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Global trade redefined: Energy, utilities and resources

Dealing with tariff uncertainty

July 2025

This report has been developed in collaboration with the Strategy& team, PwC's global strategy house. Together, we transform organisations by developing actionable strategies that deliver results.

Last updated: 24 July 2025
Ref: *Accessing the situation and What could happen next*

Introduction

The whirlwind set of announcements over the last few weeks has seen stock markets ricochet in reaction and the oil price drop to a four-year low. The market reactions reflect the volatility and uncertainty that has now been introduced into global trade and markets; much of how this will play out is unknown at this stage as policies continue to evolve almost on a daily basis. The overriding message is “don’t panic” but, importantly, don’t translate that into no action.

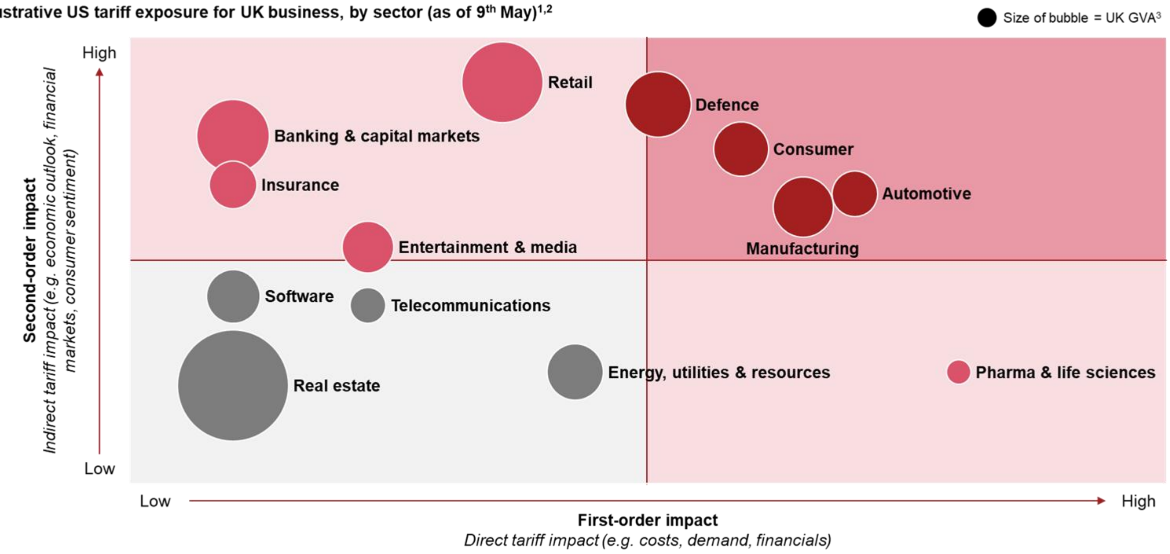
Policy commitments to accelerate electrification combined with a rapid rise in the usage of technology, AI and automation are already placing huge pressure on upgrades required to networks and distribution alongside planned investment in clean energy to meet growing energy demand. This transition is reliant on complex supply chains which need to be delivered on time. Assessing the potential risk to these supply chains is a critical first step for any company in the sector.

Oil and gas companies will be directly impacted by lower oil prices, placing further pressure on financial commitments and the need to drive efficiency programmes harder and faster. For all companies, second-order effects include slower global growth and currency fluctuations impacting demand and strategy.

Some common industry actions:

1. Assess first-order impact versus second-order impact
2. Understand variation by sector within an industry and interdependencies across industries
3. Adopt a mix of ‘no regret moves’ in the short term and strategic choices in the longer term
4. Identify both risk mitigants and growth opportunities
5. Embed ongoing resilience to respond to geoeconomic shocks

Illustrative US tariff exposure for UK business, by sector (as of 9th May)[1,2]



Notes: 1. Estimated tariff impact assumes measures stay in place for a prolonged period, in line with Strategy&’s ‘Break and reorder’ scenario; 2. Featured sectors account for c.60% of UK GVA (Gross Value Added); 3. Estimated 2024 GVA based on ONS data

Assessing the situation

On 2 April 2025, the US administration announced a sweeping package of tariffs on imported goods. This marked the beginning of a tumultuous period, during which sector-focused tariffs have been implemented, pauses have been extended, and tariff letters have been issued. Businesses continue to face a materially more volatile and uncertain global trading environment as a result.

