Chapter 6
Trump Energy Diplomacy

Abstract  By 2016 and during the presidential campaign Trump made it noticeably clear that his administration, if elected, would pursue a global dominance strategy that is quite different from the strategy pursued by previous presidents; they always talked about energy independence, energy self-sufficiency. But with Trump, a very sharp break is noticeable; he talked about global energy dominance. Exporting energy to increase relations with neighboring countries and US allies has been the focus of the Obama and Trump administrations, and this policy will be one of the basic principles of US foreign policy in the next US administration. Meanwhile, sanctions on the energy industry of different countries have also played an important role in the foreign policy of the Trump administration. During Trump’s presidency, the country had major foreign policy problems with China, Iran, North Korea, and Russia.

The US withdrawal from JCPOA and the imposition of sanctions on Iran’s oil exports, followed by a policy of maximum pressure on it, has been one of the key points of the Trump administration’s foreign policy. US energy independence has provided the country with the opportunity to increase energy exports to the global energy market and has even allowed the US government to use energy sanctions against major energy-producing countries. A major development in the energy market during the Trump administration was the spread of covid-19 and oil price decline. Oil prices were one of the most important challenges in US energy policy under Trump, although Trump worked hard to minimize the impact of the Coronavirus outbreak and falling oil prices on the US economy and US shale.

Keywords  Natural gas diplomacy strategy · Energy dominance · Covid-19 pandemic and energy market · Oil price war · Energy independence · Sanctions
Trump Energy Diplomacy

Oil and gas resources and control over energy transit routes are among primary issues in International relations. Energy resources are one means of power in the international system. Countries who hold major oil and gas resources are trying to use these resources as an instrument of foreign policy and as leverage to not only develop their relations with neighboring and other countries but also to maintain peace and regional stability. The major world power also strives to use sanctions against countries with huge oil and gas resources to reach economic and political goals in international spheres. Central Asia and the Caspian Sea regions, which are regions rich in energy resources, are of particular importance due to their geopolitical position and proximity to Afghanistan, Russia’s political and military influence and China’s economic development, cultural commonalities with Iran, authoritarian governments with widespread poverty and corruption, and increasing religious extremism as for America (www.state.gov 2019a, b). In the 2016 election campaign, Central Asia and the Caspian Sea regions were not mentioned in Donald Trump’s slogans. After coming to power, he had a special focus on China-Iran-North Korea and Russia in foreign policy (https://www.cfr.org/blog/us-natural-gas-once-full-promise-now-retreat?utm_medium=social_share&utm_source=tw 2019).

Trump Foreign Policy Toward the Caspian Sea Region

During Trump’s presidency, the role of energy in foreign policy increased and the use of the element of sanctions on the energy industry of other countries became one of the basic principles of Trump’s foreign policy. But the important point is that during Trump’s presidency, the energy market saw a fall in oil prices which has had a significant impact on the US economy, energy security, and national security. This chapter will examine Trump’s energy policy in general and Trump’s energy diplomacy with Central Asia. The US withdrawal from the UN Security Council and sanctions against the North Stream 2 project could be indirectly seen as part of Trump’s diplomacy with the Caspian Sea. Ambassador Richard Morningstar who served as a diplomat in the Caspian Sea region believes that energy issues are something that the US has agreed on. We have common interests.

What was important is that this was a bipartisan policy. Republicans and Democrats both supported it... With all of the issues in the United States, all the fighting back and forth between Republicans and Democrats, our Caspian policy has been fully consistent for 25 years. It was only a few years after the breakup of the Soviet Union, and we really wanted to emphasize and ensure the sovereignty of the new States, #Azerbaijan, #Georgia, and Central Asian countries. (www.atlanticcouncil.org 2020a, b, c, d, e, f, g, h, i)

Trump’s policy toward the Caspian Sea littoral states is within the past administration’s policies. The US Policy toward the Caspian Sea States and Former Soviet Republics was mainly shaped up during the administration of President George W. Bush and his team, specifically Vice President Dick Cheney. President Bush
advocated an aggressive and wide-ranging energy policy toward the region. Newly Independent Countries welcomed the opportunity and opened their economy to massive investments, aid, and trade. This was in fact the rational response by all countries of the region including Russia. The United States believed that the region was rich in oil and gas and trusted exaggerated figures and reports published and updated regularly by different regional and international sources. In fact, the Obama and Trump policies were in harmony with what was originally designed by Ex-President Bush, though in the course of time new realities emerged that involved certain ups and downs and proportional modifications (Author’s interview with Dr. Fereidoun Barkeshli, May 24, 2020).

The Greater Caspian Region: A New Silk Road, with or Without a New Belt

Transit project and supporting Southern Gas Corridor is one of the priorities for the US under Trump. TCP has been subject to strategic plans for more than two decades. However, there might be some promising new signs for the project. Several references were made to the letters written last spring by the US President, D. J. Trump, to the presidents of Azerbaijan and Turkmenistan—I. Aliyev and G. Berdymukhamedov, respectively—to celebrate their Novruz holiday to show that the USA was politically supporting TCP. During his visit to Uzbekistan at the beginning of February and his recent visit to Kazakhstan, the US Secretary of State, Mike Pompeo, underlined the fact that the US intended to support the countries in Central Asia by creating alternatives, such as TCP, to China’s BRI and Russia’s Eurasian Economic Union for the establishment of interregional economic cooperation. In fact, Azerbaijan may currently be economically interested in TCP. Even though Azerbaijan is producing significant volumes of natural gas at Shah Deniz and other fields, it is still incapable of satisfying industrial demand solely with domestic supplies owing to the country’s prospering petrochemical sector. The solution could lie in importing additional gas from Turkmenistan. On the other hand, Moscow is making firm movements toward maximizing the transport of Central Asian crude oil through Russian pipelines instead of the Azerbaijan-Georgia corridor. In collaboration with the state-owned oil companies, Transnet and Rosneft, Russian authorities have been making substantial investments in the Caspian Sea port of Makhachkala, the capital city of the Russian Republic of Dagestan (www.atlanticcouncil.org 2020a, b, c, d, e, f, g, h, i). Thus, there was an increase of 200% and another 100% of oil imports into Makhachkala in the years 2018 and 2019, respectively. The increase in the year 2019 stemmed from the conflict between SOCAR and Vitol, the Swiss-Dutch oil trading giant, which caused the oil flows from Turkmenistan and Kazakhstan to Baku to change their path to Makhachkala in 2019 (Nordin and Weissmann 2018:233).

The most important current priority of China in international politics can be considered the advancement of the mega-project of the Silk Road economic belt—a mega-project whose understanding and place in the Chinese and world economies is of great
importance. Some experts hail the project as a trump card for China under the administration of Trump. Following Trump’s order to withdraw from the Trans-Pacific Treaty, China is working to speed up the implementation of this project. In a way, China intends to move toward directing the world economic scene (Nordin and Weissmann 2018:235).

The New Silk Road project is not just an economic project. Through this project, China aims to expand its political influence and military power over a large part of the region. Hence, it is obvious that Japan and even India are dissatisfied with the increase of its political influence in the region. Australia, which is witnessing large-scale Chinese investments in the country, is also concerned about a further increase in Chinese influence. In contrast, Turkey, Iran, and Pakistan are among the countries that have welcomed the project. China has gradually increased its political and military influence by investing heavily in the region. The implementation of the New Silk Road project could play an important role in expanding China’s political influence and economic power (https://p.dw.com/p/3dqLJ 2018). In Central Asia, which is the starting point of the project outside China and where a lot of investments have been made, differences between countries, Russian intervention, and their concern about China dominating their economies are all serious obstacles to advancing the Silk Road. In this regard, the “One Belt One Road” document was launched by the Chinese State Council in 2015, which outlines the vision and measures for the joint construction of the “Silk Road Economic Belt and the 21st Century Maritime Silk Road.” In short, the plan has two routes, namely land, and sea, and in both routes, the countries are to be connected to each other through three means: (1) Coordination in policymaking (2) Trade facilitation and liberalization (3) Establishment of infrastructure or connection of the infrastructure of the countries present on the Silk Road (through the construction of railways on land and ports on the sea route). As the country is at the top of the chain, more value is added to Chinese companies and ultimately the economy (donya-e-eqtesad.com 2018).

Why the Trump Administration’s Central Asia Strategy Improves Over Its Predecessors?

There is room for improvement in the US Central Asia policy, but the Trump administration is steering things on the right track. In 2005, a call was made for the foundation of a US “Partnership for Central Asia.” Moreover, the Diplomat and many others credited the book titled “The New Silk Roads: Transport and Trade in Greater Central Asia,” published in 2007, as it had played a significant role in influencing the Hillary Clinton Administration to establish the “New Silk Road” strategy. Another call was published in the year 2014 for a “Central Asia Six Plus One” entity. The only difference it had from John Kerry’s C5+1 was that Afghanistan was not included in the mechanism in C5+1. As it is evident that Central Asia has not been able to develop meaningful democracy since the disintegration of the Soviet Union 30 years ago, whether the USA should collaborate with Central Asia is a matter of question (thediplomat.com 2020a, b). While Kerry excluded Afghanistan from C5+1, the US invested in Afghanistan in terms of human resources and trea-
sure despite its being a Central Asian country, and all the Central Asian governments are expanding their links there. From this respect, the policy pursued by the Trump Administration brings to mind the Clinton Administration’s favorable approach toward Central Asia in the late 1990s. Trump’s policy seems to be founded on realistic grounds regarding the political development of the region. In addition, there seems to be a constructive and positive attitude, which enables Trump to work “with” as opposed to “on” the governments in Central Asia, as indicated during his hosting of the presidents of Kazakhstan and Uzbekistan in 2018. Moreover, the Administration’s policies demonstrate an appreciation of the region’s value relative to great power politics. In fact, the Trump Administration’s interest in Central Asia no doubt rests with its identification, in the National Defense Strategy and National Security Strategy, of great power competition as the key challenge to US global interests (thediplomat.com 2020a, b).

