

Is Tesla In Trouble? Was Alignment With A Trump 2.0 Presidency A Profit Gamble?

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Tesla seemed as if it was on a smooth road trip looking ahead to the next four years. CEO Elon Musk single-handedly rallied voters in November's win for the right-wing entourage of Donald J. Trump. Sure, the allegiance came at a cost of \$238 million from a fundraising arm that Musk founded, America PAC, according to Thursday's filings with the Federal Election Commission (FEC). Having the president's ear and attention hardly seemed like a profit gamble then for Tesla, though. Wouldn't the investment pay off richly?

Financial and social media boosts to the 2024 Republican executive office campaign were pivotal to Musk's heightened influence on Trump, and now Musk's relationship with Trump [is unique among his billionaire peers](#). His power lies in technologies vital to lucrative enterprise, domestic safety, and populist sentiment. In the month following Election Day, investors approved the Musk-Trump collaboration with their wallets — Tesla increased its market capitalization by more than \$460 billion to \$1.23 trillion, which exceeded the capitalization of a handful of legacy automotive manufacturers bundled together.

But was Tesla's buy-in to Trump enough to secure the battery electric automaker's bottom line? It's been clear from early on that automotive fossil power would be getting the thumbs up from the [Trumpsters](#). Was it a profit gamble for Musk to refuse to haggle with Kamala Harris, the Democratic Party's candidate for president?

Analysts at JPMorgan have run the numbers, and they forecast that Musk's machinations may not pay off. In fact, they say that Tesla may have the most to lose from a broader shift away from departing President Joe Biden's use of industrial policy to combat climate change.

Could roughly 40% of Tesla's profits come under threat with Trump's slash-and-dash from the EV landscape?

The Quick Rise and Fall of Tesla Share Value, Post-Election

Ryan Brinkman of JP Morgan has released an "underweight" Tesla rating and a \$135 projected price target. "Tesla appears to have the most to lose from the shifting regulatory backdrop," Brinkman explained. Investors like Brinkman have tempered their enthusiasm about Tesla over the last few weeks, with the stock trading down about 18% from its record high reached on December 17. "The changes strike us as highly negative for Tesla, threatening an estimated ~40% of its profits," Brinkman [wrote](#), casting doubt on the sharp post-election rise in the EV maker's shares.

Tesla's lower 2024 deliveries raised concerns about the company's 2024 earnings at the end of December. The automaker is now reeling from its first annual decline in worldwide vehicle deliveries in over a decade and has narrowly retained its 2024 lead over China's BYD Co. as the world's top seller of fully electric cars (though, BYD sold more in the 4th quarter).

Add to that a number of [expected actions from the Trump administration](#), and Tesla's subservience to Trump is seeming more and more like a profit gamble. Advisers to Trump are recommending a two-pronged approach to reshape the US auto industry, as [reported](#) by *Bloomberg*: cut federal subsidies to boost electric vehicle sales while still fostering a domestic supply chain to produce them. The contradictions in that approach aren't lost on industry analysts. According to JPMorgan, the deletion of key government subsidies like the Consumer Tax Credit (CTC), as well as about \$2 billion that come from sales of California Air Resources Board (CARB) ZEV credits, will significantly impact Tesla's bottom line by up to \$3.2 billion combined. That accounts for about 40% of a projected \$8.3 billion in 2024 EBIT for the company.

Say Goodbye, EV Tax Credits

The US Department of the Treasury and IRS [announced](#) in October 2024 that consumers have saved more than \$2 billion in upfront costs on their purchase of more than 300,000 clean vehicles since January 1, 2024, marking a major

milestone in the Biden–Harris Administration’s work to lower transportation costs for Americans. Consumers save \$1,750 annually on average on fuel and maintenance costs, according to a 2022 analysis by Energy Innovation, which total \$21,000 of discounted savings over the typical 15-year lifespan of an EV compared to a comparable internal combustion engine vehicle (ICEV).

Deleting the up to \$7,500 consumer tax credit toward EV purchases and leases would impact Tesla, as the Tesla Model Y is the best selling EV in the US, probably making it one of the most impacted vehicles if the \$7,500 federal tax credit is changed or eliminated. Brinkman estimates that Tesla customers received around half of those credits last year, meaning the company would face around a \$1.2 billion headwind if the tax credits expire.

The Alliance for Automotive Innovation, an industry trade group which represents all of the major global automakers other than Tesla, [wrote a letter](#) to Congress in October ahead of the election, urging that the tax credit remain in place.

Is the California Dream for Fuel Economy Reductions Lost?

Biden-era fuel economy and tailpipe pollution regulations are on track under Trump 2.0 to revert to 2019 levels. US Environmental Protection Agency approvals that allow California to impose its own limits on tailpipe emissions — including a mandate for 100% EV sales in 2035 — would also face serious

headwinds. Loss of the waiver would dilute the state's zero emission vehicle mandate.

How will Tesla shares react if Trump relaxes federal standards for tailpipe pollution and fuel efficiency? Fuel efficiency [may prove especially tricky for Tesla](#), as it currently allows over-complying companies to sell compliance credits to those with shortfalls, just as California's program does. Fuel economy and emissions requirement revisions could limit the revenue Tesla generates from selling regulatory credits to manufacturers struggling to comply with Biden's tougher rules.

Trump's opponent, Vice President Kamala Harris, likely would have maintained policies supporting US production and sales of EVs, including the [Inflation Reduction Act](#) that President Joe Biden signed into law two years ago. But Musk detoured away from the Democrat once it became clear that workers' rights through unionization was a key Democratic Party platform. It's also been suggested that Musk felt slighted by the Biden-Harris administration's neglect to praise Musk as the visionary behind the EV revolution.

While political positioning continues, the global average temperature will continue to rise with emissions, raising local temperatures and other extreme-weather risks. Where is Musk's [original goal to lead the world transition to](#)

sustainable power? It's caught up in political winds, and Musk seems to enjoy being in the midst of the turmoil.

The question is, though, is the thrill of victory a profit gamble for Tesla?