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KPMG report: Initial observations on a second Trump presidency and the implications for U.S. infrastructure investment

Since the inauguration of President Trump on January 20, there has been a flurry of presidential actions and orders, many of which will have broad and wide-reaching implications for infrastructure investment in the United States (including Unleashing American Energy – The White House, OMB Memo M-25-11 – The White House, America First Trade Policy – The White House).

In summary, the sectors that are likely to benefit the most under a second Trump presidency include mining and traditional energy production infrastructure, midstream energy (including pipelines and liquefied natural gas (LNG) export facilities), digital infrastructure and industrial/supply chain infrastructure (e.g. road and rail). The sectors that are facing headwinds include onshore and offshore wind generation and electric vehicle (EV) related infrastructure including EV charging networks.

Some key observations:

- **U.S. policy focus:** Policy announcements focused on energy seek to remove permitting and other barriers to the development and use of oil, natural gas, coal, hydropower, critical minerals (including uranium), biofuels and nuclear energy and open Alaska to the exploitation of natural resources and energy production and transportation, with the latter targeted to LNG pipeline and export infrastructure. They also seek to eliminate the so called "electric vehicle mandate."

- **Permitting:** Under the Unleashing American Energy Executive Order, policy will focus on measures to simplify implementation of the National Environmental Policy Act (NEPA) and accelerate approval processes. Furthermore, the order also directs agencies to adhere only to legislated requirements for environmental considerations.

- **Green New Deal** – **federal disbursements:** Under the same Executive Order, federal agencies are directed to immediately pause the disbursement of funds appropriated through the "Inflation Reduction Act" (IRA) or the "Infrastructure Investment and Jobs Act" (IIJA), including but not limited to funds for electric vehicle charging stations. This applies to grants, loans, contracts or any other financial disbursements and is the subject of a 90-day review period for consistency with the law and the policy outlined in Section 2 of the Executive Order. The Office of Management and Budget has sought to clarify that the pause only applies to programs or projects implicated by the policy established in Section 2 of the Executive Order.

- **Green New Deal – tax credits:** The Unleashing American Energy Executive Order (or any of the other orders and directives issued to date) does not impact the availability of tax credits under the IRA. Tax credits can only be modified or repealed by legislation. However, legislation is expected to be enacted by year end to extend the tax rate cuts and other expiring measures introduced in the "Tax Cuts and Jobs Act" (TCJA) passed during the first Trump presidency, and modifications to IRA tax credits are expected to be considered to help offset the cost of those extensions.

- **Offshore and onshore wind**: Under the presidential action titled "Temporary Withdrawal of All Areas on the Outer Continental Shelf from Offshore Wind Leasing and Review of the Federal Government's Leasing and Permitting Practices for Wind Projects," there is an immediate removal of all areas within the Offshore Continental Shelf (OCS) for any new wind energy leases as well as a stay on the issuance or any new or renewed approvals, rights of way, permits, leases, or loans for offshore and onshore wind projects pending the completion of a comprehensive assessment and review of Federal wind leasing and permitting practices. Interestingly, there is also a temporary moratorium imposed on the Lava Ridge Wind project in the Magic Valley region of Idaho.

- **Industrial infrastructure:** Under the America First Trade Policy Executive Order, several federal agencies are directed to review current trade practices under the prism of adherence to international agreements, fairness (e.g., subsidies), and national security interests (e.g., technology, software, aluminum, steel). These policies could stimulate additional capital investment in domestic manufacturing and supply chain infrastructure, but level of impact will also depend on results of review as well as any trade negotiations.

- **Washington, D.C. infrastructure:** Under the presidential action titled "Return to In-Person Work," there is an effective termination of all remote work arrangements and a requirement for all federal government employees to return to work on a full-time basis. With an estimated 3 million federal government employees as at November 2024, it will be interesting to see the impact this has on real estate and public and private transportation facilities in places such as Washington D.C. and surrounding commuter communities.

At a separate event, President Trump together with the CEOs of Oracle, Softbank and Open AI announced the investment of $500B in artificial intelligence (AI) infrastructure (current commitment of $100B) that includes substantial investment in data centers and related power generation.

In conclusion, the announced policies to-date seem to be (1) targeting a wider range of options to expand the energy generation and transportation capacity in the United States for both domestic and export purposes (including new investments in oil and gas and critical minerals) with an eye on economic competitiveness and national security, (2) requiring the evaluation of benefits of some of the funding programs related to green investments (but not currently impacting incentives such as tax credits), (3) focusing on the acceleration and simplification of permitting process to allow for faster capital deployment and new construction, and (4) potentially expanding domestic manufacturing. However, depending on the outcomes of some of the reviews (e.g., level of changes in green investment framework), speed of implementation of announced policies as well as other as any other future measures (e.g., tax policy, tariffs), the expected increase in U.S. infrastructure investment opportunities will differ across sectors.

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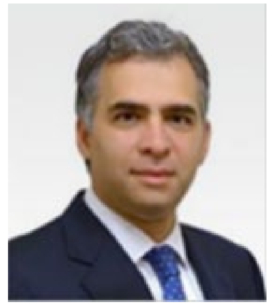

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