What happened on 'Liberation Day'?

An Executive Order introduced a dual framework of US import restrictions: (1) broad-based 'baseline' tariffs; and (2) targeted 'reciprocal' measures. The UK was subject to the 10% baseline rate, while other partners were subject to much higher rates.

These tariffs sat alongside a number of product-level distinctions (e.g. automobiles, steel, and aluminium), and exemptions (e.g. pharmaceuticals and critical minerals).

Activity in overdrive

On 9 April, reciprocal tariffs were paused for 90 days - creating a window for intense diplomatic engagement between the US and its main trading partners.

As only three 'agreements' were reached within the initial 90-day window, this pause has since been extended to 1 August. This extension was announced alongside the issuance of formal 'tariff letters' which confirmed and, in some cases, revised rates.

While these letters provided clarity, they have also sparked new complexities. Some countries such as Japan and Brazil saw steep increases, while others received conditional relief. Countries must now consider how to respond, either through acceptance, retaliation, or renewed deal-making efforts.

It remains unclear exactly what will happen next as we pivot from a predictable trading environment into uncharted territory, but it is evident that **global trade is being redefined**.

Extended fragmentation

While the initial focus has been on goods, trade disruption is likely to spill into other domains. For instance, some service sectors may see sharper regulatory divergence, while others trend towards regionalisation.

Labour mobility, too, is under pressure. Migration constraints and shifting geopolitical alliances are limiting access to global talent pools, while heightened restrictions on knowledge exchange and capital flows risk slowing innovation - particularly in sensitive areas like AI and tech.

These shifts may feel abstract for UK businesses, but they carry real implications. Fragmented capital markets could restrict cross-border investment, divergent data standards might hinder digital growth, and scaling innovation across borders may become more challenging.

Businesses that once optimised for cost and efficiency must now account for robustness and agility - embedding **resilience** as a guiding principle across supply chains, partnerships, and talent strategies.

Organisations must adapt to this redefined world, with success likely to belong to businesses that can bridge the divides that others can't yet see.

> "Trade is the hinge between economic theory and political reality. When it swings, the whole house can shake."
>
> **Barret Kupelian,** Strategy& and PwC UK Chief Economist

What could happen next

The contours of a new trading system

While US trade policy remains volatile, there are three defining themes which we expect will underpin the future path. Most notably, it is our view that stronger protectionism will be a guiding principle for the US - a stance which may continue to evoke retaliatory action across the globe.

As the direction of trade policy becomes clearer, businesses must shift from reactive decisions to long-term strategic planning. This means developing investment strategies, risk management frameworks, and supply chain designs that build resilience against potential future changes.

US protectionism is here to stay

Enhanced US protectionism is likely to remain for a number of reasons:

Political sensitivity – the White House has framed the tariffs as a national security issue, making it difficult to roll back policy.

Tax revenue – tariffs may generate up to 6% of total US federal income in 2025.[1]

Business backlash – businesses that have adapted operations in response to tariff announcements would be stung by policy U-turns.

New measures – even if the US decides to move beyond tariffs, other protectionist measures such as domestic subsidies or local content requirements, may be considered.

Shields will vary by sector

Policy specifics will evolve over time, but the US is likely to 'shield' particular sectors:

Tariffs will focus on industries where the US sees domestic opportunities, such as steel, automotives, and semiconductors.

Priority industries are likely to evolve over time, as the US administration better understands domestic capability and international reliance.

The US is open to carving out exemptions for partners who are willing to negotiate, as illustrated by the trade agreement reached with the UK.

Policy will remain dynamic and unpredictable

US policy will continue to evolve at pace, and is likely to remain somewhat unpredictable:

Dynamic – the US weighted average tariff rate has fluctuated through 2025, with continued volatility likely.

Unpredictable – ongoing Section 232 investigations into steel and aluminium hint that fresh measures could drop without warning.