**US Foreign Policy and Euro-Caspian Energy Security**

In the year 2019, President Donald Trump corresponded with the presidents of both Turkmenistan and Azerbaijan, in the months March and May, respectively. While he expressed his wish, in his correspondence with Gurbanguly Berdimuhamedow, that Turkmenistan would soon export gas to the West, Trump wrote to Aliyev to express his appreciation for Azerbaijan’s cooperative relationship with the US in diversifying energy routes and sources in Europe. Subsequently—in December 2019—Trump signed the “Further Consolidated Appropriations Act of 2020.” This included the legislation titled “European Energy Security and Diversification Act of 2019,” according to which Azerbaijan would import gas from Turkmenistan to meet the needs of its rapidly developing petrochemical industry. However, Azerbaijan needed the support of the US against a probable countermovement from Moscow. Currently, the Convention on the Legal Status of the Caspian Sea is in force. Hence, the EU is now able to import substantial volumes of Turkmen gas or blue hydrogen produced from this gas. Turkmenistan has been insistent on the full oil pipeline since it strongly believed that alternative smaller-sized platforms would not be a solution even if various commitments were made. Turkmenistan would accept the opportunity to export to Europe; however, this would only be realized via a shore-to-shore pipeline with its onshore pipeline system connected to it, and the shut-in wells in the eastern part of the country to Azerbaijan’s onshore system (atlanticcouncil.org 2020a, b, c, d, e, f, g, h, i).

On the other hand, the energy security policy of Georgia has been scrutinized by the members of the American Congress, who specifically criticized Georgia for not abiding by their promises of maintaining a level political arena and an independent judiciary. Georgia has an advantageous location and a free trade agreement with the EU, yet it does not make maximum use of these conveniences. It has been 30 years since the disintegration of the Soviet Union, yet Georgia is still importing electricity from and is highly dependent on Russia economically. It is quite evident that such trade transactions in the energy field enable Russia to cause political corruption as
well (atlanticcouncil.org 2020a, b, c, d, e, f, g, h, i). Trump was so strident on a great many foreign policy issues during the campaign trail, this has translated into foreign policy announcements and overtures that have been equally dramatic and brusque. Second, very few of the administration’s policy pronouncements are conclusive (https://www.csis.org/analysis/energy-era-frenemy-foreign-policy 2018).

The tempting idea that energy independence and national energy security are the same thing has been fortified by the recent revival of oil and gas in the US. However, this idea is shown to be completely misleading by the global nature of energy markets. Two-thirds of global oil and gas production is traded internationally. Russia, which exports large volumes of gas and oil, is an importer of high-quality uranium, machinery, equipment, and electricity. It is mandatory for Saudi Arabia, the petro-giant, to import refined gasoline and an array of technologies in the extractive industry (Bazilian et al. 2017:426). It is currently trying to seize the opportunity to enter the arena of solar energy. It is difficult to keep away from global markets—even for the vast and ample United States. While the US is an exporter of coal and liquefied natural gas, it still imports crude oil and rarely found earth minerals. It appears that the Federal lands that are expected to be opened for new coal mining will not affect that market or its prices. It is not sufficient to consider shortages in or disrupted energy services as stand-alone problems that can be solved by means of military action; it needs to be realized that they are interconnected threats to the entire world with the potential to disrupt stability. It is underscored by the most recent Quadrennial Defense Review (QDR) of the Defense Department that competitive demand for resources, such as energy and water, might contribute to a rise in instability in the future, and this may increasingly cause local confrontations to turn into more extensive conflicts (US Department of Defense 2014). Consequently, it is essential for new approaches to be devised and for these to be supported by diplomacy (Bazilian et al. 2017:433).

5+1 Forum

US officials’ visit to Central Asia and the Caspian Sea could be a sign of the region’s importance in US foreign policy. In February 2020, Mike Pompeo visited Central Asia. Coinciding with Pompeo’s visit to Central Asia, the State Department unveiled its new strategy document for Central Asia, entitled “Promoting Independence and Economic Prosperity.” The US strategy, which, three decades after the collapse of the Soviet Union and the independence of the Central Asian republics, is still based on the “Holy Trinity of Independence, National Sovereignty and Territorial Integrity” of one Central Asian country, according to one US diplomat. The slogans that were the focus of US diplomats’ claims three decades ago to persuade the newly independent republics not to fall into Russia’s lap. The US State Department announced that Pompeo met with President Kassym-Jomart Tokayev and First President Nursultan Nazarbayev as well as Foreign Minister Mukhtar Tleuberdi in Kazakhstan “to reaffirm our shared commitment to peace, prosperity, and security in Central Asia.” While in Uzbekistan, Pompeo is expected to hold a meeting with
President Shavkat Mirziyoyev and Foreign Minister Abdulaziz Kamilov “to underscore U.S. support for Uzbekistan’s reforms and the country’s sovereignty, independence, and territorial integrity” (thediplomat.com 2020a, b).

Pompeo will then engage in a C5+1 Ministerial with foreign ministers from Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan. This action indicates regional interest in developing and further enhancing relations with America. The C5+1 format, launched in 2015 under the Obama regime, has worked as a stable forum in which regional powers can meet with representatives from Washington. If all five foreign ministers attend the meeting it will highlight the success of the forum. Such a meeting requires all members to arrive in Tashkent at a time suitable for the American visit (thediplomat.com 2020a, b). US secretaries of state rarely travel to Central Asia. However, recently there has been a trend for visits to the region, although generally only at a rate of one per appointment. These infrequent visits tend to be significant in the region, although Washington does not necessarily regard them as such. Aside from a prior visit to Afghanistan, this trip will mark Pompeo’s first visit to Central Asia since his appointment in April 2018. During his time as secretary, February 2017–March 2018, Rex Tillerson did not visit the region, despite a background with the oil industry and links to Kazakhstan through Exxon. John Kerry, secretary of state from February 2013 to January 2017, visited Central Asia between October 31st and November 3rd, 2015. In this short visit, he made a quick succession of visits to all five countries. Hillary Clinton visited the region multiple times. In late 2010 she visited Kazakhstan, Kyrgyzstan, and Uzbekistan and returned to Uzbekistan in 2011, when she also visited Tajikistan. Pompeo’s trip is expected to be a platform for the announcement of Washington’s new plan for the Central Asian region (thediplomat.com 2020a, b).

Oil, trade, and good governance all played a role in talks between US Secretary of State Mike Pompeo and the Central Asian foreign ministers. However, China was excluded from these talks, although Beijing is perhaps the most important administration in the region. Pompeo is the most senior US official to visit the region since 2015 when John Kerry visited in his role as secretary. During the C5+1 meeting in Tashkent, the foreign ministers and Pompeo discussed possible contributions by the Central Asian nations to the peace process in Afghanistan in 2020, as well as measures on border security and regional developments to enhance both economic and energy connectivity (www.voanews.com 2020).

On June 30, 2020, US Secretary of State Michael R. Pompeo and Under Secretary of State for Political Affairs David Hale chaired the C5+1 High-Level Dialogue. The C5+1 platform was developed on the foundation of close collaboration and regional links to facilitate cooperation and coordination among the Central Asian countries and the United States in terms of shared interests. The High-Level Dialogue was undertaken at a time of unique challenges. The Covid-19 pandemic has created large scale economic and human impacts (www.voanews.com 2020). Despite this, the US remains committed to its aim of being a strong and successful nation that seeks independence, sovereignty, and territorial integrity not only for itself but for all of the Central Asian countries in the C5+1 forum. The pandemic has highlighted the importance of partnership and networking alongside effective, clear information sharing in terms of governance, economic development, and human
health. In its position as an intergovernmental platform, the C5+1 format displays its relevance and vital position as a platform for furthering stability, affluence, and peace in Central Asia. The forum will continue to support strong civil societies in Central Asia via the protection of human rights and compliance with international law (www.state.gov 2020a, b).

It should be noted that the Obama administration was a change in the geopolitical dynamics of the Caspian region. The administration was not that interested in the region outside of preserving overflight rights for air access to US military bases in Afghanistan. While working on a nuclear agreement with Tehran, the Obama administration promoted cooperation between the regional workers and Iran. As a result, these states saw a decline in their geopolitical influence in Washington as a defense against Iran. Moreover, under Obama, US–Turkish relations continued their decline due to disagreement on issues in the region, including Turkey’s position as a bridge into the Caspian region and policies in Syria (www.fdd.org 2020a, b, c).

**US and Southern Gas Corridor**

The Southern Gas Corridor, a project to transport 16 billion cubic meters of Caspian natural gas annually to Turkey and southern Europe, has been exempted from US sanctions against Iran’s energy customers. BP was seeking exemption for the development of the Shah Deniz offshore field in Azerbaijan, which is the natural gas source of the Southern Gas Corridor. The National Iranian Oil Company has a 10% stake in the second phase of Shah Deniz, which could possibly face US sanctions against Iranian oil investment (www.wilsoncenter.org 2020). The US State Department has called on the Turkmen government to join the treaty in order to benefit from the benefits of the South Caspian gas corridor for gas exports to Europe, and not to export its gas exclusively to China. “Although Turkmenistan did not accede to the Caspian Sea summit last year, it did assess it,” said US Deputy Assistant Secretary of State for Energy Diplomacy Sandra Oudkirk, on the sidelines of the Caspian Sea Summit in Baku. It calls on the Ashgabat government to join the agreement. Turkey, exploited, could end Turkmenistan’s dependence only on limited customers such as China and lead the country to greater economic development through gas sales to Europe. Oudkirk urged the Turkmen government to connect its gas pipeline to Azerbaijan’s Gar pipeline and implement the process of joining this trans-regional agreement and benefit from the economic support of this project (https://www.azernews.az/news.php?news_id=151273&cat=oil_and_gas 2019).

