

Roth: Tariffs affecting American energy?

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Tariffs affecting American energy?

The threat of President Trump's tariffs have again managed to bring together groups sometimes at odds with one another, when they attempted to dissuade the administration from imposing new tariffs.

Everyone from the American Petroleum Institute to the American Wind Energy Association and Solar Energy Industries Association, to congressional Republicans, to the broader

stock market had negative reactions to the news of a 25-percent tariff on most steel imports and a 10-percent tariff on most aluminum.

Those on one end of that spectrum say the move could set off a trade war, while the other end poses that at the very least the result of tariffs could contradict the stated goals of an “America First” economic plan. World leaders everywhere in between denounce the move as damaging to international trade and nonconforming with World Trade Organization rules. We’ll see what they do.

The implications of the tariffs could be vast, as higher prices on steel and aluminum pose a real threat to many American industries, where those materials are significant inputs, and whose markets rely on low prices from imported materials.

The tariffs could have an unintended detrimental effect on American jobs for industries such as cars and energy. It is the same concept with tariffs on solar cells and modules. True, solar tariffs are sure to make panels from China and elsewhere more expensive to import, but the price increase on equipment, and thus entire projects, could scare off potential solar customers. Fewer solar customers lead to lower demand; lower demand means less solar jobs. With tariffs on steel and aluminum, the ripple effects are even more wide-reaching.

As they say, “all roads lead to Rome.” While there are other means to this end, Trump opts to penalize imports in an attempt to protect or prop up industries at home. But the tariffs won’t affect everyone – an exemption for Canada and Mexico has been discussed if those countries are willing to renegotiate the North American Free Trade Agreement. Trump has been a frank and ardent opponent of the agreement. There is also a potential carve-out for U.S. parties who can demonstrate a demand for steel and aluminum that cannot be met domestically. Many folks across the energy industry want in on

this exemption for obvious reasons, but the terms of the carve-out have yet to materialize.

Will the tariffs produce stronger steel and aluminum industries here at home, or will they cause trade wars worldwide? As per usual, we'll have to wait and see, but for now most observers and energy industry participants suggest the effects will inflate their prices only nominally.

For now, we have the European Commission president's pledge to slap tariffs on iconic U.S. exports, many from states described as Trump country, such as Midwestern wheat, Kentucky bourbon, blue jeans, and Harleys. Stay tuned.

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