Escalating – if threats towards trading partners such as Brazil, Mexico, and the EU materialise, the US weighted average tariff rate could climb to c.35% by 1 August 2025.[2]

Less credible – some Wall Street commentators have viewed US announcements as negotiation tactics rather than true policy direction, with policy credibility further eroded with each cycle of delay and de-escalation.

Notes: (1) January 2025 Congressional Budget Office projections – prior to the announcement of Liberation Day tariffs (2) US weighted average tariff rate reflects the average tariff imposed on goods imports to the US, considering both country-specific and sector-specific rates due to be implemented on 1 August. **Sources:** WITS, the Budget Lab at Yale, Reuters, Congressional Budget Office

Taking stock of tariffs

Understanding the impact on the energy, utilities and resources sector

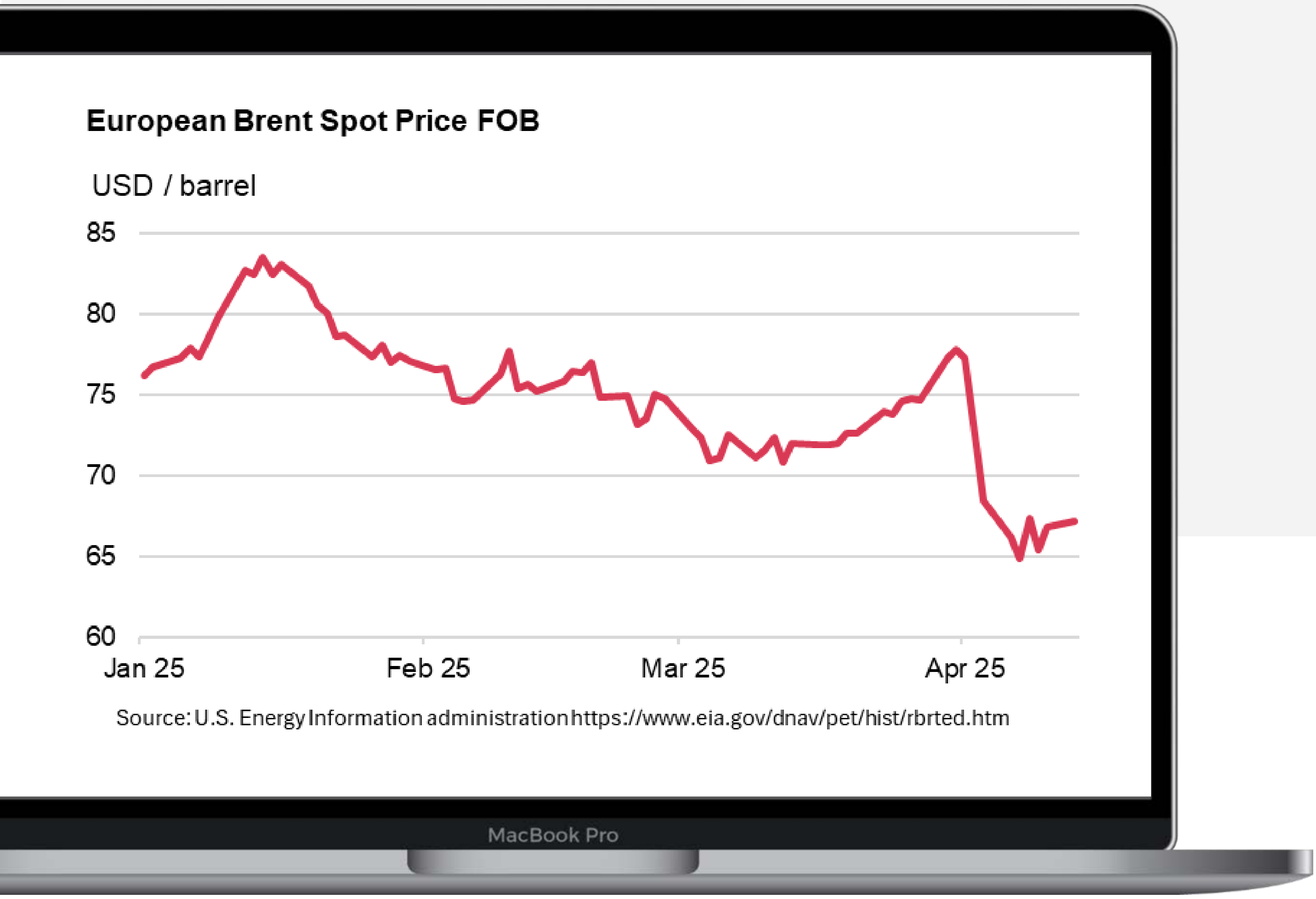
Commodity Prices

In today's unpredictable market, businesses and organisations find themselves bracing for unexpected outcomes affecting energy and commodity pricing. Recent downward revisions in demand have already pushed oil prices to four-year lows, compounded by heightened production and investment from the Middle East and North Africa (MENA), signalling potential structural oversupply and margin pressures. If trade conflict continues, global trade is expected to reduce, having a knock on impact and further reducing overall demand.

However, the direct effects of trade tariffs remain challenging to anticipate, with second and third-order financial consequences looming large, although a lower oil price will offset the inflationary impact of tariffs in the short term.

We do not expect rapid decision making and immediate reactions in energy; volatility is part and parcel of global energy markets and companies regularly model differing oil and gas price scenarios as standard. But the complexity and rapidity of US policy-making is introducing risks that are harder to evaluate and a different approach may be needed that looks in detail across the business and pinpoints risk.

