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SEE ENERGY BRIEF

Monthly Analysis

Trump’s New Energy Policy and Impact on SE Europe

Introduction

With more than one month in the White House, the Trump administration has still to formulate a cohesive energy strategy, save for the announcement of its decision for the US to leave once again the Paris climate agreement and also provide incentives for ramping up oil and gas production. Where the Biden administration aimed to cut greenhouse gas emissions, the Trump administration is attempting to increase US fossil fuel production, to “restore American prosperity… [and] rebuild our nation’s economic and military security,” as the White House put it. **(1)** Apparently, Trump’s objective being to start implementing his agenda and to signal the planned strategy for his administration over the next four years.

The current Analysis examines in detail Trump’s new energy policy and the potential impact on Europe and SE Europe;, having broken down the announcements from his first few days in office, in order to assess what the energy and natural resources industries can expect, immediately and over time.

Executive Orders in the Energy Sector

Of the 46 executive orders and other presidential actions signed by President Trump on his first day back in office, six have direct relevance to the energy industry, according to Wood Mackenzie **(2)**:

- The withdrawal from the Paris agreement **(3)**.
- A catch-all executive order on energy **(4)**, including a wide range of provisions intended to “unleash America’s affordable and reliable energy and natural resources”. This ends the Biden administration’s pause on approvals for new LNG exports. It also starts processes for easing regulations on oil and gas production, scrapping appliance efficiency standards and changing regulations that encourage sales of electric vehicles.
- A declaration of a “national energy emergency” **(5)**, giving the administration more powers to expedite approvals for infrastructure for fossil fuels, biofuels, nuclear power and critical minerals, but not solar and wind. This is focused in particular on securing dispatchable “baseload” power supply for data centres, because artificial intelligence (AI) is a vital issue for national security.
- An order to lift restrictions on oil, gas and mineral production in Alaska, opening areas for development, including parts of the Arctic National Wildlife Refuge (ANWR), and supporting the state’s aspiration to revive its LNG industry.
- A mandate for government departments to look for ways to bring down prices for consumers, including scrapping climate policies that raise the cost of fuel and food.
- New restrictions on wind power development **(6)**. They include bans on new leasing for offshore wind, threats to existing leases and a temporary suspension of all federal leasing and permitting for wind projects both offshore and onshore.

President Trump also raised other issues that could affect the energy industry. The most important of those was the threat of new 25% tariffs on imports from Canada and Mexico if the flows of people crossing their borders into the US are not stopped. Some of the measures covered by those orders and statements will have an immediate impact. Others will need time to take effect or face difficult legal challenges. And some may never come into force at all.

One important factor to bear in mind is the decision last year by the US Supreme Court to end "Chevron deference" **(7)**. That was the principle that when a law is unclear, the courts should defer to a reasonable interpretation offered by an administrative agency. Its end could open many more of an administration's decisions to legal challenges.

Near-term Impact

(a) Withdrawal from the Paris Agreement

The US exit from the Paris agreement will take about a year to complete, but sends an immediate signal about the new administration's priorities. It also terminates US involvement in all climate-related international agreements and financial commitments. The US goals for emissions reduction **(8)** set out by the Biden administration late last year become a dead letter.

Some US states and businesses still committed to climate action are expected to announce that they will continue to align with the Paris goals, as they did during the first Trump administration. Few other countries are expected to follow the US out of the agreement. But some will see the move as a reason to ease off on emissions reduction efforts. One noteworthy detail is that the US has not (yet) withdrawn from the entire United Nations Framework Convention on Climate Change (UNFCCC), a step advocated by some of President Trump's supporters. Remaining in the UNFCCC means the US retains a seat at international climate talks.

(b) LNG Export Approvals

The Energy Secretary will restart reviews of applications from LNG projects to export to countries that do not have a free trade agreement with the US. The Secretary is instructed to make decisions on approvals based solely on the project's economic, employment and security impacts. Approvals are unlikely to be issued right away. The energy department (DOE) will need time to strengthen its decisions against the expected legal challenges. But we expect approvals to allow at least one US LNG project to take a final investment decision (FID) this year, and possibly more.

(c) Wind Power Restrictions

The administration has imposed an indefinite moratorium on all leasing of US federal waters for offshore wind projects. That does not have any impact on our view of the near-term outlook for the build-out of offshore wind. Leases for almost 70 GW of offshore wind capacity have already been awarded, mostly off the northern and central Atlantic coast, and we forecast that the industry will reach about 12 GW by 2030. The main constraint is not leasing but project economics, which could be affected by new tariffs.