**The Key Geopolitical and Economic Achievements of the Construction of the Trans-Caspian Pipeline Are**

1. Diversification of gas supply sources in the European market and increasing energy security of the Green Continent. According to the European Commission, 69% of the continent’s gas consumption is imported and 37% of imports, equivalent to 155.7 billion cubic meters per year, are purchased from Russia. That is
why Europeans need to find new sustainable and safe sources to buy the gas they need. With the implementation of the Trans-Caspian pipeline, out of the total 401 billion cubic meters of current European imported gas, 60 billion cubic meters will be supplied by the four countries namely Azerbaijan, Turkmenistan, Kazakhstan, and Uzbekistan. These countries have a stable system that is a stable and reliable partner (mshrgh.ir 2020).

2. Trump believes that by building the Trans-Caspian pipeline, we will see an acceleration in economic development and job creation in Central Asia. The total gross domestic product of the three countries, Turkmenistan, Kazakhstan, and Uzbekistan is currently $250 billion. If the project adds 10% to the GDP of these Muslim countries, $25 billion will be added to their economy. Experts believe that stable economic development and growth in Central Asia and the Caucasus, in addition to securing American interests, will also benefit Russia. These geographically dependent countries have long been heavily dependent on Russian goods, and as their incomes increase, they will become a larger market for Russian exports (www.heritage.org 2020).

3. With the start of the construction of the Trans-Caspian pipeline, we will quickly see the creation of thousands of job opportunities for the youth of these countries. This will be an obstacle to the development of radical and extremist Islam in the key region of Central Asia. The leaders of Washington and Moscow agree on the strategy of countering the development of extremist Islam in Central Asia. Therefore, with billions of dollars in revenue flowing annually from the sale of gas to European governments into the economies of these countries, we will see the creation of job opportunities and the development of various academic and industrial centers for young people (www.heritage.org 2020).

**Chevron Sold Azerbaijan Assets to MOL**

In April 2020, the US oil company Chevron recently sold its stake in the development of the Azeri-Chirag-Deepwater Gunashli (ACG) oil fields in the Caspian Sea to the Hungarian energy company MOL. ACG oil fields (including interests in the Western Export Route Pipeline) and the Baku-Tbilisi-Ceyhan (BTC) oil pipeline located in Azerbaijan were transferred to MOL Hungarian Oil and Gas PLC for a consideration of $1.57 billion (steelguru.com 2020). According to the signed contract, Chevron has also transferred its share in the operation of the Baku-Tbilisi-Ceyhan oil pipeline to this Hungarian company. Under the $1.57 billion deal, MOL owns a 9.57% stake in Chevron in the ACG oil fields development projects in the Caspian Sea, as well as an 8% stake, IRNA reported. Nine percent of this American company came with the BTC oil pipeline. With the signing of this agreement, the Hungarian company MOL will be the third-largest shareholder in the development of the ACG oil fields, after BP and the State Oil Company of the Republic of Azerbaijan (SOCAR) (www.bloomberg.com 2020).
US Energy Diplomacy Under Trump Administration

Countries are attempting to decode and respond to the new style of foreign policy even though it is difficult to do so. Various signs regarding what is more important and what to be careful about to proceed can be inferred from the patterns that have started to appear. First of all, domestic politics has a place of priority among the triggers of the Trump administration, and, thus, initiates and directs actions (https://www.csis.org/analysis/energy-era-frenemy-foreign-policy 2018). Looking into the more distant future, it is more probable that leadership in the international arena will be acquired by means of delivering renewables effectively and efficiently; providing fossil fuels, which pollute the climate, will be futile in this respect. Thus, whoever is seeking a prestigious stance would avoid saying at Davos or any other place that they are delighted to have “a substantial ability to deliver the people of the globe a better quality of life through fossil fuels.” The transformation of foreign policy in the US will be achieved by means of energy revolution. The energy secretary claims that Dan Brouillette had the argument that the growth in US energy production came after “a long struggle between innovation and regulation,” yet currently, “innovation is winning the day” since innovation has become the key element in the US energy policy under Trump administration. Brouillette attributed the United States’ success in becoming both “the world’s largest producer of both oil and natural gas,” and “the world’s second-largest generator of wind and solar power” to new technology and more flexible regulations (https://www.thenation.com/article/archive/donald-trumps-extract-everything-energy-policy-dooms-us-all/ 2018).

The energy secretary continued to say that the focus of the US is on “reviving two of the world’s most reliable 24/7 generators of electricity—nuclear [energy] and coal.” Based on the claims made by Dan Brouillette, the Trump administration would be funding the Coal FIRST initiative with a research and development funding of $64 million. Brouillette claimed that this funding would “help … produce more coal-based power more efficiently and transform it into a near-zero-emissions energy source for not only … [the US], but the rest of the world.” Brouillette acknowledged the concerns raised regarding the dependence on carbon-intensive coal to produce electricity, while the world is seeking ways to decrease carbon emissions. However, he argued that cleaner and more efficient methods of using coal for the generation of electric power would be sought and put into effect. He referred to developing countries’ dependence on coal and stated, “if we are going to see that product used to generate electricity, we want it to be used as cleanly as possible.” Brouillette continued to reassure how to downsize coal plants, yet with a higher efficiency, would be the focal point of research. In addition, how to integrate more carbon capture and storage technology would also be investigated, according to Brouillette, who supported this claim by referring to an announcement made by the Trump administration on 5th February that $125.5 million would be allocated for research on solar technology (https://www.thenation.com/article/archive/donald-trumps-extract-everything-energy-policy-dooms-us-all/ 2018).
Coal is merely one example of how an increase in US energy production creates new opportunities for the United States to reach its foreign policy goals. Brouillette referred to the Coal FIRST initiative, which, he claimed, would also assist in seeking new ways to export cleaner coal technologies to markets such as Asia and Africa so that they can help them reduce their carbon emissions and make their energy sectors more diverse. Brouillette claimed that the growth of energy sectors in the US would strengthen the US energy sector and enhance economic security in the country. He continued to claim that costs had dropped, and job opportunities had increased. “It bolsters our national security, by freeing us and our partners from unstable and often unfriendly foreign suppliers” (https://www.thenation.com/article/archive/donald-trumps-extract-everything-energy-policy-dooms-us-all/ 2018).

US Natural Gas Diplomacy Strategy

Hydrocarbon prices have witnessed an overall reduction owing to oil and gas production, which, in turn, has facilitated the United States’ pursuit of foreign policy goals in relation to countries producing oil and gas without fear of a price spike. It has enabled the US to have a say among hydrocarbon producers, which can be illustrated with the recent negotiations with OPEC and other major producers based on a coequal or formidable rival. Moreover, the US has been able to establish interests different from its major allies, who are still dependent on imported energy (www.nytimes.com 2020). For example, the United States and Germany have different interests regarding the Nord Stream 2 pipeline. Meanwhile, the US has given its partners the chance to import oil and gas from the US so that they can strengthen their energy security and ease any imbalances that may exist between the US and themselves. Ten years ago, these kinds of exchanges would not have taken place. The second fundamental change in the transition the US underwent in the energy sector is the decrease in the cost of wind and solar energy (https://www.csis.org/analysis/energy-era-frenemy-foreign-policy 2018). Over a period of 9 years, between 2010 and 2019, the levelized cost of electricity for solar photovoltaic (PV) energy decreased by 82%. Even though the decrease in wind energy was small, it was still significant. The costs of onshore and offshore wind declined by 38% and 29%, respectively. These falls in costs can be attributed to the decline in costs and enhancement in efficiency. More specifically, onshore wind and solar PV underwent increases in capacity factor by 8.5 and 4% points, respectively, during that period. Installation costs were also lower. All these positive developments led to lower costs in the generation of not only wind but also solar energy (U.S. LNG into Europe after the Trump-Juncker Agreement https://www.csis.org/analysis/us-lng-europe-after-trump-juncker-agreement 2018). The Trump administration diverted substantially from former administrations by incorporating energy into a more extensive policy agenda. In various aspects, this demonstrated a natural transition from a Democrat to a Republican administration. The Trump administration changed its way of regulating
the coal, oil and gas, electricity, and auto sectors. The administration enthusiastically supported fossil fuels and revealed its intention to establish balance between both supporting oil and gas production implicitly and directing its policies toward climate change and the development and placement of low-carbon energy technologies (U.S. LNG into Europe after the Trump-Juncker Agreement https://www.csis.org/analysis/us-lng-europe-after-trump-juncker-agreement 2018).

The newly emerging status of the US as an energy superpower provides the new US Administration and the American natural gas industry with various opportunities. The boost in LNG trade has contributed to the development of a new and progressively global market, making gas, which was formerly a localized resource that was difficult to transport, a liquid global commodity. The factors that play a role in the demand for American LNG in other countries are primarily commercial concerns such as price and shipping costs. In addition, the sufficiency of infrastructure, opportunities in financing, and seasonal factors have an impact on demands for American LNG as well. Finally, political considerations could also play a role, especially in areas where diversity in gas imports is of importance for energy security. In fact, politics did play a significant role in the initial years of the LNG industry (https://www.atlanticcouncil.org/blogs/energysource/us-foreign-policy-and-euro-caspian-energy-security-the-time-is-now-to-build-the-trans-caspian-pipeline/2017). According to many economists, due to new developments in the oil market, such as increased production and reduced demand, as well as the entry of the United States into the market as an oil exporter, US seeks to exercise management in oil markets to maintain its favorable market price. Increase your oil exports. Based on the US policies in recent years, it can be claimed that the country is trying to reduce oil exports from other countries by means of sanctions as well as controlled chaos in order to provide new markets for its oil (www.ettelaat.com 2020). These analysts are analyzing the oil embargo on Iran and Venezuela, as well as the crisis in oil-exporting countries such as the crisis in Qatar. Although Syria does not have a large share of the oil market, US dominance in these resources could be a good incentive for the continuation of this US policy. US regional allies’ pressure to maintain presence in Syria: Given the growing strength of the Islamic Republic-led resistance in West Asia, the United States’ regional ally is seeking an active US presence in regional affairs (www.investopedia.com 2020a, b).

