



## TRANSCRIPT

### Environmental Insights Episode #2, 2025

**Guest:** Joseph Aldy

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**Joseph Aldy:** The sort of worst-case scenario, at least in terms of what happens to our emissions and our energy economy, is basically just, it's more like stasis. We need to accelerate if we're going to be up to the challenge of the problem. But I think we just find ourselves treading water for a while. The challenge is whether or not there's really bad spillovers to other countries.

**Rob Stavins:** Welcome to [Environmental Insights](#), a podcast from the [Harvard Environmental Economics Program](#). I'm your host, [Rob Stavins](#), a professor here at the [Harvard Kennedy School](#) and director of the program.

In the past, in this podcast series, I've had the great pleasure of engaging in conversations with leaders in environmental economic scholarship who have also had significant experience in the policy world. And my guest today is really a great example of this because I'm joined today by [Joseph Aldy](#), my colleague at the [Harvard Kennedy School](#), where he is the Teresa and John Heinz Professor of the Practice of Environmental Policy, and he's also a University Fellow at [Resources for the Future](#), and a Faculty Research Fellow at the [National Bureau of Economic Research](#). As many of you will know, Joe's research focuses on climate change policy, energy policy, and broader regulatory policy. And importantly, in regard to what I said at the outset, from 2009 to 2010, at the very beginning of the Obama administration, Joe served as special assistant to the president for Energy and Environment, which gave him experience both in the economics and politics of climate change policy. So welcome, Joe.

**Joseph Aldy:** Hi, Rob. Thanks for having me.

**Rob Stavins:** So, as regular listeners to this podcast will know, I usually start out the conversations by asking my guests to talk about his or her personal and professional background, but this is your second visit to this podcast series, so I'm not going to do that. The first one was in November of 2019, which was the seventh of 66 episodes we've now had of this podcast. In fact, I may be wrong, but I believe you're the first guest to come back for a return visit, which I very much appreciate.

**Joseph Aldy:** I am honored, Rob. Thank you.

**Rob Stavins:** Yes, there you go. And the very reason why I'm double dipping like this is that when I decided that I wanted to ask someone to describe and assess what has happened and will happen in the second Trump administration's first hundred days, particularly in regard to domestic environmental energy and climate change policy, you were the first person who came to mind. Now, I emphasize domestic environmental because I've already written in several blog essays and had some podcasts about what to expect in the international climate policy domain, but not in the domestic domain, which is exceptionally important and quite dramatic. Now we're not quite halfway through the first hundred days, although it feels like it's already been several years. So, before we get into your expectations for what will be forthcoming over the next two to four years, I'd love to focus first on what's already happened in the energy, environmental, and climate domain. So, without going into great deal detail about any of them, because we can come back to them, what are your top-tier short list of issues and decisions that are really important for us to know about?

**Joseph Aldy:** Well, so one thing I want to emphasize is that what we're seeing, and we'll continue to see over the first hundred days and beyond began before January 20th. It's doing the preparatory work to try to deliver on the net transition the president-elect's agenda and some of that reflected work that was done well before the election.

**Rob Stavins:** You're talking about Project 2025.

**Joseph Aldy:** Project 2025, but this is not unique to this administration. We saw this in 2020, a lot of effort trying to think through what climate policy would look like in 2021 if then candidate Joe Biden was elected president.

**Rob Stavins:** I participated in one that led up to the Clinton administration. It was called Mandate for Change.

**Joseph Aldy:** And for that matter, I worked on the quiet transition team, which was pre-election in 2008, and then the formal transition team right after then-Senator Obama was elected president starting in November of 2008. So, the thing is that there's a lot of work that goes up and this one thing now especially, I mean we saw this with the first week under President Biden, and we certainly saw this on day one in the first week for President Trump where there is just a lot of executive orders getting the executive branch to start moving in a different direction and to do so quite aggressively. So, we saw a number of these executive orders calling out for a national energy emergency to really say, here's why we want to direct all the agencies to explore their existing statutory authorities to see what they can do to accelerate the development of energy resources and especially fossil fuel-based energy resources.

**Rob Stavins:** Can I ask you there, Joe, is there some significance to the phrase of or the word emergency, but a national energy emergency? Does that trigger, I know you're an economist, not a lawyer, but you've been in the policy world so much. Does that trigger the abilities of the administration to do things they otherwise could not do or would not do?

**Joseph Aldy:** So, what it does is it enables you to start to look at provisions under your statutory authorities that give you perhaps greater flexibility under emergency circumstances.