Other wind-related measures could have more impact. The Secretary of the Interior and the Attorney General will review the economic and environmental impact of existing offshore wind leases, with a view to possible cancellation. Almost 17 GW of offshore wind capacity has already secured federal permits. There will also be an indefinite ban on all awards of federal permits and leases for wind projects, both onshore and offshore. Depending on how long that ban lasts, it could have a significant impact on wind development in the US. The administration also issued a specific order blocking development of the Lava Ridge Wind Project in Idaho, which was approved by the Biden administration in December. And companies with "defunct and idle" wind turbines could be compelled to remove them.

(d) Withdrawing Grants and Eliminating Loan Guarantees

Government agencies have been ordered to stop immediately all payments under the Inflation Reduction Act (IRA) and Infrastructure Investment and Jobs Act (IIJA), including funding for EV charging stations. A Biden administration official told Reuters recently that roughly 84% of the total grants under the IRA, worth US$96.7 billion, had already been committed before President Trump took office. But any company or organisation that has not yet received the funds will face uncertainty about whether the money will be available. Any administration is legally required to spend funds committed by Congress. To ensure that the IRA and IIJA money is not spent, the Trump administration will have to fight the question through the courts, or persuade Congress to take away the funding or use it for other purposes.

Longer-term Impact

(a) Supporting Increased Oil and Gas Production

The administration is setting up an inter-agency working group to find and implement measures to expedite oil and gas development. Regulations could be eased, including the rules for methane and volatile organic compound emissions set by the Biden administration last year. However, consultation procedures must be followed, so it will take time to put a new framework in place. Under the Biden administration, the average time taken to secure a permit to drill on federal lands rose significantly, from typically no more than 250 days in the 2010s to 320 days by 2023. The Trump administration can speed approvals up again by streamlining processes, and possibly by hiring more staff. The administration also plans to end the use of an estimated "social cost of carbon" in any permitting or regulatory decisions, which should help accelerate approvals.

However, the principal determinant of activity in the US oil and gas industry is corporate capital allocation decisions, driven by commodity prices and investor preferences. The Trump administration may have some impact on where companies invest – increasing activity on federal lands and waters – but probably not on how much is invested in total.

(b) Removing Barriers to New Energy Infrastructure, Including Pipelines

Administration officials will make recommendations to Congress for legislation to facilitate the permitting and construction of energy infrastructure, including oil and gas pipelines. There was bipartisan support in the last Congress for permitting reform to remove barriers to infrastructure investment. Although attempts to pass a bill last year were unsuccessful, there is a good chance that a reform package could be agreed by the current Congress.

(c) Ending Incentives and Regulations that Encourage EV Sales

The "Unleashing American Energy" order sets the US government on a path towards eliminating subsidies and regulations that favour EVs. These cannot be changed immediately. Ending the US$7,500 tax credit for EVs requires action from Congress. Scrapping the federal emissions and fuel economy rules that encourage manufacturers to sell EVs is another move that will have to go through the usual regulatory processes.

Over time, those changes, along with other measures such as steep tariffs on imported EVs from Mexico, could have a significant impact on the US vehicle market. Before the election, Wood Mackenzie analysts projected that plug-in electric vehicles (PEVs) – battery EVs and plug-in hybrids – would account for 32% of the US passenger car market in 2030. If President Trump follows through with his efforts to remove supports for EV sales, we think that share could drop closer to 23%. As a result of the slower adoption of EVs, Wood Mackenzie is projecting that US gasoline demand in 2030 will be about 300,000 barrels per day (or 4%) higher than in its previous forecast.

(d) Increasing US Production of Critical Minerals

As well as boosting investment in oil and gas, the Trump administration aims to increase US production of critical minerals, including rare earths and uranium. The order lists a series of measures to support that objective, including removing regulatory barriers, surveying the nation's resource potential, possibly opening up more public lands for mining and supporting projects with grants if Congress provides the funds. As with oil and gas production, these measures will take time to implement, and will lead to increased activity only if the economics are right.

Impact on (SE) Europe

Although there has not so far been any executive order or policy directive concerning US energy strategy towards Europe, there appears to be a gung-ho attitude at the White House which is largely based on current US supremacy in global LNG markets. Hence, Donal Trump has on numerous occasions vowed to flood Europe with supposedly cheap American gas. This could be a welcome development for the continent's ailing industry and for EU officials dreaming of quitting Russian gas dependency. The new American president has vowed to "unleash" American energy and "drill, baby, drill" at every chance. In theory, that means more gas Europe can consume.