The presence of American LNG could have weakened, but this does not mean that it is out of the picture. The downturn in capital investments in energy projects is adversely affecting several gas production basins in other countries. To illustrate, in the eastern Mediterranean Sea, export alternatives to boost Israel’s gas exports have been wasted. This partly derived from the fact that a major potential importer of Israeli gas, the Egyptian LNG production plant, was closed. Another example is the multinational companies that are drill offshore of Cyprus. They have also had to halt their activities. In contrast, Turkey has plans to start offshore drilling soon. In brief, there have been significant changes in the dynamics of Eastern Mediterranean gas (www.fdd.org 2020a, b, c).
The most important plans of Republicans, especially Trump, in the field of energy are to focus on US development in the production of shale oil and gas from existing resources, the reduction of the country’s dependence on OPEC members’ oil resources, and energy independence policy and environmental issues. Energy boom has multiple effects on the domestic and foreign position of the US in the international economic order. As indicated in the report released by the Atlantic Council, the shale gas boom began to radically shift and redraw the global energy market, changed the outlook for the US energy security and its neighbors, altered geopolitics, made the Western Hemisphere—US, Mexico, Canada, and Brazil—the new center of gravity for oil and gas production, turned the future of oil debate on its head, helped the US reduce emission by displacing coal as a source of electricity generation, strengthened the US economy by means of cheap gas prices, and finally potentially repositioned the United States vis-à-vis the Middle East and Asia. The report indicated that “shale holds promise to substantially enhance US global economic competitiveness and US foreign policy leverage globally”.

The presidents of the United States in recent decades have always sought independence and energy independence in this country. But now Donald Trump has introduced a different and more ambitious goal: to dominate the global energy market. In late June at US Energy Week, Donald Trump announced in a speech the beginning of a golden age in US energy that would be accompanied by increased exports of natural gas, coal, and oil. An examination of the new American strategy shows that “energy domination” is not much different from “energy independence”. In his speech on this new strategy, Trump announced an increase in energy exports to Asian and Eastern European markets, which began under the administration of Barack Obama. Explaining the new energy doctrine, US Secretary of Energy, Rick Perry said, “An energy-dominated America is dependent on its American meaning. This means that the United States will be a safe country free from geopolitical turmoil from other countries that use energy as an economic weapon. An energy-dominated America will export to all markets around the world and increase our global leadership and influence. will give.” “Because the design and capacity of US refineries to use light oil produced from shale reserves have not been designed and configured, the country is exporting oil.”

“Energy development here has always supported and balanced environmental objectives, economic needs, and foreign policy and national security.
objectives,” Verrastro said. “We’ve always operated in that space. If we’re going to use energy dominance to persuade other countries to do things this seems like a ham-handed way to go about foreign and diplomatic policy.” (https://www.washingtonpost.com/, 2017) Trump energy policy of “Energy Dominance” has caused a remarkable increase in the production of oil and gas, which eventually gives the confidence to US administrations to impose sanction on the Achille’s heel of oil states, such as Iran and Venezuela, oil exportation (Fig. 6.1).

What needs to be highlighted here and answered in more detail is the growth in shale industries as the key outcome of the policies extracting from energy dominance. After the Great Recession in 2008, the shale industry has supported the US economic recovery. Without shale gas, the US was estimated to import 27% of its natural gas consumption by 2015. So in my view, energy dominance was an effective strategy to equip America with enough energy available to support the growth of the GDP. From the present time to the future the opportunities for shale oil and gas can be enlisted as follows:

The lower exploration and operation expenditure by conventional oil suppliers, which has made a sizeable room in market balance.
The concerns of US security as well as foreign policy matters, for instance, to aid allies in EU countries to diversify their energy suppliers, will support the fortune for the shale industry.
More business opportunities, such as LNG terminals, pipelines etc., which at the end of the day will lead to creating more job opportunities; and
Reduction in the GHG emission by switching from coal to less expensive natural gas.

However, the shale industry is also confronting some serious challenges, which have created a foggy future for it. To overcome the challenges, authorities must play a proactive role based on the fundamentals of the international energy markets. Challenges are related to the quality of the shale oil, as a light sweet crude oil, which will push the market towards the oversupply of this type of crude quality. The other challenge is rising from the concerns over the environmental issues of fracking as well as the flaring of the waste gas. As the US market will reach the oversupply point like what was seen for the natural gas, there must be a way to ship the crude oil out of the borders to balance the domestic market. The market will also need more updated energy policies as energy dominance is against the worldwide
energy market with numerous players. (Author’s interview with Mo Dialami, Energy Economist, April 12, 2020)

The Trump energy policy faces several challenges: declining world prices due to the Covid pandemic, competition from other producers, and a long-term decline in the demand for fossil fuels. As noted, US oil and gas production costs tend to be higher than some other producers, like Saudi Arabia, so when prices fall—as they have since the outbreak of the Covid pandemic—US producers find it hard to compete with low-production-cost countries. More importantly, growing international concern over climate change is leading many countries (and states within the US) to adopt emission-reduction measures, and this is producing increased demand for renewable energy as compared to fossil fuels. This trend is likely to continue, posing a significant challenge to the Trump strategy (Author’s interview with Michael Klare, June 24, 2020).

The US does not own most of the oil—private companies do. As such, those companies respond to market signals. Policies can encourage specific behavior, but they can also be detrimental if not crafted well, considering the issues the US experienced under the ban on crude exports that was later lifted by the Obama administration. Furthermore, energy markets are becoming increasingly liquid. Hence, it is becoming increasingly tougher to derive geopolitical power from being an energy producer. US energy exports impacted the world geopolitically in the sense that they have constrained the geopolitical power of other producers. US exports are based on market realities, and, hence, the US enters the market when there are profits to be made. This makes international markets more liquid (Author’s interview with Anna Mikuslka, June 30, 2020).

As costs are rising in the present time, industries are experiencing more difficult times in affording oil. Indeed, there are numerous oilfield service companies that have still not been able to overcome the impacts of the 2014 price collapse, as recently reported by Weatherford International, one of the four prominent oilfield service companies in the world. In such a context, if oilfield service companies channel themselves toward Chinese manufacturing, it is inevitable that the global supply chain will continue to be increasingly disrupted. On the other hand, there are doubts as to whether Asian suppliers of lower quality will be able to meet increasing demands. While channeling toward producers in Asia may be of benefit to US companies in the long term, it constitutes a risk for service companies with exceptionally low-profit margins, such as Canary, in the short term. Prior to the trade war, China had not only been importing oil and natural gas from the US, but it was also one of the three top US LNG importers. Currently however these imports have drastically reduced. One forecast regarding the future of LNG projects is that China will be among the most significant sponsors (https://www.forbes.com/sites/daneberhart/2019/05/20/neverending-us-china-trade-war-puts-energy-dominance-at-risk/#2eefe3772c6d 2019). As for the present time, while the increasing demand for LNG in China has been the target of most projects in the US, where there are approximately 30 LNG projects at different stages of development, China is actually seeking alternative suppliers of LNG in such countries as East Africa, Australia, and Russia. Not only the interruption of oil imports from the US but also the tighter sanctions imposed on Iran and Venezuela have caused China to lose access to approximately one million barrels of crude oil imports per day. The alternative pro-
Energy Dominance as Leverage for US Foreign Relations

Currently, the US is the largest producer of oil in the world. At a rate of 12.8 million bpd, it is pumping out even more than Saudi Arabia can produce. The US is also producing more natural gas than it knows what to do with. The US must understand the strength of its position regarding energy and figure out how to benefit from it, especially in terms of foreign policy. The US is now producing more oil than any country in history, with the potential to develop more offshore wells, and benefit from developments in fracking and infrastructure (www.realclearpolitics.com 2020). As for China, China is the world’s largest importer of oil and gas as both the manufacturing industry and the growing consumer economy depend on foreign energy. Although China brings in most of its fuel from Saudi Arabia and Russia, the US has control over 10% of the global supply. This provides Washington with an effective bargaining chip in forthcoming trade negotiations, which can be leveraged to press China on human rights abuses (www.realclearpolitics.com 2020).

The implication of “dominance” is that the US could get its geopolitical opponents to yield to its will by means of using energy as a kind of weapon for bargaining. However, it is the market forces, not the policy of the government, that directs the buying and selling of oil, gas, and other forms of energy produced in the US. To illustrate, Venezuela, which is nowhere near being an ally of the US, has recently imported a large volume of crude oil from the US. More specifically, it was imported by a Venezuelan refinery on the island of Curacao, where US light oil is blended with heavier Venezuelan crudes (theconversation.com 2020). When other countries, such as Iran, Russia, or Saudi Arabia, have geopolitical aims underlying their decisions regarding energy trade, US policymakers regularly oppose them. However, it is beyond question that punishing or rewarding other nations by means of manipulating their energy exports would result in revenge and building new barriers in trade, which would eventually give harm to both the domestic and global economy (theconversation.com 2020).