**Rob Stavins:** Okay.

**Joseph Aldy:** So, once you've made that declaration that may enable you to say, fast track a project or fast track a leasing program for public lands that would otherwise encounter perhaps a longer process. It's a little bit of a challenge to say we're actually dealing with a kind of energy emergency that was described by the president because we're producing more energy now than we ever have.

**Rob Stavins:** How did he describe it?

**Joseph Aldy:** That we're concerned about not having enough energy in short and concerns about whether or not we'd have enough reliable energy. But when we look at the fact that we're at record highs in oil production, gas production, and renewable power production on the supply side, we're not necessarily facing what one might think of as an emergency when it comes to energy.

**Rob Stavins:** Right?

**Joseph Aldy:** But part of that then is just start to reorient the state to deliver on your objectives. So, given that he wants to produce more oil and gas, this is one way to start to make it happen a little bit more quickly. There's a lot of discussion as well when we look at those initial decisions made in those executive orders to task agencies to do things is really to reorient the regulatory state and to think about the nature of regulations that govern energy or that advance President Trump's energy agenda. So, we're seeing already efforts to try to think through not just rolling back regulations. We saw this in Trump 1.0

For example, rolling back the Clean Power Plan from the Obama administration. They eventually finalized the regulation in 2019, the Affordable Clean Energy Rule that was intended to be the replacement of the Clean Power Plan. But we see efforts going on now that I think are potentially more fundamental in undermining the ability of the federal government to regulate greenhouse gas emissions. There is tasked on day one to EPA was to assess the prospect of undoing the [Endangerment Finding](#) under the Clean Air Act. That's the necessary foundation. This actually comes all the way back. You go back to the 2007 Supreme Court case ruled saying the EPA does have the authority to regulate greenhouse gas emissions. The first step in implementing that authority is to determine if greenhouse gases endanger public health and welfare. And so, in 2009 in the Obama administration, the Endangerment Finding was finalized and it is the basis then for regulating greenhouse gas emissions under the Clean Air Act. So, there may be efforts to try to undo that.

**Rob Stavins:** It seems like they are moving in that direction.

**Joseph Aldy:** They're moving in that direction, and a lot of this is going to end up in the courts and that will determine what is the ultimate fate of say the Endangerment Finding. Another

area where I think they're trying to push potentially aggressively is to challenge the waiver that has been granted by the Biden administration to the state of California related to its regulation of automobiles.

**Rob Stavins:** Which is very important, right?

**Joseph Aldy:** For the future of EVs in America, it may be critically important because that waiver authority, which by the way has been around since 1970, California has a special exception under the Clean Air Act because they were already regulating pollution before we had a federal Clean Air Act. And so anytime California says we want to regulate, say, pollution from the tailpipes of automobiles at a more aggressive, ambitious level than the federal government, EPA grants them a waiver. They've done this hundreds of times. California has set a goal to say that all vehicles sold in the state by 2035 have to be zero emission vehicles. And the thing too is think about this as California plus because any other state can adopt California standard.

**Rob Stavins:** And typically about 13 of them do, right?

**Joseph Aldy:** They do. Here, the Great Commonwealth of Massachusetts often has adopted the California standard for local air pollution, but also recent versions of the zero emission vehicle standards have been adopted by Massachusetts. So, this is one where there's an effort to try to challenge... The Trump administration is trying to challenge California's ability to use this provision under the Clean Air Act to go beyond federal regulations.

**Rob Stavins:** So, given what you've been saying about energy emergencies, I'm struck by the fact that it seems that the administration is not simply trying to roll back climate policies or even to roll back or de-emphasize renewable energy, but really favor fossil fuel production and indeed fossil fuel use. I'm struck by the fact that the Keystone XL pipeline is apparently now back on track to bring oil from Canada's tar sands to U.S. refineries. Now, given developments from the new administration with tariffs on Canada, this oil that's coming into the country would presumably face a tariff. What's your reaction to all of that?

**Joseph Aldy:** I think that when you're trying to move quickly and be disruptive on a number of fronts, you don't fully appreciate the interactions. The prospect of tariffs generally really interact with an agenda focused on trying to advance oil and gas development in the United States. If we are going to put tariffs on imported steel, a lot of the steel that's used as oil and gas companies drill deep are steel pipes that they are importing from abroad. So, whether it is the fact that importing, whether it's crude oil, natural gas, or electricity from Canada, and we import all that into the U.S. with tariffs may make it more expensive domestically and affect then, I think both the business case for using energy as well as the domestic politics about energy. I mean, there's a number of disconnects within the new administration on all this where they want to dramatically increase oil and gas production. They want to have also lower energy prices.