The US administration’s trade and tariffs policies introduce a focus on increased domestic capability and investment but the economics need to line up alongside the intent, a good example being shale production.



Taking stock of tariffs

Understanding the impact on the energy, utilities and resources sector

Supply Chain

As we navigate this new landscape, mapping out how the supply chain will behave is tricky: different opinions exist and the impact will vary by market and company. A lot of focus has been on the delivery of the energy transition – access to solar panels, offshore wind parts, EVs and batteries as examples.

We could potentially have oversupply in certain territories as product is shifted from one market to another, or alternatively a rapid increase in cost and accessibility given tariffs. This volatility complicates investment decisions, and increases risk and caution. This is already evident in the deals market, particularly in early stage development projects; higher input costs could impact projects across the energy system, potentially causing misalignment with regulatory pricing mechanisms such as the contract for difference in the UK.

The UK, as an example, has made a commitment to achieve clean power by 2030. To do this requires delivery at pace with a huge uplift in capital expenditure covering investments in the transmission and distribution system as well as low carbon technologies. This relies on complex supply chains and a significant amount of imported of supply chain goods from China. Pricing and timescales will be impacted if the US seeks alliances with countries like the UK in lieu of lower reciprocal tariffs but with restrictions placed on access or use of Chinese goods.

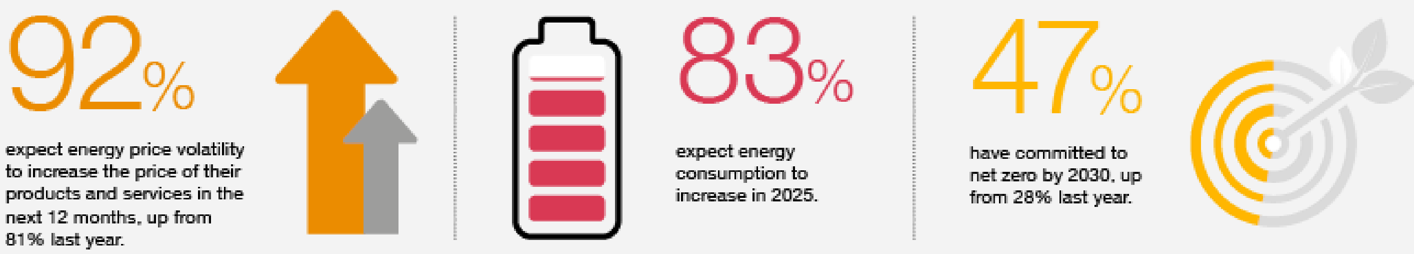
Market reaction and regulation

Regulated utilities are operating within multi-year funding frameworks that were set before the current market upheaval. Economic downturns could lead to more constrained finances as costs and financing increase but budgets remain fixed. Regulators are likely to be reluctant to re-open previously agreed positions and also fear challenges if this increases the cost to the consumer when affordability already is under pressure.