US Withdraw from JCPOA

Sanctions against energy sectors plays important role in US foreign policy under Trump (www.ft.com 2020). Trump’s opposition to JCPOA was predictable from 2016 and the beginning of his presence in the White House, and he started JCPOA’s warning to Iran in July 2017, when the US State Department spoke of a new concept
called adherence to the text of the UNHCR and not the spirit of the document. In September of the same year, Trump again called the nuclear deal the worst possible deal and announced that he had made his decision (www.nbcnews.com 2020a, b). On October 21 of the same year, Trump announced that JCPOA had not been approved, and the US Treasury Department boycotted the Islamic Revolutionary Guard Corps thus speeding up the process of leaving JCPOA. In January 2018, under the pretext of Iran’s missile program, the United States called for the reform of the UN Security Council and the acceptance of 12 conditions offered to Iran and threatened not to extend the suspension of sanctions on Iran. In March 2018, the International Atomic Energy Agency reaffirmed Iran’s commitment to its obligations under the IAEA Board for the 11th time. In April of the same year, the presence of Mike Pompeo in the State Department, replacing Rex Tillerson, was both a sign of coordination for the Trump team and a sign of Trump’s determination to leave JCPOA, which he finally implemented in May 2018. A review of the events following the US withdrawal from the UN Security Council reveals a wide range of restrictions imposed on Iran with the aim of crippling the economy (https://www.businessinsider.com/trump-iran-deal-boeing-airbus-contracts-sanctions-2018-5 2018).

In the evening of the same day of leaving JCPOA, the licenses of Boeing and Airbus to sell passenger planes to Iran were revoked. With the beginning of the first round of sanctions in August 1997, exchanges in dollars, rials, buying and selling and exporting and insurance of gold and precious metals and industrial shipments, buying and selling documents and securities, and sanctions on the automotive industry of Iranian goods were banned. The second round of sanctions began on the morning of November 5, 2016, and thus shipping and oil tankers, aviation industries, banks and financial institutions, textiles and mineral products, petrochemical products, iron and steel, and cement industries, Central Bank, Swift Banking Network, Commercial and industrial institutions, the National Development Fund of Iran, construction companies, space agencies, and finally oil and gas inspections were included in the sanctions list (https://www.businessinsider.com 2020)/ 2020).

In April 2019, the United States lists the Islamic Revolutionary Guard Corps as a terrorist organization and does not extend the oil exemptions of Iran’s few oil customers with the aim of reducing Iran’s oil exports to zero. During US sanctions, the International Energy Organization declared Iran’s oil exports to be the lowest in the last 40 years, and companies, individuals, organizations, and officials were gradually placed on the long list of US sanctions. The Supreme Leader of the Revolution, the cabinet ministers of the 12th government, former parliament speakers, current and former commanders of the Revolutionary Guards, judges, and nuclear scientists were no exception to this rule (www.rand.org 2020).

US Maximum Pressure Campaign

US Secretary of State Mike Pompeo outlined a new US strategy against Iran, announcing increased pressure on the Islamic Republic and saying Washington was ready to negotiate with Tehran if the Iranian religious regime changed its behavior.
Secretary of State also said that if the Islamic Republic of Iran ceased its violent behavior, Washington was ready to resume diplomatic relations with Tehran, to help Iran’s economy, as well as its peaceful nuclear program. After the withdrawal of the United States from JCPOA, US Secretary of State, Mike Pompeo, outlined on Monday the new US strategy against Iran, and while announcing more pressure on the Islamic Republic, he declared that Washington was ready to negotiate with Tehran if the Iranian regime changed its behavior. In order to negotiate with Iran to reach a new agreement, Mike Pompeo put forward conditions that were in fact a list of US demands from the Islamic Republic, or in other words, the details of a change in the behavior of the Iranian regime, which are as follows (www.aljazeera.com 2020):

Declare to the International Atomic Energy Agency (IAEA) a full account of the prior military dimensions of its nuclear programme and permanently and verifiably abandon such work in perpetuity.

Stop enrichment and never pursue plutonium reprocessing, including closing its heavy water reactor.

Provide the IAEA with unqualified access to all sites throughout the entire country.

End its proliferation of ballistic missiles and halt further launching or development of nuclear-capable missile systems.

Release all US citizens as well as citizens of US partners and allies.

End support to Middle East “terrorist” groups, including Hezbollah, Hamas and Islamic Jihad.

Respect the sovereignty of the Iraqi government and permit the disarming, demobilisation and reintegration of Shia militias.

End its military support for the Houthi rebels and work towards a peaceful, political settlement in Yemen.

Withdraw all forces under Iran’s command throughout the entirety of Syria.

End support for the Taliban and other “terrorists” in Afghanistan and the region and cease harbouring senior al-Qaeda leaders.

End the Islamic Revolutionary Guard corps-linked Quds Force’s support for “terrorists” and “militant” partners around the world.

End its threatening behaviour against its neighbours, many of whom are US allies, including its threats to destroy Israel and its firing of missiles at Saudi Arabia and the United Arab Emirates, and threats to international shipping and destructive cyberattacks. (www.aljazeera.com 2020)

One of the goals of the Trump administration in withdrawing from JCPOA and imposing new sanctions on Iran is to provide the necessary conditions for more energy exports and to help strengthen the US energy industry. Finding new markets for US LNG exports and trying to sell LNG to Iranian oil and gas customers is another goal of US sanction against Iran (https://www.bbc.com/persian/business-51799336 2018).

When it comes to Iran, the United States could then try a similar technique. The US can have flexibility in establishing a new nuclear deal with longer sunsets or a larger comprehensive nuclear arrangement which pushes for advancement in the resolution of regional disagreements. Importantly, the administration would have to
balance any efforts to reassure regional partners. To this end, Washington would have to move away from its abolitionist approach toward Iran’s policies, which would prevent Iran from coming to the table. The US needs to balance any efforts to calm regional partners with a process that manages topics that could include Iran and other international actors. Iran is skeptical of the US administration. Following the US withdrawal from the JCPOA, a maximum pressure campaign, and the killing of Qassim Soleimani, the country is hesitant to engage with the Trump administration. Iran officials may be willing to work on a deal in which it will reduce nuclear program in return for the lifting of the sanctions. However, if Trump wishes to pursue a “more for more,” agreement talks may stall as there is little trust there (www.cnas.org 2020). At the launch of a railway project near Tehran on December 31, 2019, President Hassan Rohani said, “Iran would have earned $200 billion surplus income...if the country were not involved in an economic war” (www.aa.com.tr 2020).

After abandoning the 2015 nuclear deal, the United States imposed new sanctions against Iran. The deal had seen Iran receive sanctions relief in exchange for curbing its controversial nuclear program. Since the United States walked away from the deal in 2018, Iran has lost 90% of its oil exports, a key source of revenue. Inflation has surpassed 40%, and the Iranian rial has plummeted. President Rohani also queried arguments made by hardline conservative critics and by those who say that the sanctions have not had any impact on Iran. “What should we do? When there is no food and water, you are still in danger no matter how strong you are,” he said. Rohani’s comments came just weeks after millions of Iranians protested economic hardships, financial mismanagement, discrimination, and inequality, following a gas price hike in November 2019 (oilprice.com 2020a, b, c, d).

Another of Trump’s goals is to prevent investment in Iranian gas, its production, and export to Europe. Because the European gas market is important for the life of US gas exports, energy supply is one of the vital issues for European countries. Energy is an essential material for these countries, which not only sustains their economy and industry, but also the well-being of their citizens (www.irna.ir 2020a, b). However, achieving these goals is not easy because the decision to dry out Iran’s oil revenues could harm the interests of Iran’s major crude oil importers. Because they have been barred from buying Iranian oil based on a decision contrary to trade freedom and WTO rules, those countries say Trump administration officials must choose between importing Iranian oil or trading with the United States, not both (www.irna.ir 2020a, b).

Even before the coronavirus pandemic erupted, Iran’s oil exports were declining because of secondary US sanctions. Global oversupply amid a drastic drop in consumer demand, caused by the virus and its economic effects, will likely continue to depress Iranian exports for months to come. Prior to the US withdrawal from the Joint Comprehensive Plan of Action, (JCPOA) in May 2018, Iran was selling 2.5 million barrels of oil a day, primarily, to customers in Asia. Among the countries purchasing Iranian oil was India (in addition to China)—one of the world’s two largest energy consumers (www.atlanticcouncil.org 2020a, b, c, d, e, f, g, h, i) (Fig. 6.2).
Iran’s Fuel Shipment to Venezuela

The US withdrawal from JCPOA and the sanctions on Iranian oil exports in May 2018 made the situation even more difficult for the Iranian oil industry. The US effort to reduce Iran’s oil exports to zero allowed Iran to sell oil only on the gray market or to continue selling its oil using a third country. Despite all the problems caused by the sanctions on Iran’s industry and economy, Tehran did not make a fundamental change in its foreign policy and missile program. However, the root of all the problems in Iran’s economy cannot be attributed to sanctions (https://iranintl.com 2020). Iran and Venezuela have been sanctioned by the United States. The embargo on Iran, known as the “maximum pressure policy,” is aimed at “changing the Islamic Republic’s behavior” in the nuclear, missile, and regional fields, and in the case of Venezuela follows the ouster of President Nicolas Maduro and the transfer of power to Juan Guido (www.washingtonpost.com 2020).

The sanctions brought Iran closer to relations with countries opposed to US policies. Increasing the level of cooperation in all fields with such countries became the main priority of Iran’s foreign policy. In recent weeks, political contacts between Iran and Venezuela have increased. Meanwhile, Mahan Airlines flights to Caracas have increased even more. The closer relations between Tehran and Caracas have not been favorable for the United States. Washington has imposed sanctions on both
countries’ energy industries (euronews.com 2020). The economies of Iran and Venezuela are dependent on energy exports, and in the present period, their economies are in bad shape. Venezuela’s oil reserves are so large that it produces 1.3 million barrels of gasoline a day, but Venezuela’s gasoline production capacity has recently shrunk by 10% for various reasons, shutting down 1800 gas stations. The decline in gasoline production in Venezuela is due to several reasons, the most important of which is the US sanctions against this country; hence, the price of a liter of gasoline in the open markets of this country increased by 200–400 times. Another reason for the drop in gasoline prices in Venezuela was years of low investment and lack of regular refinery maintenance work. The decline in gasoline supply in Venezuela created several problems in the country, including disruption of food distribution, so the people of this country asked the government to import gasoline as soon as possible (alaraby.co.uk 2020).