They want to have tariffs on imports, and all this is hard to fully reconcile. If you really are finding a way to dramatically push down oil and gas prices, we're not going to see a

big increase in domestic oil and gas production, and we're not going to see a big increase in oil and gas production if we're raising the cost of production through tariffs, even if we're reducing costs elsewhere by rolling back the regulatory state.

**Rob Stavins:** I mean, one of the ways that they dealt with this or tried to in Trump 1.0 was when there were countervailing tariffs from China and therefore decreased demand for agricultural products, and farmers, of course, were losing revenue because of decreased demand for exports. So, the Trump administration came up with welfare payments for farmers, which is incredibly inefficient to put in place tariffs that reduce exports and then subsidize them. I wonder, maybe this is beyond my pay grade, but I would not put it past this administration to put in place price controls on steel. I mean, that would be the first time since what Harry Truman or something that we would see attempted price controls. Also, the Nixon era.

**Joseph Aldy:** They will try a lot. They are trying a lot. And if there's one way for me to characterize the first month of the Trump administration, I would say it was a period of executive orders and litigation,

**Rob Stavins:** Right?

**Joseph Aldy:** And part of it is that that litigation... Executive orders don't trigger the litigation. It's any action under an executive order, and it's the nature of the existing statutory authority that governs the basis by which you sue the government. But whether it is freezing the funds that have already been obligated under the [Inflation Reduction Act](#), whether it is the attack on the federal workforce and the nature of firing employees across a number of agencies, including those active in the energy, environment, and climate space, whether it is what they're trying to do on the regulatory front. Part of the response from those who want to slow this kind of retrenchment when it comes to clean energy and climate policy is to litigate and some of what is happening is happening so fast. I mean, we saw this in Trump 1.0 where some things they try to do very quickly. What they did was not consistent with the process that is established under current law that you're supposed to follow, or you will be found to have been, say in the language of the Administrative Procedure Act that governs how we implement the administrative state, you're arbitrary and capricious. You lose in the courts on process grounds, not even on the merits.

**Rob Stavins:** But in Trump 1.0, at least during the first two years, it was mixed government. Democrats were controlling one of the houses.

**Joseph Aldy:** It was the last two years.

**Rob Stavins:** The last two years, sorry, it's the last two years. So, Democrats were there. They also didn't have the majority, the super majority they now have on the Supreme Court, certainly not at the beginning of those years. They didn't have what may be a successful attempt, I guess we don't know yet, to purge the highest levels of the civil service. These decorated government officials who we essentially try to train at the Harvard Kennedy School. And now there's an incredibly acquiescent Congress to Congress's own power

being taken away and the Congress at least obviously the Republicans mainly in the House of Representatives, but also in the Senate, seeming to be happy with that, which I find shocking, but I'm probably naive.

**Joseph Aldy:** Well, we have a lot to play out with respect to Congress, and part of the challenge is on much of this, Congress can't do anything unless it affirmatively votes to do something. And given especially the very tight margins, especially in the House of Representatives, it's just not clear what they're going to be able to do that would challenge the executive right now. But it's also one of these things where early on in a new administration, if you're in Congress, you don't necessarily want to challenge your new president. You want to see how far they can go in delivering on the agenda. I mean, we certainly saw this in 2009 where President Obama was working with the Democratic House and a Democratic Senate. There are some things that I know we did that they were members of our caucus in each house. They didn't like it. But you're not publicly pushing back too much on that because you're trying to see just how much of your agenda are you going to be able to work together and estimate.

**Rob Stavins:** So, speaking of pushing back, I mean you mentioned about the executive orders. Some of the Trump executive orders are essentially the rescission of executive orders from the previous administration. It included one I believe that I assume is very close to home for you, dissolving entities such as the White House Office of Divested Climate Policy and the National Climate Task Force. You probably know people that have lost their positions with those offices being closed down. Is that fair to assume?

**Joseph Aldy:** Well, yes. Although many of those which were in the White House were political appointments, and so they would have resigned effective January 20th.

