



Energy Demand: Driven by Economics, Not Politics

The election of Donald Trump as the 47th President of the United States is unlikely to disrupt the underlying fundamentals of the U.S. energy sector. Economic forces continue to drive energy markets, as global supply and demand consistently set records. These trends are expected to persist, with energy remaining essential for economic growth and daily life.

Economic Fundamentals Over Politics

Global energy demand has grown in 38 of the last 40 years¹, and this trajectory is expected to continue. The U.S. leads as the world's largest producer and exporter of energy, a position it is likely to retain over the next four years. Whether clean energy, traditional oil and gas, or clean energy innovations, the energy sector's growth is tied to economic realities rather than political shifts.

Key Trends and Implications:

1. Oil and Gas Leadership:

The U.S. has maintained its role as the largest global producer of oil and natural gas, with steady production growth anticipated. Trump's policies could encourage further development through relaxed restrictions, yet producers are expected to remain disciplined to avoid market oversupply.

2. Expanding Energy Exports:

U.S. energy exports, including LNG, are projected to grow annually by 5% through 2030². As a net energy exporter, the U.S. strengthens its trade balance and global influence while offering low-cost, reliable energy solutions to the world.

3. Infrastructure Challenges:

New pipeline projects may remain difficult to permit despite regulatory efforts, enhancing the value of existing energy infrastructure. Investments in infrastructure assets benefit from these barriers to entry, as demand for reliable energy transportation persists.

4. Tax Policy Impacts:

Potential tax changes under a Trump administration, such as further corporate tax cuts or the elimination of stock buyback taxes, could support earnings growth for energy companies. Master Limited Partnerships (MLPs) are expected to retain their favorable tax treatment, ensuring continued attractiveness for energy infrastructure investments.

¹Statistical World of Energy, Energy Institute, June 2024

²Tortoise Capital. Assumption on 5% annual growth is based on historical growth and visible project expansions that are increasing U.S. energy export capacity. Assumptions are subject to change.

5. Geopolitical Considerations:

Energy markets will likely experience some volatility due to ongoing geopolitical challenges, including the Russia-Ukraine conflict, Middle East tensions, and U.S.-China trade relations. However, the U.S.'s energy independence and export strength position it as a reliable global supplier, mitigating risks and supporting stability.

6. Clean Energy Evolution:

The Inflation Reduction Act (IRA) provided significant support for clean energy, including wind, solar, and biofuels. While a Trump presidency could reduce spending on certain initiatives, critical subsidies for clean energy production and emerging technologies are likely to remain. This ensures continued progress in energy transition efforts alongside traditional energy sources.

7. Electric Vehicle Market Dynamics:

Regulatory mandates for EV adoption may face rollback, but existing tax credits are expected to stay intact. Global trends show a slowing pace of EV growth as subsidies decline, reinforcing the enduring demand for oil and refined products like gasoline and jet fuel.

Outlook

The energy sector remains a resilient foundation of economic activity. While political leadership may influence specific policies, the enduring themes of growing global demand, steady production growth, and expanding exports ensure a robust landscape. Fossil fuels will continue to play a key role in meeting global energy needs, complemented by ongoing advancements in clean energy and infrastructure, creating a diverse range of opportunities in the sector.

To explore how you can leverage these trends in your investment strategy, check out our energy-focused solutions designed to capitalize on the evolving dynamics of this critical sector at www.tortoiseadvisors.com.

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