THE SHARP POLICY SHIFT IN US DECARBONIZATION POLICY UNDER THE TRUMP ADMINISTRATION —THE GROWING IMPORTANCE OF ACCOUNTING FOR BOTH FEDERAL AND STATE-LEVEL FACTORS—

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SUMMARY

- The Trump administration swiftly and significantly reversed the US decarbonization policy through executive orders issued immediately after taking office. These actions included withdrawing from international agreements, abolishing greenhouse gas (GHG) reduction targets, and reviewing emissions regulations.
- The administration also scaled back support for decarbonization-related projects by amending existing federal laws, and opposes climate policies implemented by state governments. State-level responses to these federal policy shifts have varied.
- Nationwide, moves to reduce or reassess clean energy investments are expected to gain momentum. While federal policies can fluctuate dramatically depending on the party in power, state-level approaches vary by jurisdiction. As a result, it is important to consider not only federal developments but also the characteristics of individual states when evaluating energy-related projects in the US.

1. A COMPLETE REVERSAL IN US DECARBONIZATION POLICY UNDER THE TRUMP ADMINISTRATION

1-1. DECARBONIZATION POLICY CHANGES DRIVEN BY EXECUTIVE ORDERS

Shortly after taking office in January 2025, President Trump issued a series of executive orders that dramatically reversed the decarbonization policies of the previous Biden administration. Specifically, the Trump administration moved swiftly to withdraw from international agreements such as the Paris Agreement, eliminated greenhouse gas (GHG) reduction targets and electric vehicle (EV) sales quotas, and rolled back GHG emissions regulations on fossil fuel power plants and automobiles (Figure 1).

Figure 1: Comparison of decarbonization-related policies

	Biden Administration	Trump Administration
International agreements	Rejoined the Paris Agreement	Withdrew from the Paris Agreement for a second time; declared intent to exit other agreements under the United Nations Framework Convention on Climate Change
GHG emissions targets	Reduce GHG emissions by 61–66% from 2005 levels by 2035; achieve net zero by 2050	Issued a repeal of the requirement for states to set CO_2 reduction targets
Target EV ratio of new vehicle sales	Target for over 50% of new vehicle sales to be EVs or fuel cell vehicles (FCVs) by 2030	Abolished EV sales ratio target
GHG regulations on fossil fuel power plants	Mandated 90% emissions reduction by 2032 for new and existing fossil fuel plants using carbon capture technology, including coal and natural gas plants	Repealed GHG reduction mandates imposed on coal and natural gas power plants under the Biden administration
Methane regulations	Substantially reduced methane emissions from oil and gas sector (about 80% reduction)	Signed resolution blocking implementation of methane regulations for oil and gas companies
Vehicle emissions regulations	Lowered CO_2 emissions standards per vehicle; 2023 model year set to lowest level since tracking began	EPA revised vehicle emissions regulations established by Biden administration
Offshore wind	Set offshore and floating offshore wind capacity expansion targets; support programs for multiple offshore wind-related startups, primarily in the northeastern US	Halted support for offshore wind power plant; later allowed limited project continuation

Source: Compiled by MGSSI based on government announcements and news reports

The administration also issued an executive order halting expenditures under the Inflation Reduction Act (IRA), which established a range of tax credits for clean energy investments, and the bipartisan Infrastructure Investment and Jobs Act (IIJA), which stipulated the development of EV charging infrastructure. As a result, key legislation promoted under the Biden administration to achieve GHG reduction targets has been rendered largely ineffective.

1-2. SHIFT TOWARD EXPANDED FOSSIL FUEL PRODUCTION AND INVESTMENT

The Trump administration has also eased regulations on fossil fuel projects. For example, it lifted restrictions on leasing federal public lands for fossil fuel exploration and simplified and expedited approval procedures, marking a sharp reversal from the policies under the Biden administration, similar to the changes made in decarbonization policy.

The administration has further announced plans to increase the number of permits issued for extraction projects and fracking (hydraulic fracturing used for shale gas development) on federal lands, signaling a clear policy shift away from addressing climate change and toward promoting fossil fuel development.

