Natural Resources PC

How will US tariffs affect international energy and minerals trade?

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The facts

On April 3, President Trump has announced **new** tariffs on almost all of America's trading partners. 34% on China, 27% on India, 24% on Japan and 20% on the European Union. Including the existing tariffs, the **total** tariff policy against China will now reach 65%, Beijing being at the center of Washington's trade offensive. Canada and Mexico were spared additional duties, ditto for imported cars on which a 25% tariff had already been announced.

There are temporary exemptions for energy products, copper, certain critical minerals and some other goods 'pending ongoing reviews'.

Disclaimer

It is clearly too early to determine the full impact of the announced tariffs, all the more so for the following four reasons:

1. Some of these announcements are still *unclear*
2. President Trump himself followed up by inviting affected countries to *avoid* imposition of the tariffs by 'negotiation'
3. Some countries, notably China, have already announced *countermeasures* of their own, ie escalation is already underway
4. There are already *surprises*, including California's seeking exemption from US tariffs to protect its exports of almonds and other products

An assessment

Our Disclaimer notwithstanding, we will try our hand by saying that the newly announced tariffs are poised to significantly influence the global energy and minerals markets:

- **Oil and Natural Gas:** Despite exemptions for energy products, oil prices have dropped over 6%, reflecting market concerns about global economic growth and demand. Nevertheless, US exports may rise if tariffs end up targeting foreign producers [like China or OPEC-aligned nations], as this could make US energy more competitive globally, potentially increasing demand for US LNG and crude oil.
- **Clean Energy Sector:** Industries reliant on global supply chains, such as clean energy and electric vehicles, will face rising costs and uncertainty due to the broad application of tariffs.
- **Critical Minerals:** The temporary exemptions for certain CRM provide short-term relief, but ongoing reviews may alter this status, potentially affecting supply chains dependent on these resources.

The above will be intensified following the countermeasures and CRM export restrictions already announced by China. As the U.S. is highly import-reliant on key minerals [e.g., lithium, cobalt, nickel], tariffs would make imports more expensive and could choke supply if trade tensions escalate. Countries like China [but also Chile, the DRC, Australia and Indonesia] dominate various critical mineral markets thus if targeted, global supply disruptions and price volatility should be expected. Additionally, equipment and technology used in energy production [e.g., turbines, valves, pipeline materials] often rely on imported components. Tariffs here raise costs for domestic producers.

In the field of Green Energy ie solar panels, EVs, batteries [and electrolyzers in the very near future], many critical components come from China and other Asian countries. Tariffs could thus slow adoption of renewables and clean tech due to higher costs, even as they attempt to promote domestic manufacturing. As well, rare earth elements [REEs], essential for renewables and tech, are primarily sourced from China. Tariffs on these would drive up costs or force rushed, expensive alternatives.

Summary

The April 3, 2025, tariff announcements introduce significant changes to international trade dynamics, particularly affecting the energy and minerals sectors.

The tariffs would likely:

1. Increase short-term costs for U.S. clean energy and other mineral-dependent sectors
2. Trigger retaliation and trade diversion, affecting global flows of energy and minerals
3. Cause targeted products avoiding the US to divert to the EU and other trade zones, thus aggravating competition in these markets. See ‘Europe braces for flood of Chinese goods after US tariffs’, FT, 4 April
4. Encourage domestic production and reshoring, but at a higher cost and slower pace
5. Add significant friction to already fragile energy transition supply chains
6. Create unpredictability in investment planning and financing for large-scale energy and mining projects [which are capital-intensive and long-term]

While some exemptions offer temporary relief, the overall impact points toward increased costs, market volatility, and potential disruptions in global supply chains. This trend will raise concerns over a potential global trade war escalating and over looming turmoil in the currency and capital markets – all consequences being proportional to the aggressive push to roll back globalisation that caused them.

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