Meanwhile, the production capacity of gasoline in Iran recently increased by 350,000 barrels per day to 110 million barrels per day with the launch of Phase 4 of the Persian Gulf Star Refinery. In addition, due to the reduction of daily gasoline consumption in the country, the export capacity of this product of oil has risen significantly (www.spglobal.com 2020a, b, c, d, e). Since April 2020, Iran has shipped five tankers carrying a total of about 1.5 million barrels of gasoline to Venezuela, which is in dire need of fuel, and these shipments have slightly reduced the long queues at the country’s gas stations (www.reuters.com 2020a, b, c, d, e, f, g, h, i). In solidarity with a friendly country suffering from intrusive US sanctions like itself, Iran has been helping Venezuela repair its refineries and enhance its production of refined products. Moreover, Iran has recently successfully challenged US sanctions on Venezuela when it sent to Venezuela many tankers loaded with refined products and diluents for Venezuela’s refineries. And despite extremely harsh US sanctions, Venezuela is managing to sell its oil around the world with the help of friendly nations. Both China and India are defying US sanctions and continuing to buy sizeable volumes of Venezuelan crude oil (Author’s interview with Dr. Mamdouh G. Salameh, September 25, 2020).

There has been no coordinated response to the Covid-19 pandemic, its impact on the economy, or the resurgence of far-right politics. Combined with the hardening of state borders, it seems the international mechanisms that keep the word running have moved into a less cooperative space to herald the emergence of a less cooperative and more fragile international system. These developments highlight the dangers of President Donald Trump’s America-first policies and his retreat from the global arena. The United States has neither the will nor the means to outbid China and other developing powers to form any kind of entente with global governments. Several countries have come to view the current US attitude as a threat to their autonomy. Additionally, regimes continue to welcome that a US-led order must now face populist and other movements that oppose it (www.foreignaffairs.com 2020a, b). Even at its height, Washington did not always get what it wanted. Currently, for the US model to retain appeal, the United States must initially get its own house in order. Beijing may have its own challenges to surmount and may trouble partners and clients with its forceful tactics and mysterious dealings. However, a revitalized
US foreign policy will be able to exert significant influence on the international arena even without global hegemony. Yet, Washington must accept that the world no longer resembles the past; the stage is not the same as that of the 1990s and early twenty-first century. That period of singular power is gone forever (www.foreignaffairs.com 2020a, b).

What US policymakers must do is plan for the new world order. If they maintain the core of the American system, they can ensure that the US leads the most powerful military and economic coalition in a multi-power-centered world. To this end, the United States bolsters its State Department, rebuilds its diplomatic resources, and designs a plan to use them more effectively. Good statesmanship will allow for navigation of the new world stage formed of competing interests and shifting alliances (www.foreignaffairs.com 2020a, b).

**American Threats Against Iran Fuel Shipment to Venezuela**

US Secretary of State Mike Pompeo threatened to confront the two countries after the news of the export of Iranian gasoline to Venezuela was published. However, the United States has so far taken no action to prevent Iranian oil tankers from passing through and delivering fuel to Venezuela. The United States has threatened insurance and shipping companies and all companies cooperating with Iran and Venezuela in this regard. Reuters quoted several officials affiliated with the Ministry of Oil as well as the Revolutionary Guards as saying that the country would continue to export gasoline to Venezuela (p.dw.com 2020a, b). The proximity of Tehran and Caracas during a period of sanctions may be able to partially meet some of the economic and technical needs of the two countries, but until the sanctions are lifted, the two countries will not be able to play an active role in the energy market. Sending a shipment of gasoline to Venezuela and repairing the country’s refinery could have temporary political and economic benefits for Iran. However, Iran should not be expected to play an active role in energy equations unless foreign policy, especially regional tensions, is on Tehran’s agenda and energy diplomacy is redefined (alaraby.co.uk 2020).

S&P Global Platts Analytics shows that following a successful display over the last gas winter, US LNG exports to Europe had dramatically reduced, even before widespread cancelations due to the global pandemic hit. Poor economics regarding US exports of the fuel appears to have damaged the viability of shipping to Europe. As European natural gas hub prices are now below the US Henry Hub benchmark, other Atlantic Basin exporters are now making approaches to interested parties in Europe. Yamal sent its first summer cargo to Asia during May 2020, although data reported by Platts Analytics also indicate that as many as five Yamal shipments had the possibility to arrive in Europe before May delivery ended; Analysis also shows that the US has identified Spain as a key target market, with the country receiving half of the US shipments to Europe. This made up for the gap caused by a lack of Russian and Qatari imports as those nations focused on sending exports to the UK.
market (www.spglobal.com 2020a, b, c, d, e). The more cooperation between Iran and Venezuela was heightened when Iran’s president Ahmadinejad strengthened Iran’s bilateral relations with Venezuela. Since then, the relations between these two countries have extended to the energy sectors, which in some cases there was fuel export and on some other occasions, there were technical consultancy and executions. Since January 2019, Venezuela has encountered hardship to supply the 250,000 bbl/day of fuel to the consumers as US sanctions have targeted PDVSA (usip.org 2020).

The sanctions are covering a range of actions including the export of fuel and diluents to Venezuela. The outcome of these sanctions and the mismanagement of the oil fields and refinery facilities have led to a fuel shortage across the country particularly outside of Caracas. The country under severe sanctions soon lost its friends but there was only one other buddy country which was in the same situation as Venezuela, and that was Iran. U.S. Sanctions against Iran has opened an opportunity for the Iranian derivative suppliers to export to the domestic oversupplied market. With three times increase, the new fuel pricing in Iran enforced Iranian consumers to use less amount of fuel, which lowered the fuel consumption from 90 million liters per day to 65 million liters per day in the first quarter of 2020 (www.csis.org 2020a, b, c). The refinery capacity of Venezuela is more than one million, but the distillation and cracking capacity, which oversees producing fuel, is approximately 270,000 bbl/day (Fig. 6.3).

Compared to the usual fuel consumption in Venezuela (250,000 bbl/day), this amount is sufficient to meet consumers’ needs. The issue in question is that the operation of these refineries are limited as a diluent (such as naphtha) to blend with the heavy oil are under the US sanctions. Another issue is the maintenance required to put refineries back to service. Thus, as soon as the refineries are in service and diluents are imported, there will not be any demand for fuel import (or perhaps as much as 50,000 bbl/day, which was the amount of imports before the sanctions). We have to notice, in any scenario, that Venezuela still needs 200,000 bbl/day of diluent, and which country except Iran is willing and capable of supplying it? If the US does not interfere with the fuel transfer between Iran and Venezuela, this business will continue (Author’s interview with Mo Dialami, June 26, 2020).

The United States pursues specific goals in imposing sanctions on these countries. Michael Maher believes that the effects of US sanctions on the energy sector of Russia are far less influential than those in Iran and Venezuela:

To the extent that sanctions limit investment and exports from those countries, then it likely keeps oil prices higher than otherwise. I suspect that the impact on Russia is far less than

| Refinery | MBPD | %Utilizacion |
|----------|------|--------------|
| Amuy     | 108  | 0            |
| Cardon   | 85   | 0            |
| El Palito| 62   | 0            |
| PLC      | 15   | 0            |
| **Total**| **270**| **0**        |
Iran and Venezuela—surely true today but likely in the longer term too as Russia has more domestic service and equipment manufacturing capability that Iran and Venezuela.

Sanctions have more to do with geopolitics than oil/gas. If Maduro was replaced by a more democratic regime, I expect the US sanctions would be lifted regardless of the potential impact on oil prices. Likewise, if Iran regime changed that changed its nuclear and regional military policies, the US would likely lift sanction (that is a big “if”). (Author’s interview with Dr. Michael D. Maher, August 12, 2020)

Well, many experts perceive extra-territorial US sanctions against major producers as a means to promote their own LNG industry. While the sanctions may provide a short-term advantage for US shale companies as they seek to substitute their gas for those of other producers, it is not necessarily a good long-term strategy as importing regions increasingly will feel that their energy sovereignty is being undermined when they are forced to purchase energy at a higher premium than would otherwise be available. Over time, such a strategy can erode trust between partners and allies, which also has the potential to spill-over to other political arenas (Author’s interview with Dr. Friedbert Pflüger, May 12, 2020).

**Covid-19 Pandemic and Energy Market**

The Covid-19 pandemic could take its place in history as the largest destructive event that has hit the global economy since the Great Depression of the 1930s. There are indications that its adverse impact could be even bigger than the Great Depression of the 1930s. 2020 started with positive projections that the global economy is set to grow at 3.3% with global oil demand adding 1.2 million barrels a day (mbd) over 2019 (fortune.com 2020). The pandemic changed everything. Estimates of the damage to the global oil demand vary, but there is wide agreement that the glut in the market has mushroomed to an estimated 1.8 billion barrels between globally stored oil and excess supply in the market, and the global oil demand has declined by an estimated 30 mbd with oil prices crashing to mid-$20s. If anything, the coronavirus outbreak and its destructive power on the global economy and the global oil market has proven irrevocably how inseparable oil and the global economy are by demonstrating that destroying one automatically destroys the other and vice versa (Author’s interview with Dr. Mamdouh G. Salameh).