Figure 2: Comparison of fossil fuel-related policies

	Biden Administration	Trump Administration
Approval of fossil fuel projects	Progresses slowly due to strict reviews	Accelerated the approval process for fossil fuel projects
Federal leasing of public lands	At the start of the administration, temporarily suspended new oil and gas exploration and leasing on federal and offshore lands. Remained cautious about leasing even after the moratorium was lifted	Lifted restrictions on leasing federal lands for fossil fuel exploration
Development in Alaska	Prohibited oil and gas development on approximately 40% of the National Petroleum Reserve in Alaska to protect wildlife and Indigenous ways of life	Revoked restrictions on oil and gas development in Alaska imposed by the previous Biden administration
Promotion of fracking	Banned fracking on federal lands	Expanded drilling on federal lands. Nominated Chris Wright, CEO of a shale gas extraction company, as Secretary of Energy
LNG exports	After temporarily freezing new LNG project approvals, expressed a cautious stance toward projects that would increase exports. Also imposed limits on LNG refining facility and export terminal construction	Resumed review of new LNG export applications, aiming to process as quickly as possible
Subsidies for fossil fuel producers	Directed federal agencies to suspend some fossil fuel subsidies	Considering allowing year-round sales of E15 (gasoline with 15% ethanol blend)

Source: Compiled by MGSSI based on government announcements and news reports

2. FEDERAL ROLLBACK OF DECARBONIZATION POLICY THROUGH AMENDMENTS TO EXISTING LAW AND STATE-LEVEL RESPONSES

2-1. EXECUTIVE ORDERS AND LEGISLATIVE MEASURES TO REVISE EXISTING LAWS AND POLICIES

As noted earlier, on his first day in office, President Trump issued an executive order to immediately suspend funding related to the IRA and the IIJA. Although a court later issued an injunction blocking the administration's attempt to invalidate existing law, the suspension remained in effect for some time, resulting in delays and disruptions to projects.

Congress is seeking to scale back IRA tax credits through new legislation. Enacted on July 4, the fiscal reconciliation bill[1] titled the One Big Beautiful Bill (OBBB) included amendments to the IRA to shorten or terminate certain benefits that were generally available under existing law until 2032. For example, tax credits for EV purchases and certain home renovation items will end by the close of 2025, while those for clean power, clean manufacturing, and hydrogen will expire between 2026 and 2027. By contrast, the tax credit periods for carbon capture and storage (CCS) and nuclear power were left unchanged (Figure 3). In addition, restrictions were introduced, excluding projects in clean manufacturing, power, or CCS that involve "foreign entities of concern" from eligibility for tax credits and the like.

Alongside these legislative and executive measures to comprehensively limit IRA-related spending, the government also froze specific IRA program funds supporting solar projects in low-income and underdeveloped regions. A separate executive order halted all permitting of wind power projects and suspended those already approved, further delaying the progress of decarbonization initiatives.

Figure 3: Key changes to IRA tax credits

Category Eligible for Tax Credit	Tax Credit Expiration Period	Provisions Related to Foreign Entities of Concern
EV (clean vehicles)	・End of Sep 2025	—
Residential/commercial building renovation	・End of Dec 2025 (energy efficiency improvements, etc.) ・End of Jun 2026 (new energy-efficient homes)	—
Advanced manufacturing (Solar/wind power generation, critical minerals)	・End of 2026 (integrated components) ・End of 2027 (wind power components) ・End of 2029 (metallurgical coal) ・End of 2033 (critical minerals, phase out)	・Foreign entities of concern are excluded (Also excluded if receiving certain levels of support)
Clean hydrogen	・End of 2027 (for facilities that begin construction by that date)	—
Clean power (production, investment)	・End of 2027 (for solar and wind projects, operation must commence by the end of 2027 if construction begins one year after the law takes effect. Projects for which construction starts within one year are exempt from operational commencement deadline)	・Foreign entities of concern are excluded (Also excluded if receiving certain levels of support)
Alternative fuel vehicle refueling infrastructure	・End of June 2026	—
Carbon Capture and Storage (CCS)	・End of 2032 (no change)	・Foreign entities of concern are excluded
Nuclear power	・End of 2032 (no change)	・Foreign entities of concern are excluded

Note 1: Items shown in dark orange are tax credits ending within 2025, those in light orange are credits ending by 2026–2027, and those in blue will not change.
Note 2: "Foreign entities of concern" refers to businesses owned, controlled, governed, or directed by the governments of certain countries (China, Russia, Iran, North Korea).
Note 3: "Certain level of support" means, for example, in manufacturing, procuring a specified share of materials from a foreign entity of concern. The specified share varies depending on the type of product and the year in which it is sold.
Source: Compiled by MGSSI based on news reports

[1] A reconciliation bill is a comprehensive piece of legislation that amends existing laws in order to change revenue, expenditure, fiscal deficit, and the federal debt ceiling, and is deliberated in Congress as a single package. Normally, passage of a bill in the 100-seat Senate requires 60 votes, but a reconciliation bill can be passed by a simple majority of 51.