PwC's UK Energy Survey 2025 examined the critical role of energy in driving growth as part of the UK's wider Industrial Strategy. The survey looks at how volatile energy costs affect UK businesses' profit margins, as well as their ability to compete and achieve net zero objectives. It also spotlights the growing impact of technology such as AI on energy consumption, the role of private capital in funding the energy transition; a delay to development could have a material impact on the UK’s growth objectives and aspirations to improve productivity.

We also know through our work that 89% of businesses stated that energy price volatility decreased profits over the last 12 months; 92% already stated that volatility would push the price of their products up. This volatility will put further pressure on an already challenged position.

Key findings



Source: PwC UK Energy Survey 2025

The survey showed that the UK energy system was increasingly vulnerable to external shocks. Those shocks have come thick and fast: gas prices spiking in 2022, supply chain costs increasing in 2023, and a raft of political stance changes in 2024. Now we have tariff uncertainty to add to the mix. There is clearly no straight line to the energy transition.

Much of the energy sector is classed as critical infrastructure, where an overreliance on China could be seen as a strategic risk. This complicated issue is rich in irony – the reason that renewables are cost-competitive is largely down to the investments made by China in scaling its solar, wind and battery manufacturing capabilities. Without that investment, we would arguably be much further behind in the energy transition, even in Europe. There is a complicated trade-off between the pace of decarbonisation and the control we have over the resulting system. Not an easy balance to strike, but a discussion that feels needed in the current economic climate.

Taking stock of tariffs

Understanding the impact on the energy, utilities, resources sector

Tax assessment

While the medium to long-term structural impact on the energy, utilities, resources sector may ultimately be significant, such shifts are likely to unfold gradually. Any operational responses or strategic interventions will need to be carefully phased over time. In the near term, however, the immediate priority from an operational and tax perspective for energy, utilities, resources operators is to thoroughly assess and quantify the tariff implications from a tax perspective. The following actions can be taken now and may have a meaningful impact on your business's overall exposure where your business involves movement of physical goods or commodities.

01 Conduct/validate impact assessments, including understanding the physical product / material flows.

02 Review eligibility for tariff exemptions and exclusions, for example goods in transit before 12.01am EDT on 5 April 2025.

03 Understand the country-of-origin rules and place where goods substantially manufactured.

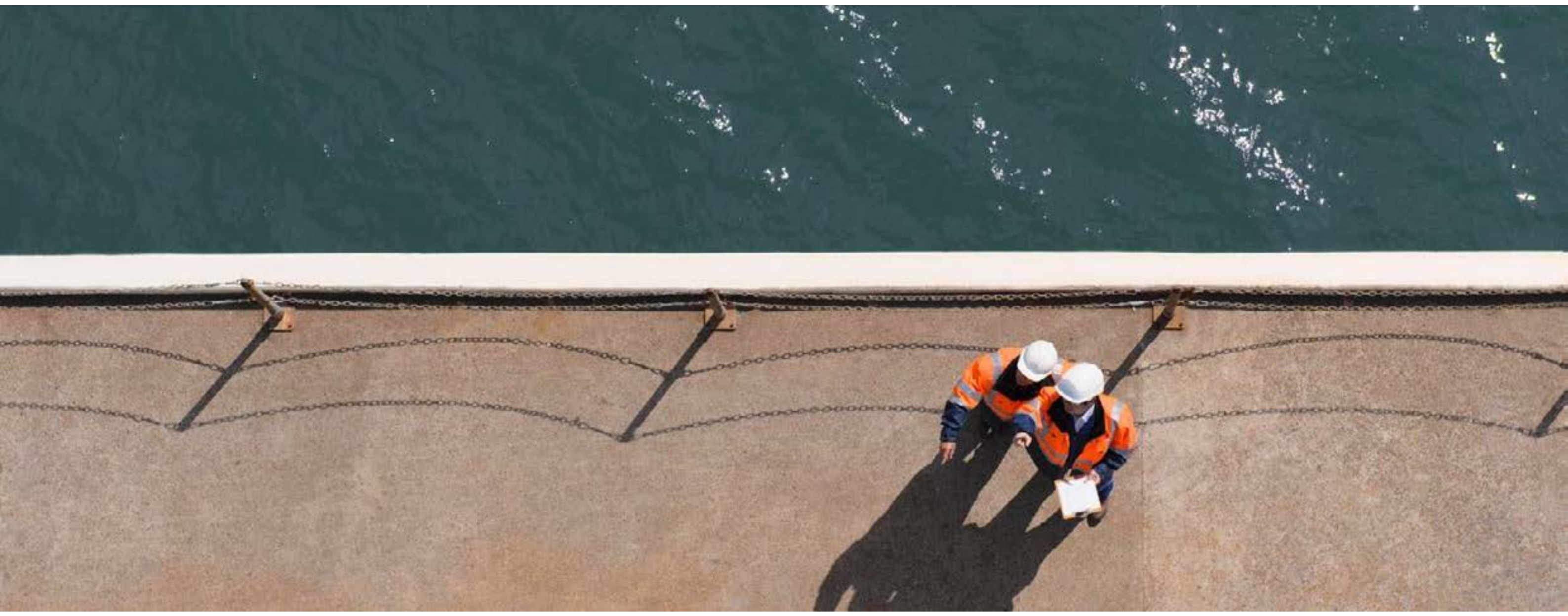
04 Understand the value build up of the price to ensure the custom value is correct and review cost components.

