for Clinton at 8 to 1 on to win the presidential race in 2016 (Figures 2 and 3). Yet interesting there was also an expectation by more than half of those surveyed that A. N. Other person will be elected in 2020, indicating fairly tepid support for Hillary. Perhaps it’s that all-important ‘likeability’ factor.

But this result comes with a caveat that in the PNW, Washington (WA) and Oregon (OR) region - like the coastal strength of Democrats nationally - once you get over the coastal mountains the population turns pretty strong Red as opposed to the more educated more affluent Blue in the city in the Microsoft, Boeing Starbucks corridor.

EA Q: What about Trump’s pledge to renege on the Paris Agreement [...which would have worldwide ramifications]?

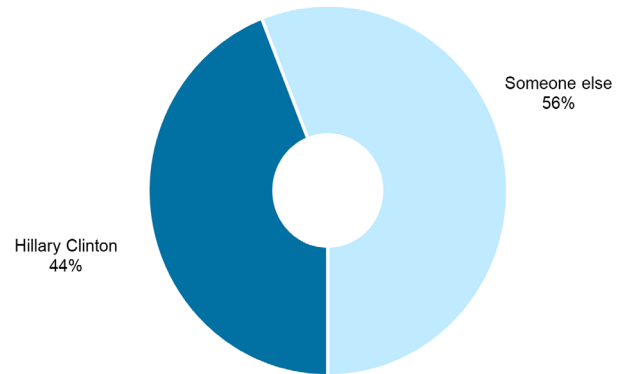
AP: On climate change Trump would walk away from the entire COP process, not just the ‘Paris Agreement’ (such as it is, founded on national pledges, not an enforcement regime). But Trump would exit COP due MORE to his NATIONALIST tendencies first - ‘America go it alone; be independent’ - than his love for fossil fuels. This is Bernie Sander’s issue...Let’s be direct: Trump does not want other countries telling the USA what to do. This outlook extends well beyond climate and energy policy to other arenas (NATO, trade, human rights).

By the way...China, India, Russia, France, Great Britain and OPEC members behave similarly.

EA Q: Do you think Hillary used her widely-regarded pro-green stance to much effect in this campaign or has she avoided saying too much as it’s not considered a vote-winner against other issues?

AP: Hillary’s pro-green stance is consistent with the Democratic Party platform, and most of the Blue states. She is wisely ‘leading from behind’ (following). It may be possible to eke out some small erosion in support for her in selected counties of a few swing states:

Figure 3: Who will be elected president in 2020?



SOURCE: EBJ MARKET SNAPSHOT SURVEY

- a) Rural, pro-fossil Pennsylvania (PA) and Ohio. OH is more up for grabs, but Hillary’s vote count in Philly and Pittsburgh likely overwhelms losses in PA coal counties. Similar in Missouri, but she doesn’t need MO.
- b) Since Al Gore in 2000, Democrats lost West Virginia. In fact, had Al Gore kept WV Blue, then Florida would not have mattered in the final count; he would have been President.
- c) It is difficult to see that green / climate issues will push voters in FL one way or the other versus higher ranking concerns about the economy / jobs, disaster planning, health care.

Overall, disaster recovery spending (fire, flood, drought, storms) seems to be more important than a more indirect ‘climate policy’, ie. ‘fix on failure → prevention’.

On the question of an ‘ECO-VOTE’ more generally, it is hard to find evidence nationally (most polling groups) that environmental or ‘green energy’ issues are driving voters more than economy, crime, social justice, etc. In fact, the elderly are especially sensitive to higher energy prices and reliability (in heat waves, cold spells). The elderly are more at risk during any power outage.

Fossil states are typically Red states - Texas (TX), Oklahoma (OK), Louisiana (LA), Kentucky (KY), Wyoming (WY) and WV - regardless of the candidates. Metro Blue states favour lower emissions and better efficiencies (urban planning, state policies). Also note that: a state’s electricity price is highly correlated to its Red (low prices) or Blue (high prices) intensity.

The exceptions are WA and OR because of bountiful hydropower - a unique trait. High fossil states (mining, drilling, or using) with lower energy prices tend strongly to be Red: TX, LA, KY, WV, WY, AR (Arizona), MS (Mississippi), AL (Alaska), GA (Georgia) as examples. And low prices is a socio-political poverty issue.

States with the highest energy prices (gasoline taxes, electricity rates) are typically Blue: California (CA), Maine (MA), New York / New England. High prices are more favorable toward reducing emissions, and urban lifestyles.

Also, State Commissions in Blue states usually maintain higher RE standards. Most of the states with no RE standard are Red - although this tendency is completely independent of the Presidential candidates.

Meanwhile, nuclear power is a 'trans-partisan' issue with some Enviros opposing it, and others favouring it as the ultimate replacement for coal in metro areas where wind and solar are not practical. In other words, the storyline is: the presidential candidates are following state tendencies on clean energy / sustainability, not really leading them.

EA Q: What is the outlook currently?

AP: Based on the events up to the end of August, we would put the electoral outcome scenarios as follows:

1. Hillary wins, 70%-80% probability (up from 60% earlier on in the summer) - barring some reversal in the email-gate / Clinton Foundation 'pay-to-play' controversies, which seem to continue. Drip-drip-drip.
2. Senate: current hedging shows Democrats taking the Senate by 2 or 3 votes (say, 52-48), but this is far below the commanding majority Obama wielded in 2009 (at

60-40). However, in 2018 the landscape reverses and Democrats must defend 24 seats (the Obama 2012 seats) to just 10 seats for the GOP. Most likely, the GOP takes the Senate on numbers in 2018.

3. House: GOP slides from a post-WW2 high of 247 seats to 227-232 (down 15-20), because unlike the Senate, the GOP is stronger in the States with favorable district lines.
4. States: Republicans wield 30 Governorships and the majority of state legislatures now; up considerably from 2009. This will not change until 2018-2020, if then.

So we expect to see Hillary win a limited mandate, weaker than Obama's - losing the Congress in 2018. Like Obama, Hillary would have the Senate for just two years, but Obama also had the House in 2009-10. The House will be the focus of unending investigations and budget/tax haggling. The Battle Royale is shaping up on Supreme Court justices, and then cabinet appointees will intensify partisanship and foster political reprisals...like in the 50s, the 1850s!

The net result and the key issue for EBJ readers (aka environmental consultancies) will be 'infrastructure spending', and how Congress responds. States and development zones will also be heavily involved in bond issues. So, 'INFRASTRUCTURE' becomes the number-one watch-word and vehicle for addressing energy use / access, water policy, transportation, and urban upgrades - no matter who is elected (!).

Want to know more - join us at the Environment Analyst Business Summit 2016 on Wednesday 28 September



To continue this discussion and hear more on opportunities and drivers in North America and global environmental markets, why not join us at the **Environment Analyst Business Summit**, *Accelerating Growth and Adding Value to Address Environmental Market Disruptors*, on **28 September 2016**, at **One America Square, London**.

In a session dedicated to '**Export Opportunities for UK Environmental Consultancies**' our expert speakers, including **Grant Ferrier**, *President of Environment Business International (publisher of EBJ)*, will share further insights on US market trends and the impact of the presidential election on the environment policy and industry landscape, as well as contributing to the wider discussion on international markets.

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