2-2. THE TRUMP ADMINISTRATION'S OPPOSITION TO STATE-LEVEL DECARBONIZATION AND CLIMATE POLICIES

The Trump administration has also taken steps to block climate policies enacted by state governments. In April 2025, Trump issued an executive order titled "Protecting American Energy from State Overreach," instructing Attorney General Bondi to identify state laws and policies that impose burdens on domestic energy production. The federal government argues that under federal statutes such as the Clean Air Act, it holds exclusive authority to regulate GHG emissions. On this basis, it declared that state-level emissions standards or zero-emission vehicle (ZEV) production mandates that are stricter than those set by the federal government are unconstitutional, and announced a policy of not recognizing such laws or regulations[2] (Figure 4).

The Trump administration also moved to oppose lawsuits brought by state governments against fossil fuel companies, filing suits against four Democratic-leaning states. The federal government argues that state laws or lawsuits seeking to impose financial liability on fossil fuel companies for failing to address climate change exceed the scope of state authority (Figure 5).

Figure 4: State-level emission standards and ZEV production mandates

Note: States that have introduced both (1) stricter emissions standards than federal levels and (2) ZEV production mandates are shown in dark blue, while those that have introduced only (2) are shown in light blue.

Source: Compiled by MGSSI based on US Department of Energy data

Figure 5: Overview of Trump administration lawsuits against states

State	Overview of State Lawsuits Against Oil and Gas Companies and Damages Claims	Overview of Federal Government Lawsuits
Hawaii	Seeking accountability for climate change impacts and the Lahaina wildfires	Petitioned federal court to block both states from pursuing climate-related damage claims against oil companies
Michigan	Negative impact on state climate and environment	
New York	Enacted special fund legislation aimed at addressing climate-related damages requiring oil companies to contribute billions of dollars to a fund for climate change related damages	Claims the law is unconstitutional because it imposes unfair burdens on fossil fuel companies and infringes on federal authority
Vermont		

Source: Compiled by MGSSI based on news reports

2-3. DIVERGENT STATE-LEVEL DECARBONIZATION POLICIES

In response to the Trump administration's reversal of decarbonization policy, states have taken differing approaches. Democratic-leaning states, such as those with Democratic governors, have opposed the administration's stance and declared their intention to continue advancing decarbonization. Specifically, they have filed lawsuits challenging the legality of Trump's executive orders and legal actions, while also updating their own stringent environmental regulations (Figure 6).

As noted above, in attempting to invalidate state-level decarbonization policies, the federal government asserts its authority under existing federal law, while Democratic-leaning states argue that they have constitutional authority as well as the right to protect their residents from the impacts of climate change. The two sides remain at odds.

Meanwhile, Republican-leaning states show support for the Trump administration's reversal of decarbonization policy. However, some states like Texas and Wyoming continue to support clean energy production or at least refrain from obstructing it. This appears to reflect state-specific circumstances: clean energy has already

[2] In June 2025, President Trump signed a Congressional Review Act (CRA) resolution and related measures that revoked the Environmental Protection Agency (EPA) waivers previously granted to California and other states, which had allowed them to adopt their own vehicle emissions standards in place of federal requirements. However, both the Government Accountability Office (GAO) and the bipartisan Senate parliamentarian have stated that application of the CRA in this instance is inappropriate.

become a major power source in these states, and with electricity demand expected to rise due to the rapid growth of data centers, a sudden and substantial policy shift in response to federal changes would be difficult to implement.

Figure 6: Key state-level actions related to decarbonization under the Trump administration