For manufacturers struggling with high energy bills, that influx could help lower prices. Extra American gas could even provide the supplies needed to let Europe break its remaining energy ties with Russia — an unfulfilled goal almost three years into Moscow's war in Ukraine. "In that context," having more US gas "can be nothing but helpful," said Joseph Majkut, director of energy and climate at the Center for Strategic and International Studies think tank. **(9)**

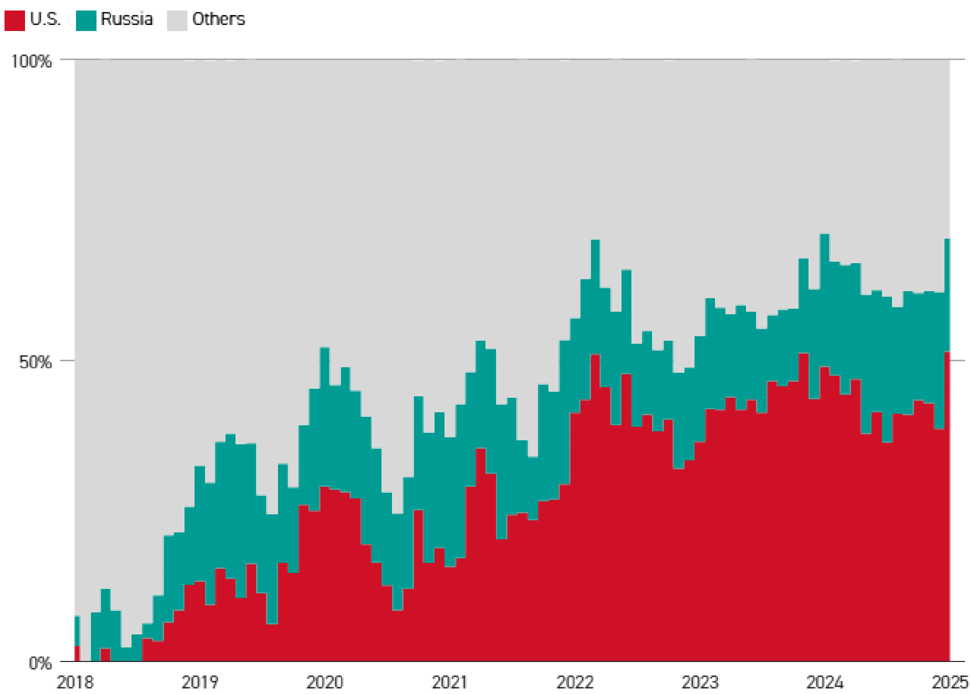
Yet Trump's boasts omit some inconvenient facts. The new president has little power to boost exports in the short term, and potential trade friction between the US and European Union could affect gas supplies. He also can't simply tell companies what to do — and right now, American firms are not actually too keen to "drill, baby, drill."

Meanwhile, some in Europe are wary of latching the continent's energy supply to the American president's temperament. "Whatever happens, we need to be extremely careful not to reproduce an overdependence on one country" after Russia, said one EU diplomat who was granted anonymity to speak freely about the sensitive issue. "Anything could happen because of his craziness." Markets and personalities aside, political will in both Washington and Brussels seems inclined to at least say the two sides are buying and selling more gas. That's exactly what they did in 2018, when Trump threatened tariffs and the EU committed to buying more liquid natural gas — even though it didn't really have that authority. The US is already the EU's second-largest gas partner and largest LNG supplier, a status it acquired after Russia cut off supplies following its 2022 invasion of Ukraine. So far, the bloc has imported over half of its LNG from the US, the world's largest producer of the supercooled fuel.

Now, Trump wants to raise overall fossil fuel production by the equivalent of 3 million oil barrels per day, according to Jim Burkhard, head of energy research at S&P Global — over half of which would likely come from gas. Energy firms could hit that goal — if they want — by intensifying production from existing sites, Burkhard said. And the president's new proposals will, at a minimum, "create confidence that demand will continue to grow for natural gas in the United States". But beyond that, Trump's powers to increase production — he could ease rules for new LNG plants, for instance — could take a decade or longer to show results, Burkhard said. Still, if energy companies do respond to Trump's rhetoric with greater output, that would provide much-needed relief for Europe's energy-intensive businesses, which still pay two-to-three times more for gas than their US rivals.