**Rob Stavins:** I see.

**Joseph Aldy:** There's a question about how the government should be governed for issues that truly cut across departments, and energy and I think climate change are topics that clearly cut across departments. They want to have instead a National Energy Dominance Council that would try to coordinate efforts across departments. So, I think there's value. I mean, we see this more generally in the domain of foreign affairs, cuts across departments. National Security Council coordinates that. A lot of economic policy may cut across departments. The National Economic Council coordinates that. So, I think there's value in having that kind of policy council and coordinating process within the White House and the fact that the last one focused on climate, and this one focuses on energy dominance as they like to call it, reflects the priorities of the president.

**Rob Stavins:** So, there is an energy dominance coordinating council within the executive office of the president now,

**Joseph Aldy:** Yeah, I don't know how well staffed they are yet or what they're doing, but Secretary Burgum, the Secretary of the Department of Interior, I understand is supposed to be the lead of that entity.

**Rob Stavins:** I see. Now the Environmental Protection Agency has at least attempted to retract climate-related grants that were awarded, I assume, under the Inflation Reduction Act, so under the prior administration, labeling the expenditures as wasteful, but some of those are for legally binding contracts. Do you know what's going? Is that also just all tied up in litigation?

**Joseph Aldy:** We tend to think that when the federal government enters into a contract, it's legally binding,

**Rob Stavins:** Right?

**Joseph Aldy:** And so that is a source of litigation as well. I think part of what we're seeing is just incredibly quick actions, may or may not be consistent with current law to try to advance the president's agenda. Some of this, I think, is intended also to try to find resources that could serve as the basis for paying for some of the tax bill that will be debated in Congress over the course of this year as President Trump and the Republicans in Congress try to extend some of the provisions of the 2017 tax law that are expiring at the end of this year. So, some of this, I think, is just... They see monies that are not aligned with their agenda. The Inflation Reduction Act. Some of that money is quite substantial, and it may be a way to help them deal with the political calculus that they're going to have to confront in order to get majorities in both the House and the Senate on what will eventually be the tax bill later this year.

**Rob Stavins:** Yeah, it's very interesting. I mean, something that I frequently heard, and I think it all came from a study that was done by a professor in the northeast somewhere about under the Inflation Reduction Act, the share of the money that wound up in red congressional districts was a substantial percentage, I think more than 50 percent. When you think about wind power, so much of that as the upper Great Plains and Texas, Iowa, these are Republican strongholds. Is there actually any evidence of pushback from the House of Representatives, for example?

**Joseph Aldy:** Well, so we did see in the summer of '24, there was a letter authored by 18 Republican members of the House, 14 of whom are still in the House to the Speaker of the House saying that clean energy spending under the Inflation Reduction Act is creating a lot of jobs in their districts. So, let's be thoughtful about how we might reform and revise the Inflation Reduction Act next year. The thing that I would note is in 2017, I think there were more than a dozen Republicans who voted against the tax bill, the Trump tax cuts of 2017, in the House of Representatives. They can't lose a dozen votes this time. It's a much tighter margin. And so, there's a question about is there sufficient support for sustaining at least some clean energy tax credits going forward? I'll note in the 2017 bill, there was an opportunity there to cut tax credits for wind and solar that had been extended for five or six years in a law signed by President Obama in 2015. They didn't touch those tax credits. Then there is bipartisan support for some of these tax credits, and I think there's a question that I think is larger than clean energy tax credits here. It's how do they navigate the politics of a bill that runs the risk of increasing annual deficits and the debt while they also want to try to deliver on their objective of extending lower tax rates from the 2017 law that expired at the end of this year. And if their political calculus requires them to find more money to pay for those tax cut extensions, then

they're going to be looking hard for those sources. And whether that means looking at something unpopular like some of the entitlement programs, whether it means looking at the IRA. I think that to me, when I think about the nature of where the threat to the IRA comes from, it's going to be a function of that balance in the political process for Republicans on just how much of a deficit can they run in this bill and still secure the votes for passage.

**Rob Stavins:** It is a time we have rarely seen because in addition to all of these domestic policy initiatives that we've been talking about and that you know so much about, I've discussed in recent blog essays and other venues, Trump's announced withdrawal from the [Paris Agreement](#) and there's been a conspicuous absence of the Trump administration from key international climate meetings, not just the UNFCCC, but the IPCC. The U.S. is now not a participant. So, I want to alert listeners and readers of the blog essay that'll go along with this, that if you go back to blog essays from the previous few weeks, including one I did for Joe Aldy for the [Salata Institute](#), you can see plenty of discussion about that. This is indeed a period in the energy and environmental policy space unlike any we've previously experienced. I asked you at the beginning to hold off on making predictions about the future. I want to give you that opportunity now. What's sort of the range, not a point estimate. What's the range? What's the best that we could expect and what's the worst that we might expect within the energy, climate, environment space?