	Actions
Washington DC & 20+ Democratic-leaning states	● Filed a lawsuit opposing the Trump administration's temporary halt of federal funding for EV charging station installation authorized by the bipartisan IIJA passed under the previous administration
10 Democratic-leaning states	● Filed a lawsuit over the Trump administration's revocation of California's waiver to set stricter vehicle emissions standards than federal requirements
Washington DC & 17 Democrat-leaning states	● Filed a lawsuit over the Trump administration's indefinite suspension of new federal leases for offshore wind power projects. The lawsuit argues the move was unlawful and a major obstacle to clean energy advancement
Washington	○ The governor expressed confidence that the state can preserve key regulations and laws that support climate action and investment in clean energy
Michigan	◎ The state government requested that the federal district court dismiss the Trump administration's suit against the state, which opposed the state's claims for damages against fossil fuel companies
Hawaii	◎ Criticized the Trump administration's lawsuit as an attack on state sovereignty ★ Filed a separate lawsuit against seven fossil fuel companies over climate-related damages
Vermont	★ The Vermont Attorney General and others defended the state's Climate Superfund Act, which had been challenged by the federal administration. She emphasized the need to hold fossil fuel companies accountable for climate-related damages to the state
California	○ Considering stricter 2030 emissions targets ◎ Governor stated efforts to reduce pollution would not be hindered by executive orders
Colorado	○ Advanced its emissions target deadline ○ Implemented the strictest methane emissions regulation in the US (Regulation 31)
22 Republican-leaning states	★ 22 Republican-leaning states filed a lawsuit against multiple New York state officials, seeking to invalidate New York's Climate Change Superfund Act
10 Republican-leaning states	● Passed state laws restricting financial institutions from considering climate or other ESG risks in decision-making
North Dakota	● Enacted state tax incentives for oil drilling ○ State lawmakers praised the IRA amendments as a major win for coal, gas, and oil producers
Texas	● Passed legislation to promote microgrids combining gas-fired generation, solar, and battery storage ○ Several bills were introduced to restrict clean energy investment, including one imposing strict permitting requirements on new and existing solar and wind power projects, but all were voted down by the state legislature
Wyoming	● Passed law to lower coal mining taxes ○ Political leaders welcomed the IRA amendments as a boost for the fossil fuel industry ○ A bill to repeal an existing law that requires consideration of CCS implementation at coal-fired power plants was voted down by the state legislature

Note 1: Democratic-leaning states are shown in light blue, Republican-leaning states in light orange.

Note 2: ●: Filed suit against the administration, ◎: Criticized the administration, ○: Promoted or maintained decarbonization policy, ★: Filed suit or held companies accountable over decarbonization issues; ○: Supported the administration, ●: Enacted laws promoting fossil fuels, ★: Filed suit against a state advancing decarbonization policy

Source: Compiled by MGSSI based on various reports

3. ECONOMIC IMPACT OF THE POLICY SHIFT ON DECARBONIZATION

3-1. SLOWDOWN IN CLEAN ENERGY INVESTMENT

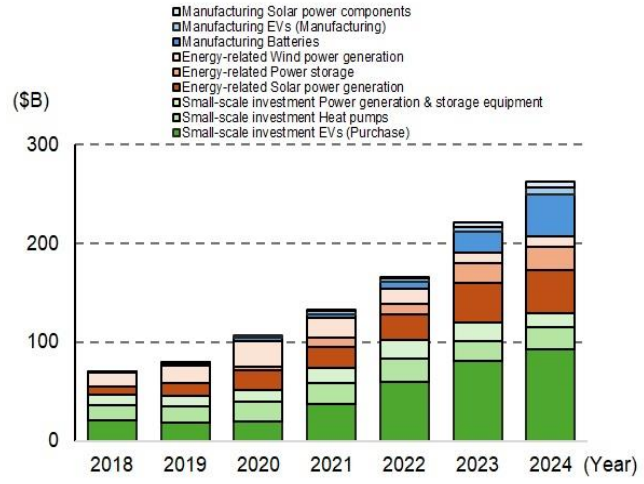
Clean energy investment nearly doubled from USD 137 billion in 2021, before the passage of the IRA (2022), to USD 273 billion in 2024. The most significant growth came from small-scale investments such as EV purchases and heat pump installations, followed by increased investment in solar and wind power. Investment in clean energy-related manufacturing, such as batteries and EVs, also increased (Figure 7).

Under the Trump administration, such clean energy investment has come to an abrupt halt. According to the

bipartisan business group E2, in just the first quarter of 2025, 16 large-scale decarbonization projects (mainly related to EV and battery manufacturing) worth a total of USD 8 billion became subject to downsizing or reassessment. This already exceeds the nine projects that were scaled back or reviewed over the course of 2024 (Figure 8).

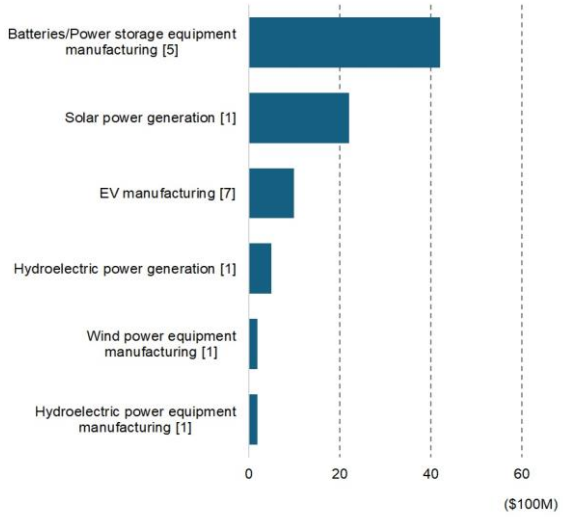
In addition, amendments to the IRA have shortened the eligibility period for tax credits. This is expected to increase instances where projects are abandoned due to failure to commence construction in time, likely dampening the momentum behind clean energy investment seen under the Biden administration. According to the Clean Investment Monitor, a joint project by the Massachusetts Institute of Technology (MIT) and the Rhodium Group that collects and analyzes IRA-related investment data, clean energy investments totaling USD 522 billion have been announced but have yet to begin construction. A significant portion of these may not start before tax credit eligibility expires, placing them at risk of being scaled back or cancelled[3]. Similarly, the REPEAT Project by Princeton University and Evolved Energy Research estimates that the IRA revisions could suppress as much as USD 500 billion in investment, particularly in the wind and solar sectors[4].