05 Consider from a transfer pricing perspective to ensure that intercompany product pricing is correct and that any revised pricing (of product or wider services) adheres to the arm's length principle (and aligns with customs considerations).

06 Consider the US specific valuation principles.

07 Review contracts to confirm whether they include a tariff cost adjuster / escalator.

08 Consider the impact on any changes to the above on the income tax position in the US and other jurisdictions.



Navigating the potential fallout

Actions you should take

Although the market environment remains uncertain, there are several short and long-term moves that we think can help.

Short-term ‘no regret’ moves	Moves to capture maximum value over the longer term
● Consider the tax points noted on the previous page, and evaluate the impact on income tax, transfer pricing and tariffs (taking a holistic tax view)	● Consider the macroeconomic environment and impact on the business through scenario modelling.
● Don’t panic. No-one has all the answers and acknowledging that ongoing uncertainty will now be part of the geopolitical environment is helpful. Ignoring this is also a deliberate statement of intent.	● Identify short-term risks or implications for example: - Direct cost or demand shocks due to reliance on Chinese inputs or exposure to affected end markets (e.g., US, China) - Margin compression risks from dumped goods entering EU markets, creating pricing pressure - Liquidity and working capital pressures triggered by volatility in FX, transport costs, or supply chain complexity - Create headroom through efficiency and savings opportunities or accelerate in-flight programmes
● But it is clear the old rules don’t apply and rethinking your risks in the new operating environment is important.	● Longer term planning and strategy - Quantify risks and start to create responses and mitigation strategies
● Your risk depends on your supply chain exposure, sector strategic relevance, and geographic footprint.	● Consider the overall tax model (customs, transfer pricing, direct and indirect taxes) implications and impact of any supply chain reorganisation so as to fully evaluate the options through an integrated business and tax perspective.
● Expect the unexpected. Use scenario modelling to help identify which parts of your business may be at risk and how severe that impact could be or indeed create potential opportunities.	

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Now is the time to take a scenario-led view. Doing nothing is an action in itself.

Vicky Parker, PwC UK Leader of Industry for Energy, utilities and resources

Key contacts

Contact us to discuss how best to respond to the changing rulebook for global trade.

Vicky Parker

PwC UK Leader of Industry
for Energy, Utilities and Resources

victoria.x.parker@pwc.com

Matt Alabaster

Strategy& Energy, Utilities, Resources & Infrastructure Deals Leader

matt.alabaster@pwc.com

Barret Kupelian

Strategy& and PwC UK Chief Economist

barret.g.kupelian@pwc.com

Simon Oates

Strategy& and PwC UK Economics Leader

simon.oates@pwc.com

David Coulon

PwC UK Macro Risk Services Leader

david.coulon@pwc.com

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