

Election Spotlight: Environment & Energy

IBISWorld’s current industry risk estimates are based on existing governmental policy. In this analysis, IBISWorld manipulates various aspects affecting each individual industry, including level of government assistance, amount of government regulation and revenue growth potential to reflect changes in risk rating under a Romney administration. Thus, a change in risk score in this scenario reveals new risk estimates under Romney. IBISWorld’s industry risk rating determines how much risk an industry will face over the next 18 months by assessing the operating conditions for companies in the industry. A score from 1.0 (low risk) to 9.0 (high risk) is assigned to each industry, based on the probability that one or more of its structure components will change within the period. It is important to note the limited basis for this scenario because risk for these industries is determined by many global factors beyond what is considered in the scope of this scenario.

Though Romney may place less emphasis than Obama on renewable energy in general, specific industries may perform differently with his administration due to specialized policies. In the Wind Power and Solar Power industries, IBISWorld manipulates the level of assistance down and the level of regulation down to reflect less direct funding and more lenient government oversight under Romney. Risk scores for the Wind Power and Solar Power industries would increase 1.29 points and 1.43 points, respectively, under a Romney administration. On the other hand, the Nuclear Power industry stands to benefit under Romney, its risk score is expected to decrease 0.79 points in light of less government oversight and higher government assistance. These trends would contribute to more rapid revenue growth for the industry.

With regard to fossil fuels, high extraction activity and a heavy focus on domestic commodity use under Romney will spur growth in the Oil Drilling and Gas Extraction industry, lessening its associated risk score. IBISWorld increases the level of government assistance while enhancing revenue growth to reflect Romney’s platform on drilling. This will lead to a decrease in risk score of roughly 0.22 points for this industry. The Natural Gas Distribution industry, on the other hand, may ultimately face heavier risk under Romney. A higher supply of natural gas from increased activity at the extraction level will likely lead to a sharp decrease in the price of the commodity, to the detriment of natural gas distributors. With slower revenue growth, the industry is expected to have a higher risk score, increasing a marginal 0.9 points. The effects on individual commodities and energy industries are displayed below.

