Trump's Regulatory Gear Shift Means Turning to a Tested Playbook

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The coming year is expected to bring large-scale regulatory shifts that will affect a wide swath of industries and companies. Business operators and investors must deploy resources now to improve how they assess the consequences, in part because some industries will benefit, or be negatively affected, more than others.

While many of the changes at the federal level will be more business-friendly, don't assume the US will return to a Roaring Twenties era. State, local, and international governments aren't beholden to, and may actively counteract, US federal deregulation.

Depending on the industry, businesses and investors must start focusing on regulatory changes that could yield both positive and negative impacts.

Energy Initiatives

Burdensome regulations on oil, gas, and coal are ripe for elimination or diminishment because the Trump administration and Republican-controlled Congress will likely reprioritize traditional energy channels and deprioritize renewable energy sectors such as wind, solar, carbon, and hydrogen that were a priority for the Biden administration.

The Inflation Reduction Act of 2022 offered trillions of dollars of loans and incentives to alternative energy projects, while use of "green energy banks" skyrocketed through a Department of Energy loan program. It's unlikely that the new Trump administration will cancel these funding programs outright—they also benefit Republican-led states—but there should be some pullback in sources of federal financing for these initiatives.

Renewable and clean energy projects will become much more costly and require more time to become operational. Electric vehicles should see greater headwinds, leading to potential consolidation among, or restructuring of, non-Tesla EV manufacturers and related EV infrastructure providers.

The nuclear industry may benefit from energy regulatory changes. AI-driven data center growth will require exponentially more energy generation needs, leading to more dependency on both fusion and fission nuclear energy sources. The Trump administration has signaled its acceptance of nuclear power as a required energy source.

Leading strategic and financial players made massive investments in nuclear fusion and fission technologies in 2024. Rapidly advancing fusion technologies complement legacy fission reactors and offer cheaper, scalable, modular, and safer energy alternatives.

Defense Programs

It’s not clear what impact the incoming Trump administration will have on US defense businesses. Fueling the uncertainty are upcoming leadership changes in Congress and at the Pentagon, an “America first” doctrine, diminished support for international allies, and requiring NATO and friendly foreign countries to pay for their US-supplied defense products.

Trump’s first administration greatly increased defense spending, including for mission-critical defense technologies, which continued through the Biden administration. If foreign countries must pay their own way without US government subsidies, this may create less demand for US defense contractors’ products. However, scaling back defense agencies will lead to more reliance on outsourced, private-sector government service providers.

Consumer Products

The new Trump administration is promising monumental tariffs that would fundamentally change consumer products businesses and consumer spending.

Tariffs on products or component materials sourced overseas, by definition, cause higher prices for US consumer products and possible supply chain disruptions. US-based consumer products providers, with internally sourced supply chains, are clear winners in a tariff-driven environment.

Government Spending

Elon Musk and Vivek Ramaswamy are advising Trump and other government leaders on spending and major reforms, which could lead to quickly enacted executive orders that have direct consequences for businesses.

Targets for reduction include the Consumer Finance Protection Bureau (which would benefit alternative, non-bank financing), tax credits for EVs (notwithstanding Elon Musk's spearheading the effort), Pentagon spending (although Trump wouldn't support cuts to spending on defense platforms), and the federal workforce (to the benefit of outsourced government servicing businesses).

If these recommendations are formally implemented, the opportunities and negatives discussed above will become clearer and more present.

Planning for Change

Several cycles of regulatory upheavals have produced a playbook of sorts that can help businesses and investors mitigate and evaluate opportunities from regulatory changes. It requires constantly staying informed and monitoring trends in the discourse around policy changes.

Businesses in targeted industries must engage with government stakeholders, regulatory agencies, well-positioned congressional officials, and state and local lawmakers to stay ahead of and help shape regulatory changes. Regulators welcome engagement to improve efficiency, and now is the time to begin.

Trade associations and even competitors become more important partners for businesses to influence regulation. Businesses and investors in highly regulated industries should confer with the best-positioned and informed outside counsel to assemble top regulatory, lobbying, public relations, and corporate transaction teams to evaluate and modify business and investment focuses due to regulatory shifts.

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