

Trump and why he is better for renewable energies

A commentary by Markus W. Voigt

Düsseldorf, 27.11.2024 - Donald Trump's election as the new US president is certainly a step backwards for climate protection. At the same time, it could represent an opportunity for the expansion of renewable energies worldwide. Paradoxical? Only to a certain extent: Under Biden's administration, the Inflation Reduction Act (IRA) has unleashed an unprecedented wave of subsidies for companies, attracting many foreign investments to the USA. This dynamic is likely to change under Trump. In Europe in particular, the resulting shift in competitiveness could make the region a more attractive investment location once again.

President Trump has already demonstrated in his first term that he does not consider climate change to be the most pressing problem facing humanity – to put it mildly. His early cabinet appointments provide strong indications that he has not really changed his mind on this issue. No wonder, then, that shares in companies focused on fossil fuel extraction, trade or transport are booming.

In contrast, the current president, Joe Biden, has allocated billions toward restructuring of the US economy towards sustainability and climate protection. This agenda falls under the Inflation Reduction Act, a law designed to combat inflation. A key element of the IRA is its focus on domestic investments: Companies seeking access to subsidies must invest directly in the USA, regardless of their country origin.

Biden has thus achieved what Trump previously only promised: prioritising the USA's interests and channelling substantial resources to strengthen the domestic economy and labour market. However, as a multilateralist, he has of course invited companies and investors worldwide to take advantage of the subsidies - provided the investments are made in the USA.

As a result, some companies relocated their headquarters or production facilities to the USA , while scaling up their existing local activities. For the European economy, this meant a shortage of funds and relative unattractiveness – as reflected in the region's weak economic growth. This has also had consequences for the expansion of renewable energies worldwide: while a lot of money is available and being spent in the USA, investments are lower worldwide. Why would investors forgo subsidies that boost returns with minimal additional effort?

Trump's election will now lead to a significant shift. As he rejects climate change projects, subsidies will dry up. Tariffs will ensure isolation and the one-sided focus on the USA will give way to a more efficient allocation of capital flows. This would likely benefit European industries and renewable energy projects outside the USA. Ironically, Trump may inadvertently contribute to progress on climate action globally - even if this outcome runs counter to his intentions.



About the aream Group

aream Group, founded in 2005, is an investment and asset manager for institutional investors and industrial clients with a focus on sustainable infrastructure in the renewable energy sector. With its three divisions Fund and Asset Management, Project Development and Operation Management, aream covers the entire value chain for renewable energy investments. With a transaction volume of more than 2.5 billion euros, aream is one of the leading asset managers in this market, and its own portfolio of plants generates around 40 million euros worth of green electricity per year. Since 2008, aream has produced more than one billion kWh of green electricity. As part of the growth strategy, several solar and wind parks are to be realized or acquired in the coming years. Through its own project development alone, aream currently has a long development pipeline with great potential. Further information: www.aream.de.

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