THIRD WAY

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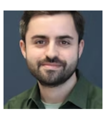
# What a Second Trump Term Could Mean for the EV Transition

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Last year, the US hit a groundbreaking milestone: more than one million EVs sold, and they're expected to pass 50% of new car sales in the US by 2030. This is in large part thanks to the Bipartisan Infrastructure Law and the Inflation Reduction Act, as well as other policies from Democrats that have turbocharged investment in the EV supply chain. With supportive federal policies, US automakers have been able to scale up production, bring down costs, and amplify private sector investments.

In November, Americans will go to the polls to elect the next president of the United States. If they give President Biden a second term, we can expect continued federal commitment to the EV transition. If Donald Trump returns to the White House, he could derail America's path to EV dominance, handing the reins permanently to adversaries like China.

Below, we highlight the real risks a second Trump term would pose for the EV transition and what it would mean for American voters.

## Policy Implications of a Trump Victory

**Bottom Line:** A Trump victory would jeopardize US auto-manufacturing, which has committed fully to the EV transition. In an anti-EV Trump administration, we could see up to 3-4% of GDP and 4 million jobs at risk across the supply chain. The US would also cede leadership in the EV marketplace to China, endangering our global influence and competitiveness.

Here’s how Trump could do that:

- **Slash emissions regulations for cars**. Trump can't fully eliminate vehicle emissions and fuel economy standards because of the Clean Air Act. But, he can make them less and less effective, making them effectively meaningless. There’s a precedent here: in his first term, Trump reduced emission standards to a mere 1.5% annual increase in fuel economy, compared to 5% previously.  This low rate matched what the private sector was already on track to achieve, rendering the regulation, which is intended to incentivize greater emissions reductions from the private sector, pointless. Trump also used the Department of Justice to make certain states couldn’t set their own, more ambitious emissions standards.

- **Freeze funding for electric vehicle projects.** Under Trump, Department of Transportation officials delayed federal grants for transportation modes they didn’t like while prioritizing funding for their own states. The Department of Energy simply did not award any Advanced Technology Vehicle Manufacturing (ATVM) loans at any point during the four years Trump was in office. We can expect similarly capricious and retaliatory decisions about important federal funds in a second Trump administration. At a time when the federal government is overseeing billions of dollars in EV and other clean energy investments, it’s more important than ever that agencies move quickly and deliberately to get money out the door. Given Trump’s antipathy for EVs, officials during his second term would likely delay or fail to administer grants for EV infrastructure, automaker assistance, and critical mineral processing and battery production loans.

- **More stringent EV battery sourcing requirements for IRA tax credits.** The IRA updated the EV tax credit to require increasing percentages of an EV's battery components to be sourced domestically or from our allies. The Biden Administration aims to balance accelerating the EV transition with fostering domestic industries and preventing adversaries like China from further outpacing us. The Trump Administration could flip this careful balance on its head, rewriting the rules to make it almost impossible for any EV to qualify for critical tax credits. This would not only stall our transition to EVs but also erase a crucial incentive driving automakers and suppliers to expand US manufacturing.

- **Slow the buildout of EV chargers in rural and low-income areas.** 30C, the IRA's tax credit for EV chargers, prioritizes low-income and non-urban communities. IRS guidance uses a broad definition of "low-income" or "non-urban" to ensure access for nearly two-thirds of Americans. That could change under a second Trump Administration, which could issue new guidance to shrink the number of communities eligible for the credit and, in so doing, block support for charging stations in many less affluent or urban parts of the country.

- **Shake private sector confidence in EV manufacturing.** All of these policy changes add up to an uncertain policy landscape for EV manufacturing. Automakers—and their suppliers—build where they sell. The Biden Administration is using every tool in its arsenal, from tax credits and grants to emissions standards, to boost demand for EVs and grow an industry for these vehicles—and it's creating tens of thousands of jobs for American workers along the way. A second Trump Administration would do everything in its power to slow the pace of EV adoption, and that could have a chilling effect on future investments. Without a steady source of demand for their products, companies won't feel confident investing in new factories and will go where demand is higher, like China and Europe.

# Conclusion

## What Would This Mean for Americans?

China dominates the electric vehicle market, selling as many EVs in a month as the US does in a year. And that trend is quickly going global. The EV future is here—but without federal support for the EV transition, Americans *will* get left behind.

The US auto industry is responsible for more than 4 million jobs today. And for every assembly job created across the EV supply chain, there are ten other jobs created throughout the economy. As EVs become more popular in the US and around the world, automakers will need to retrain workers to remain competitive in this burgeoning industry. Without effective federal policies and demand certainty driving automakers to invest in retraining workers to build EVs, those 4 million US auto jobs will be in jeopardy—and China will benefit from America's inability to compete in this global marketplace.

The same is true of jobs in the "battery belt" of the American Southeast, where auto companies and others have poured billions into new battery manufacturing facilities across Georgia, Kentucky, and Tennessee. These investments are predicated on the supportive policy environment created by the Biden Administration, which has incentivized companies across the EV supply chain—from automakers to battery manufacturers to critical material refiners—to set up shop here in the US. As a result, battery manufacturing is projected to create 35,000 annually through 2050, with many in formerly fossil fuel-dependent and historically low-income communities. A second Trump administration puts those jobs—and the economic growth their communities have experienced thus far—at risk.

In a second Trump Administration, we can expect to see the US lose ground in the global EV marketplace, becoming less competitive, less influential, and more dependent on foreign manufacturing. Americans will experience these impacts first-hand and watch economic opportunities in auto manufacturing slip away. The EV transition—and, more importantly, American workers—cannot risk a second term.

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