**Joseph Aldy:** So, one thing I want to stress before answering the question, maybe it's a preface that helps to inform my answer, is that the clean energy economy in the U.S. is so much more advanced now that signing executive orders doesn't affect the 30-plus gigawatts of solar that was installed last year.

It doesn't affect the fact that we have been installing more wind power every year for the past decade than we have natural gas in terms of incremental capacity investment. All those investments, all the people who recently bought EVs, they're still going to drive their EVs. We're still going to produce power from these renewable power facilities. And it's the nature of the energy system that makes this such a hard problem, which is that we have this long-lived durable capital stock, and you've got to kind of change it over. Well, we're accelerating our ability to change that, and that has helped. So, that one thing that I take a little bit of solace in is if I go back to the first Trump administration, which was not nearly as effective, I think, in trying to drive dramatic change quickly, as we've seen in Trump 2.0, but US emissions didn't go up during Trump.

**Rob Stavins:** Right.

**Joseph Aldy:** And whether it is the nature of the already undertaken business investment, the fact that I think that we're going to see more and more business investment because the business case for clean energy is getting better and better even if the policy environment is getting more uncertain, the prospect of federal subsidies may be declining. It means that the worst-case scenario, at least in terms of what happens to our emissions and our energy economy, is basically just, it's more like stasis. We need to accelerate if we're going to be up to the challenge of the problem, but I think we just find ourselves treading water for a while. The challenge is whether or not there's really

bad spillovers to other countries. Do we see other countries just say, we're not going to do anything on climate now because the U.S. is not. U.S. pulled out of Paris, fine. We're not going to submit. As we've already heard, some countries are late submitting the nationally determined contributions under Paris and the U.S. is effectively giving them political cover for doing that. Do we see the prospect that trade conflict and trade wars and tariffs make it harder to diffuse low and zero emitting technologies through international trade going forward? Because everybody raises barriers to trade in response to what this administration is doing. So, some of this stuff, I think that matters. I think the uncertainty that is coming out of this administration as they are really upending clean energy policy in the United States, I do have a concern about what impact that has on innovation and whether that has a chilling effect on entrepreneurs trying to bring new ideas to market. That may mean it's harder to really accelerate in the future when we have a different policy environment and different leadership that really wants to accelerate efforts to address climate change.

The one other thing is in all this is how do we end up responding to the unexpected? And, the unexpected I think of here as natural disasters, another bad hurricane season, another bad forest fire season out west, floods of this nature. I mean, this administration is trying to hide information to hide data.

**Rob Stavins:** Yeah, I noticed.

**Joseph Aldy:** The climate's still changing. We're still going to have problems to deal with, and it's going to show up on things that I think will resonate politically. Homeowners insurance is going to get more and more attention as rates go up in response to forest fire risk, flood risk, storm risk, what have you. And so that may draw more attention to how we deal with this. My bottom line though is we are not in an era where I can really predict where policy will go. I'm not sure how much this administration really cares about policy at the end of the day. A lot of what they do, I think, is as much performative as it is substantive. But having said that and being performative, I think it sends at best uncertain and at worse adverse signals to the kind of innovation and experimentation that we need for clean energy. So, it's a long way of saying it's not great. My confidence interval is pretty big, but I do have some comfort that I feel like there's certain things that we have already done that prevent some really severe backsliding.

**Rob Stavins:** Yeah, there's a floor below which we probably won't go, and there's a ceiling which we will probably not reach.

So, what's really striking is that given the way you've been characterizing the lay of the land – taxes, tariffs, technological change – what it brings home to me, and I bet to our listeners, is that the importance of environmental economics in terms of analyzing, understanding climate change is probably more important now than it has ever been. It is quite phenomenal. Now, my hope, my assumption is that Joe Aldy is going to continue to closely watch how all of this develops. So, perhaps we can continue this conversation sometime in the future. But with that, I want to thank you very much, Joe, for allowing me to double dip on your time and for taking time to join me today.

**Joseph Aldy:** It's been my pleasure, Rob. Thank you.

**Rob Stavins:** My guest today has been [Joe Aldy](#), the Teresa and John Heinz Professor of the Practice of Environmental Policy at the [Harvard Kennedy School](#). Please join us again for the next episode of [Environmental Insights: Conversations on Policy and Practice](#) from the [Harvard Environmental Economics Program](#). I'm your host, [Rob Stavins](#). Thanks for listening.

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