Since its inception in 2008, the US shale oil industry has never been a profitable industry. If it were judged by the strict commercial criteria by which other successful companies are judged, it would have been declared bankrupt years ago. US shale drillers have been encouraged by easy liquidity provided by Wall Street and other investors to continue production even at a loss to pay some of their debts. In doing so, their outstanding debts have mushroomed to almost $1 trillion, leading to many bankruptcies. Moreover, with a breakeven price ranging from $48 to $68 a barrel and a good depletion rate of 70–90% after the first-year production, most shale drillers cannot survive low oil prices. Still, President Trump’s administration is under pressure to keep the industry alive even if on a life support machine not only because
it is a $7-trillion industry employing more than 2% of the workforce and therefore very important for the US economy, but also because it enables the United States to have a say in the global oil market along with Russia and Saudi Arabia. Many ideas are being considered for bailing it out including an import tax or tariff on all foreign oil imports to the US (Author’s interview with Chris Cook, September 12, 2020). But this will not work since major crude oil exporters to the United States will shift their exports to the bigger market of the Asia-Pacific region rather than pay the tax. As for US oil production, the US shale oil industry will emerge leaner from the pandemic, but with virtually no influence in the global oil market. It might manage to muster 7–8 mbd with US crude oil imports projected to rise from 9 mbd in 2019 to 11–12 mbd in the next 2 years. Many of the US shale oil drillers have already declared their bankruptcy. This situation is not conducive to investment in the US downstream or upstream (Author’s interview with Dr. Mamdouh G. Salameh).

The outbreak of the Covid-19 pandemic has made gas exports from Central Asia to the EU convenient. The EU has plans to channel pandemic recovery funds toward producing higher volumes of both green hydrogen from renewable energy and blue hydrogen from natural gas, yet the production of the former is still much more costly than it is for the latter. The goal of the EU is to make a complete transition to green hydrogen; however, it will still need natural gas and blue hydrogen for many years to make the transition to green hydrogen less costly. To this end, the EU needs Caspian gas. This is also the case with all countries that are politically sensitive to energy costs. Owing to not only the current low natural gas prices but also the cancelation or interruption of numerous economically less advantageous projects, the cost of constructing the pipeline has become even more convenient (www.atlanticcouncil.org 2020a, b, c, d, e, f, g, h, i).

As the Covid-19 pandemic will negatively impact energy investment across the world, it is highly likely that TCP will not make any significant progress before the world economically recovers from the adverse impacts of the pandemic. Hence, the impacts of the pandemic on the investment in the TCGP should be closely monitored to make an estimate of when the EU can confidently begin making gas trade agreements with Turkmenistan, supported by front-end engineering design, other essential studies, and the required environmental permits. As soon as the Covid-19 pandemic is over and the market has recovered to the extent of consuming new supplies, new and cost-effective pipelines could be utilized to transport comparatively inexpensive gas from Central Asia. This would significantly enable Europe to recover after the pandemic when decisions will be shaped by environmental concerns, much more than they were prior to the pandemic (www.atlanticcouncil.org 2020a, b, c, d, e, f, g, h, i).

Information published by Deloitte states that among the companies that have been filed for bankruptcy, almost 30 hold liabilities of at least $50 million. Rosehill, for instance, owes $100 million to senior bondholders alone. High production figures often hide increasing levels of debt and simple breakeven deals. Since 2010, $300 billion has been spent on fracking. Although this has brought millions of barrels of crude oil to the US market, only a third of the companies engaged in the market can be breakeven at $35 per barrel. Regardless of Covid-19, it is hard to say
the situation looks good. What is noteworthy here is how those predictors of the downturn of the US shale industry are again calling Chapter 11 bankruptcy filings a distress signal. The same attitude was taken in 2015–2016, yet US crude production volume not only increased to precrisis levels but also surpassed them (www.oilandgas360.com 2020).

Whether the pattern will repeat remains to be seen but overestimating the value of Chapter 11 numbers and ignoring the flexibility of shale players belies a profound lack of understanding of US bankruptcy norms. The country’s existing framework often allows companies at risk of bankruptcy to resurface in a new restructured form in the very same space they previously occupied. Its name coming from the US bankruptcy code 11, a Chapter 11 bankruptcy filing involves a company’s reorganizing its business affairs, debts, and assets. This measure is known as a reorganization bankruptcy, allowing time for the company to fix itself and prevent total bankruptcy and foreclosure. Companies can use this measure to mind a starter under which they may meet their debt obligations in a pay that pleases their creditors. If such a plan cannot be established by the company, the creditors may propose a solution. “In most cases the firm will remain open and operating as a corporate entity. The court where the Chapter 11 has been filed will help the business restructure its debts and obligations” (www.oilandgas360.com 2020). The new act “imposes shorter deadlines for completing the bankruptcy process, allows for greater flexibility in negotiating restructuring plans with creditors, and provides for a private trustee who will work with the small business debtor and its creditors to facilitate the development of a consensual plan of reorganization.” Ultimately, the best companies for the market will prevail regardless of the mounting number of Chapter 11 filings occurring in the first stages of the downturn. Cyclical downturns and market corrections always see off weaker firms, and the same will be true for the years 2020–2021 (www.oilandgas360.com 2020).

Covid-19 and Changes in the Dynamics of the Energy Market

Like any other market, the oil market is ultimately affected by two factors: supply and demand. In the last 3 months, two heavy shocks have been inflicted on the oil market by both factors. First, the spread of the coronavirus, initially in China and subsequently around the world, has led governments to curb the spread of the virus. This has led to restrictions on public movement, and as a result, economic activity in many parts of the world has experienced an unprecedented “sudden halt” (www.investopedia.com 2020a, b). Lack of balance in supply and demand in the global oil market along with the occurrence of geopolitical events and reduced economic growth of major oil-consuming countries are effective factors in reducing oil prices. Oil prices rose slightly in September 2019 after drones attacked the Aramco refinery. Earlier in the same year, insecurity and attacks on oil tankers in the Strait of Hormuz were the main causes of oil price fluctuations. With the start of the new year—2020—and the outbreak of the Coronavirus, the global oil market
experienced a new fluctuation, the amplitude of which is becoming more pronounced day by day (www.bbc.com 2020a, b). The outbreak of the Coronavirus and a sharp decline in economic activity are the main reasons for this renewal. The downside is historical. The decline will reach 15.22 million barrels per day, the lowest level of US oil (www.iea.org 2020).

**Oil Price Decline, Coronavirus, and the Future of US Energy Exports**

The oil price decline, as was seen during the propagation of Covid-19 will be a short-term issue. However, a certain date cannot be set for the recovery of the economic activities to witness higher oil prices again. Indeed, some longer term impacts of the Coronavirus can be observed on energy markets as the crash in oil prices leading to shutting down of wells will impact the characteristics of some producing reservoirs. Nevertheless, with lower oil prices, more pressure is felt by oil production companies; eventually, oil suppliers with higher costs are pushed out from the market. After any disruption in supply, demand, and price, the nature of the oil market is to rebalance itself and find a new point of equilibrium. It must consider that shale companies can be bankrupted, and some smaller companies with higher production costs and with limited assets to hedge the risks of a lower price will be pushed out of the market. Yet, it is not the end of shale oil and gas as the shale rocks are still there and they are in high demand by the oil market. The fact is that the oil business cannot dismiss shale oil even with the manipulation of the market by an oversupply of crude oil (Author’s interview with Mo Dialami).

With the recent impacts of the Covid-19, the US must revise its energy strategy, transforming its “energy dominance” policy into a more interactive energy policy as an energy or market moderator. The US has also understood that it cannot ignore the current market participants as these players have been in the market for long periods of time. They can also manipulate the energy prices and make US oil less attractive from the economic perspective. The US energy export will face some challenges if its price cannot compete with other equivalent products in the market; yet, the US will stay in the market and play a critical role as a market moderator.

The extreme drop in demand for oil due to major economies around the world being in quarantine underlie the huge drop in oil prices. How long the oversupply will remain really depends on how fast quarantine ends and economies get back to work and on the time it takes to work off the large unemployment that the shutdowns are causing globally.

Low oil prices will not be favorable to US oil investment nor oil exports. Neither will low global natural gas prices. Of course, low oil prices is not favorable to global investment either. (Author’s interview with Dr. Michael D. Maher)

Russia, along with Saudi Arabia, has been playing a key role in oil market policy since 2016, and currently the two countries are at odds over how to respond to the global economic crisis caused by the Corona outbreak. This prompted Mohammad bin Salman and Putin to meet in September 2020 on the sidelines of the G20 summit.
in Hangzhou, China and agreed to cooperate in oil markets by restricting supply, eliminating saturation, and boosting prices (www.isna.ir 2020).

In low oil price period, US shale companies confront with the uneconomic production challenge which makes them to reduce production as the outstanding debt cannot be accumulated for a long while; on the other hand, the market can be supplied from other oil producer countries. The other problem is because of the lack of investment in the upstream and exploration of shale oil. Shale oil needs numerous wells to be drilled every year to maintain the production rate which adds to the cost of production. With lower oil prices, investors will not be convinced to participate in E&P companies which eventually impacts the production rate of the US crude oil. Concisely, the challenges of US energy export are as below:

- The market competition with the low-cost producers namely Russia and Saudi Arabia
- The global warming raising concerns has forced the oil majors to revise their future to invest more on the cleaner source of energy such as natural gas
- The enormous outstanding debts which there is no hope to be paid unless US government bail them out
- The quality of shale oil does not meet the requirements of the fuel market in US hence US has to import heavier crude oil to blend with the light shale oil.

(Author’s interview with Mo Dialami) (Fig. 6.4)

---

**Fig. 6.4** Monthly crude oil and natural gas production. (Source: US Energy Information Administration, Monthly Crude Oil and Natural Gas Production)
Oil Price War

Following a disagreement between Russia and the OPEC members over oil production at the OPEC Plus summit on Friday, March 6, 2020, Saudi Arabia retaliated by increasing its crude oil production. As a result, oil prices on world markets have reached their lowest level in recent years. On that date, Brent crude oil fell to $32.5 and West Texas Intermediate (WTI Crude Oil) fell to $30.07 a barrel. Shares of S&P 500, Dow Jones, and NASDAQ fell sharply (down 6% on average). March 9, 2020, was interpreted as “Black Monday” following the announcement of the “fall of Wall Street,” and these developments affected the US economy for weeks (wsj.com 2020a, b).