"Energy costs are one of the big competitiveness challenges that we're facing today," said Nicolai Romanowski, energy manager at CEFIC, the trade association representing the EU's chemicals sector, the bloc's largest single industrial consumer of gas and electricity. The industry has lost around 11 million metric tons of chemical production capacity in Europe in the past two years. "Anything that alleviates some of the pressure is a boost to the competitiveness of European industry," he added while noting that prices will still remain higher than for their US rivals given the increased costs of liquefying the gas and transporting it by sea.

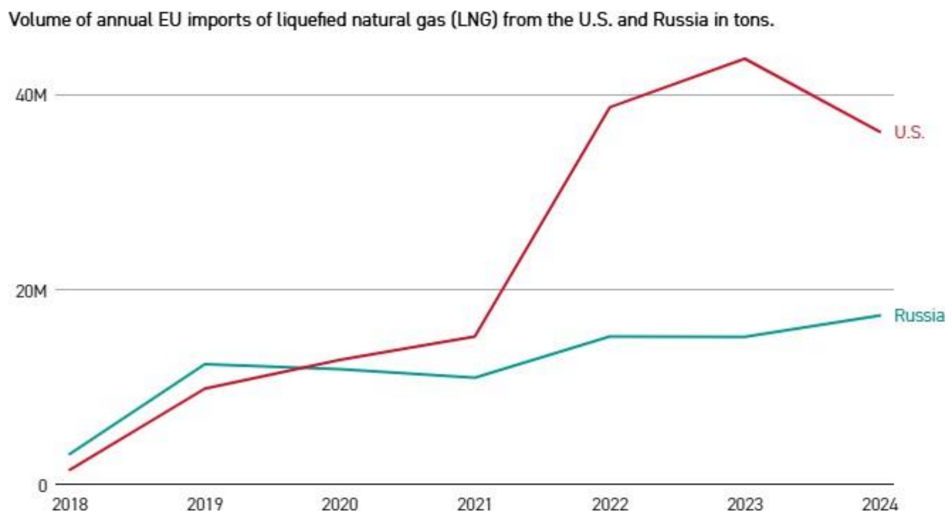
Figure 1: Who Does the EU Rely On For Its LNG?



Source: Kpler

At the same time, more US gas could help the EU dislodge its continued dependence on Moscow for supplies. Though the bloc has slashed its reliance on Moscow by two-thirds since 2022 — a number that dropped further as flows via Ukraine ended on December 31, 2024 — it is buying record levels of Russian LNG. A boom in US volumes "could sharply reduce the share" of the bloc's imports arriving from Moscow, according to Charles Costerousse, an LNG analyst at the Kpler commodities firm.

Figure 2: The Rise of US LNG



Source: Kpler

In addition, signs are emerging in Europe that the role of green commitments, or at least their promotion, is diminishing among economic actors. Companies are increasingly scaling back their ESG commitments and Europe's top banks are reconsidering their membership in the Net Zero Banking Alliance after US institutions withdrew.

After energy prices surged in Europe and the report by Mario Draghi sounded the alarm regarding the competitiveness of the European industry, many blamed green goals, voicing the opinion that Europe should not be advancing at such a rapid pace. Kyriakos Mitsotakis, Greek prime minister, for example, called for a pragmatic recalibration of Europe's climate policies last fall, emphasising the need for balancing ambitious environmental goals with economic sustainability. **(10)**

Now, with Trump's presidency championing economic progress over green goals, more companies and institutions may align with this direction. But will Europe be forced to scale back its objectives? It is not the case with the EU which is not officially planning to lower its emissions reduction targets for now, but rather to reinforce them by the upcoming Clean Industrial Deal **(11)**. It aims to accelerate the decarbonisation of EU industry while strengthening its competitiveness.

However, European industries that are bound by stricter environmental regulations might find themselves at an even bigger disadvantage compared to American counterparts benefiting from looser environmental policies. This could lead to calls within the region to reconsider or relax certain green commitments. For example, Sebastian Burduja, Romanian minister of energy, promised to present a detailed report on the negative effects of the European Green Deal policies on the Romanian energy sector.

At the same time, in line with Trump's pro-fossil fuel policies, investment preferences in Europe may shift. While interest in renewables may wane, demand for fossil fuels could rise. This is especially true in SE Europe, where coal, oil, and gas still play a significant role in the energy supply of many countries. Most countries in the SEE area have in place long-term hydrocarbon exploration programmes and aim at some point to be able to satisfy a substantial part of their domestic energy needs from indigenous oil and gas production. Already Albania, Croatia, Serbia, Romania, Türkiye and Israel produce sizeable amounts of liquid fuels from their own resources, while Cyprus has discovered significant gas deposits which will enable it to start exporting to the rest of the region from 2028 onwards.