Figure 7: Clean energy investment under the IRA



Source: Compiled by MGSSI based on data from the Clean Investment Monitor by MIT and the Rhodium Group

Figure 8: Projects announced for downsizing or reassessment



Note: Figures in [ ] indicate the number of projects. Refers to projects announced for downsizing or reassessment between January and March 2025.

Source: Compiled by MGSSI based on E2 data

3-2. POTENTIAL FOR GROWING MOMENTUM IN FUTURE FOSSIL FUEL INVESTMENT

In the oil and gas sector, macro-level statistics show no clear signs of expansion, with production indices rising at about the same pace as the previous year and employment continuing to decline. A June 2025 survey of oil and gas industry executives conducted by the Federal Reserve Bank of Dallas also indicated a growing sense of pessimism about the outlook[5]. This appears to reflect concerns over downward trends in crude oil and natural gas prices, rising costs stemming from the Trump administration's steel and aluminum tariffs, and policy uncertainty.

At the same time, several LNG expansion and new investment plans have been announced. For example,

[3] Rhodium Group, July 11 2025,"What Passage of the "One Big Beautiful Bill" Means for US Energy and the Economy" https://rhg.com/research/assessing-the-impacts-of-the-final-one-big-beautiful-bill/

[4] Repeat Project. July 3 2025, "Impacts of the One Big Beautiful Bill On The US Energy Transition" https://zenodo.org/records/15801701

[5] Dallas Fed, July 2 2025, Dallas Fed Energy Survey https://www.dallasfed.org/research/surveys/des/2025/2502#tab-report

Venture Global announced plans for a USD 18 billion expansion project at its Plaquemines LNG export facility in Louisiana in March 2025[6]. Cheniere Energy also unveiled plans to expand its LNG project in Texas in June 2025[7]. In addition, energy investment firms and hedge funds have been acquiring drilling and royalty rights in major US shale basins, particularly the Haynesville and Permian basins, which are considered well-suited for LNG exports[8]. While concerns over future uncertainty remain, the momentum for resource-related investment expansion and export growth has the potential to strengthen.

4. FEDERAL DIRECTION ON DECARBONIZATION POLICY AND STATE-LEVEL RESPONSES

Under the Trump administration, the issuance of executive orders, changes to administrative measures, and revisions to existing laws are expected to slow the momentum of clean energy investment. At the same time, investment in fossil fuel projects may gain further traction. The direction of federal policy is unlikely to change significantly, at least until the next presidential election, scheduled for 2028. However, if the outcome results in a transfer of power from the Republicans to the Democrats, policy may once again shift back toward promoting decarbonization.

Thus, while the direction of federal policy can fluctuate significantly depending on the administration in power, state responses differ. Even among Republican-leaning states, clean energy investment continues in some cases due to rising electricity demand and economic considerations, indicating that their approaches are not uniform. When evaluating energy-related projects in the US, it is becoming increasingly important to factor in not only federal regulations and policy trends but also the specific characteristics of individual states.

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[6] Venture Global June 3 2025, Venture Global Launches Site Work at CP2 LNG Following Federal Approval https://investors.ventureglobal.com/news/news-details/2025/Venture-Global-Launches-Site-Work-at-CP2-LNG-Following-Federal-Approval/default.aspx

[7] Offshore Energy June 24 2025, "Two-train expansion of Cheniere's South Texas LNG terminal is a go" https://www.offshore-energy.biz/two-train-expansion-of-chenieres-south-texas-lng-terminal-is-a-go/

[8] Reuters March 28 2025, "US gas players refocus on Haynesville basin, buoyed by Trump LNG plans" https://www.reuters.com/business/energy/us-gas-players-refocus-haynesville-basin-buoyed-by-trump-lng-plans-2025-03-28/

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