

What Energy Emergency?

The real energy emergency is in Europe – and that is an opportunity for the U.S.

We are beginning this “View from Europe” coincident with the assumption of office by President Trump, and what a start it has been. The President has declared an “energy emergency in the USA” and in his inaugural address highlighted some important points of his energy policy; indeed immigration and energy appeared to be the two most significant highlights of his acceptance speech.

Over the course of the next several weeks, we hope to systematically unpack the energy emergency and its implications from a European perspective in these columns; in his inaugural address, President Trump highlighted some aspects of this “energy emergency” which we will cover in a series of small essays in these columns; these are:

- Drill Baby, Drill: unlocking and monetising the “liquid black gold” underneath American soil
- Abandon the Paris Accord
- Unlock the LNG export projects “paused” by the previous administration
- Stop renewable energy subsidies
- Stop unused Biden era IRA funds

The one point that did not appear in President Trump’s speech on the 20th January but announced on January 21st was the launch of the StarGate Initiative: an international private finance mobilisation of \$500 billion over the next 4 years (with \$100 billion in funding secured for year 1) to help the U.S. to achieve global leadership in AI.

If there is any “emergency” in the U.S. energy sector, it is in electricity. Just days before the Trump Inaugural, we organised the third of our workshops in the U.S. Power Vision 2030 Series which focused exactly on the topic that President Trump is now attempting to address with the StarGate Initiative- our topic was **“Fuelling the AI Boom and Manufacturing Renaissance: U.S. Power Sector Constraints & Solutions”**.

U.S. electricity demand is now at an inflection point of growth not seen in the last 20+ years. A key dimension of this is U.S. industrial demand, largely triggered by the relatively low energy input cost environment in the U.S. relative to the rest of the world.

We at the Energy Policy Research Foundation believe that despite the rapid deployment of power capacity in wind and solar that we have seen so far (*the U.S. is the second largest renewable electricity producer in the world behind China*) and not withstanding all the news we are reading about the lovefest between nuclear power capacity and big tech, it will be good old gas fired power generation that will emerge to serve as a bulwark in meeting this rising demand. [To read more about the key points emerging from our workshop see the our web post here.](#)

How will the additional gas production serve to meet both the growing U.S. domestic demand for power generation and how much of this gas will actually end up in the profitable export market in Europe? How will this gas supply dynamic play out? What impact will this have on the U.S. domestic Henry Hub gas prices and how will the Henry Hub- European TTF gas price differentials play out? These are all important questions for U.S. policy makers and these are also developments that will be closely watched across the Atlantic in the UK and in Europe.

As things look, a read of the statements coming from the EU President Ursula Von der Leyen indicates that Europe might still double down on its Net Zero Policies- whether this is fighting talk in response to the U.S. withdrawal from the Paris Accord, one does not know. The upcoming elections in Germany in March 2025, could provide us a clue.

Meanwhile, in the UK the announcement by President Trump (and his statements on North Sea oil and gas moratorium announced by the British labour government) have coincided with a harrowing time in the British electricity and gas markets.

On the 8th of January, Britain came close to a black out as *dunkeflaute* conditions swept over Britain, (google that, and add the word to your dictionaries- you will hear a lot about it).

A combination of events - power plant trips, low wind and solar output, and maintenance over the European electricity interconnectors - all conspired to get the country on the brink of a blackout and that one experience appears to have proved to be the wake-up call for the British government to consider a pause

towards its “Net Zero” policy. As things stand, the UK electricity price outlook suggests Britain is in for a long phase of high energy prices and the country now needs its second dash for gas.

The U.S. electric utilities capitalised on the first “dash for gas” in Britain in the mid-90s. This time, the U.S. gas industry is in a position to supply its LNG to Britain as the gas price differentials look healthy; it is an opportunity- not just an emergency.

The Economist argues in its latest issue that “a new electricity supercycle is now underway”; we believe that the rewards to global majors in electricity are now all to play for. The next wave of global electrification is upon us, is the U.S. ready?

The U.S. electricity infrastructure looks decidedly antiquated as compared to Europe and that is the real emergency as demand growth in electricity gets a boost from AI and U.S. industrial manufacturing- that might be the only real energy emergency in the U.S.

Our next essay in the coming week will argue why the European gas demand (and price) looks set to remain high and what opportunities might emerge for U.S. LNG suppliers in the worlds single largest and most profitable regional gas market. Stay tuned.

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