While the EU may not ease its emission and RES targets, individual countries may adjust their energy mix, particularly those that are not in the EU. The question is whether countries seeking to join the Union will prioritise compliance with the EU's green commitments or be tempted by cheaper fossil energy and the promise of economic competitiveness.

A partial US withdrawal from green energy investments could reduce the region's green financing options, as could the suspension of foreign aid including development assistance. This could include USAID funds for the SE European countries, including for Ukraine's energy security and green transition support to Western Balkan countries. After reviewing these, there may be less funding for the region, particularly for climate-friendly initiatives. Admittedly this could slow the green transition but at the same time it could help diversify the energy mix of the various countries in the region, allowing for greater share of fossil fuels and eventually leading to lower energy costs for the consumer.

In addition, this could also influence (SE) Europe's geopolitical relationships. Countries in the region that are more reliant on fossil fuels might seek stronger ties with the US if they benefit from cheaper fossil fuel supplies or trade agreements. On the other hand, some countries might seek to accelerate their green transition independently, especially if they feel that US policies threaten their long-term energy security and climate goals or view renewables as the key to long-term competitiveness.

Discussion

The EU is preparing for the next four years of coexistence with the US administration of Donald Trump. The new White House tenant, now in his second term, has already made promises that have caused concern in Brussels and in the chancelleries of EU member states. From security to the economy, with the bogeyman of tariffs hanging over European industries, already weakened by the many shocks of recent years, the Trump effect on the European Union could cause many problems and exacerbate already existing tensions on the continent.

One of the issues causing the most alarm is energy. Trump's approach to energy policy, both domestic and international, often conflicted with the EU's environmental goals, and his "America First" rhetoric already complicated traditional cooperation in areas such as climate change, energy security, and international trade during his first term in office at the White House. In 2017, the Trump administration took a starkly different approach to climate change than its European counterparts, with the decision to withdraw the United States from the Paris Climate Agreement. Such a choice sent a clear message about his administration's stance on climate action and created a great divide with the other side of the Atlantic.

At that time, this move by the Trump administration was deeply unpopular in Europe, where there was a strong consensus on the need for international cooperation to combat climate change. All of this has, moreover, highlighted the vast difference in approach to multilateralism, which was openly disavowed in Donald Trump's first stint as president and will most likely be further opposed, even harder, in the next four years.

For the EU, climate change is not only an environmental issue but also a cornerstone of its economic strategy. The European Green Deal, launched in December 2019, aimed to make Europe the first climate-neutral continent by 2050, a rather ambitious goal which has of late encountered serious obstacles and straight forward objections by the governments of certain member countries, which are extremely worried by the constantly rising energy costs and the negative impact on their economies and on the consumer.

Still, Trump's environmental policies, including rolling back numerous environmental regulations, such as those limiting emissions from power plants and cars, clashed with the EU's progressive climate agenda. Under the first Trump term in office and during Joe Biden's administration, the United States became the world's top producer of oil and natural gas, largely due to the expansion of shale production. This emphasis on fossil fuels stood in stark contrast to the EU's push toward renewable energy sources, such as wind and solar power.

In his January 20 inaugural address in Washington, the US president used the slogan "Drill, baby Drill!", signalling a return to the use of fossil fuels and an agenda focused on deregulation in the energy sector. Trump has said that if the EU doesn't want to face heavy tariffs on trade, "the one thing they can do quickly is buy our oil and gas." What can the EU do in this respect? A European Commission spokesperson for energy told the website "Politico" that "The priority is to have a conversation, to engage early, discuss common interests, and then be ready to negotiate." **(12)**

At the same time, discussions at the highest level about LNG have already taken place between representatives from the EU and the US, which is the world's second-largest gas supplier and the largest source of LNG for European countries. Thus far in 2025, over half of the LNG imported by the EU member states came from the United States. It is difficult at present to determine what will happen in the coming months concerning cooperation on energy between the EU and the Trump administration. What is certain though is that the divide over climate policy is insurmountable and any discussion on such issues will be difficult if not impossible. That leaves open the prospect of rapprochement over US LNG exports to Europe and a more favourable price regime in view of the huge annual volumes involved and EU's high import demand. Another area of cooperation could be AI and energy related applications, such as SMRs, where the US has a clear lead and could help Europe in its search for strategic autonomy.

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3, Alex. Soutsou st. 106 71 Athens, Greece, T: +30-210 3628457, 3640278, F: +30 210 3646144, marketing@iene.gr, www.iene.eu