In practice, before March 6, 2020, OPEC Plus was a coalition led by Moscow and Riyadh to regulate the market with the volume of production and supply and the determination of a common policy; for this reason, Moscow’s opposition to the reduction in production was interpreted as the death or collapse of OPEC Plus, and this was the beginning of a new shock to world oil markets. Following this oil war between Saudi Arabia and Russia, the second and third-largest oil producer in the world, the Saudi National Oil Company, Aramco, said it would increase daily production to 12.3 million barrels in April 2020. The Russian Ministry of Energy also announced its intention to activate its empty capacity of 500,000 barrels and a production capacity of 11.8 million barrels per day (wsj.com 2020a, b).

Meanwhile, the US government sought to persuade Russia and Saudi Arabia to end the oil price war. The war, which coincided with the outbreak of the Coronavirus, pushed global oil prices to $20 and diminished Donald Trump’s economic gains, from oil jumps and stock market indexes to economic growth and employment, 7 months before the US presidential election. Donald Trump has always considered the rise in the value of the stock index on “Wall Street” before the Corona outbreak as one of the presidential successes and one of his winning cards. The announcement of the immediate meeting of OPEC Plus, which was supposed to take place on Monday, April 6, 2020, finally took place on Thursday, April 9, 2020. The result of US consultations was to save shale oil producers: Oil that, if such conditions continue, would not be profitable to increase production (cnn.com 2020a, b).

The OPEC Plus Summit, April 2020

After nearly 2 months of disagreements, at a meeting on Thursday, April 9, 2020, the OPEC and non-OPEC producing countries, led by Russia, agreed to cut production by ten million barrels per day. Despite talks on further cuts, production continues. Under the agreement, Saudi Arabia reduced its daily production by four million barrels in April 2020, and Russia has agreed to reduce its crude oil production by two million barrels per day. Other countries are set to cut production by five million barrels a day, according to Reuters. None of the countries outside the OPEC group
has yet confirmed this, but if agreed, world oil production will be reduced by about 15 million barrels per day (www.reuters.com 2020a, b, c, d, e, f, g, h, i).

Iran has also stated that it opposes any meeting that lacks a clear agenda on the state of the energy market, and called for a reduction in global oil production and supply by all oil producers. For Iran, this is only possible if the United States and Canada also reduce their oil production. The US Department of Energy has announced that without US intervention, US oil production has declined. However, what Iran, Russia, and Saudi Arabia want is a precise determination of the amount of production reduction by all producing countries. It should be noted that the reduction in oil production does not include Iran. Iran’s oil production has fallen sharply due to unilateral US sanctions. Following a meeting on Thursday (April 9, 2020), Iran’s oil minister announced the decision of OPEC Plus leaders on how to schedule a 2-year reduction in oil production, calling it one of the “unprecedented figures in OPEC and non-OPEC production” (www.tehrantimes.com 2020).

The collapse in demand has also led to the closure of refineries around the world, from South Africa to Canada, due to the rapid spread of the Coronavirus, and has intensified market saturation. As a result of the OPEC Plus agreement, although initially met with a positive reaction and rising prices, crude oil prices fell again. The growth of oil supply has caused the global price of a barrel of Brent North Sea crude oil to fall from about $69 during trade on January 6, 2020, to $31 during trade on Thursday (April 9, 2020) (www.reuters.com 2020a, b, c, d, e, f, g, h, i). During the Covid-19 pandemic, both the media and the US government have mainly been dwelling on oil. However, it would be wiser of them to look into the natural gas markets, specifically in the effects of the potential reductions in the US LNG exports on the geopolitical arena. A decrease in US LNG exports could have serious consequences for the US and its allies. On the other hand, there are some developments that are significant of benefit for the geopolitics of the US. Two examples of these developments are Turkey’s discontinuance in importing from Iran, and the completion of the offshore component of the Southern Gas Corridor. Hence, developments in pipeline supply movements should be continuously monitored and supported by US government agencies (www.fdd.org 2020a, b, c, d, e).

The Effects of the “Oil War” on the Shale Oil

According to official figures released last week, US demand for oil has currently fallen to 14.4 million barrels per day, the lowest level since 1990, more than a 30% drop from precrisis levels in Corona. While Reuters surveys show that the price range for various US shale oil fields is between $39 and $48, the price of a barrel of US crude oil (West Texas Intermediate WTI Crude Oil) traded at $26 in the global market. Earlier, Bloomberg reported that with the ending of oil storage capacity in some US shale oil fields, the price of surplus oil has dropped below zero and producers intend to pay to persuade applicants to transport oil. At the same time, the latest report from the US Energy Information Administration (EIA) shows that in
2019, the United States produced an average of 7.7 million barrels of oil per day from its shale reserves, which is equivalent to 63% of total US oil production (www.eia.gov 2020).

**US Government to Save Shale**

One of the most important plans of the Republicans, especially Trump during his 3 years in the field of energy, is to focus on the development of the United States in the production of shale oil and gas from existing resources, on the reduction of its dependence on OPEC members’ oil resources, on its energy independence policy, and on environmental issues (http://oilprice.com 2020a, b, c, d).

Under the administration of Trump, the United States made the dream of relative energy independence a reality, and it became a net exporter of shale oil. The “American Oil Shale Revolution” follows decades of engineering and commercial initiatives and innovations without US government intervention or funding. Although former US President Barack Obama played a significant role in this great success by providing the financial, commercial, and legal bases, it is Trump who considers it as the result of his successful policies—obviously to some extent. Trump’s move to repeal the oil and gas export ban gave American producers access to global oil markets. However, Trump’s energy diplomacy to find oil and gas markets was aggressive and, in the opinion of many politicians and observers, immoral and provoked widespread criticism around the world (Cmess.ir 2020).

The development of oil shales in the wake of these offensive measures has sparked fierce competition between OPEC members and the world’s largest oil producers, which enabled the US oil giant to regain market share, and caused Riyadh and Moscow to accuse each other in recent disputes that production and falling oil prices seek to hurt US shale oil producers, which is an accusation that, naturally, they both vehemently denied. Although Donald Trump has previously described the downturn in oil prices as being enjoyable for the American people due to the fall in gasoline prices, in a recent interview with Fox News, he openly expressed dissatisfaction with the low price of oil.

He used the option of negotiating to persuade the two sides to cut production after the oil war broke out between Saudi Arabia and Russia, but with the failure of OPEC’s attempt to hold an emergency meeting on Monday, April 6, 2020, some US government advisers and Republican senators offered new options, including “the US cut off Saudi oil purchases” and “the threat posed by the withdrawal of US troops from the Middle East.” According to Reuters, Louisiana Republican Sen. Bill Cassidy has proposed that US troops leave Saudi Arabia 30 days after the bill is passed. Cassidy said that the increase in Saudi oil supply has made US energy companies unable to compete in the market. According to the senator, the withdrawal of forces deployed to protect others would indicate that “friendship and support is a two-way street” (senate.gov 2020).
Declining Oil Production

One of the reasons for the disagreement between the major oil powers is the lack of US support in reducing their oil production. For this reason, Russia and Saudi Arabia have previously stressed the need to work with all oil producers in the world, especially the United States, to contain the crisis in the energy market. Meanwhile, some Texas producers agree to reduce production because their reserves are running low. Others argue that the United States should impose sanctions on Saudi Arabia for filling the market with oil. These different groups must be brought together (www.cnbc.com 2020a, b, c).

Another proposal is to restrict exports, which were banned for 40 years until 2015. According to Katie Bays, cofounder of Sandhill Strategy in Washington, restricting exports is probably the most effective way to reduce production, along with licensing producers to use strategic oil reserves. It will be effective in the next few months (www.spglobal.com 2020a, b, c, d, e). In contrast, US oil industry representatives have warned that any domestic quotas to cut oil production will send a message to Saudi Arabia and Russia that they have won the price war. This approach hurts America’s low-cost oil producers. Some analysts predict that the November 2020 US presidential election takes place at a time when US economic growth will be severely hampered by the Corona crisis and the OPEC Plus oil war (24% drop in US GDP), shale oil production to the stalemate has risen sharply, the unemployment rate has risen above 10%, and stock markets will be far from the highest growth rate they experienced February 2020. Due to health and medical deficiencies and inability to control mortality, the result of his second run for the presidency could be contrary to the Republicans’ promising predictions of recent months, or at least make it very difficult for him to be reelected (www.newsbreak.com 2020).

Joe Biden’s $2 trillion plan to remove all greenhouse gas emissions from the US electricity grid within 15 years has been welcomed by climate campaigners, yet the dramatic changes have been met with resistance on the part of lobbyists and conservationists. The Democratic presidential nominee has declared a clean energy economy will see millions of new jobs generated. This clean energy economy will comprise electric vehicles, retrofitted buildings, and renewable power generation, which will help phase out emissions from fossil fuels. A Biden administration would seek to roll out tens of thousands of new wind turbines and millions of new solar panels across the US to significantly enhance the proportion of zero-carbon energy generated. The US has time and again seen renewable energy infrastructure “sited and constructed in places that have led to a significant loss of biodiversity,” said Rebecca Hernandez of the University of California, Davis, who recently coauthored a study on the Mojave imperils cacti and other desert plants (www.newsbreak.com 2020).

While this is a valid concern, it may become necessary to weigh the impacts of renewable energy development against an alternative where emissions are not cut, which would show that the US is subject to intolerable heatwaves, increasingly...
powerful storms, and crop failures. “It’s important that the Biden plan is technology neutral, so communities can pick their path to zero emissions.” The answer is an unequivocal yes. “Getting to zero carbon for the power sector by 2035 is ambitious, it’s difficult, but it’s achievable with policy support” (www.newsbreak.com 2020).

The Clean Power Plan, initiated by Obama, enforced the first rules regarding carbon emissions on a nationwide scale. Via this plan, each state was prescribed emissions goals and was provided with numerous actions to choose from in reducing climate pollution—the ultimate goal was to reduce the nation’s carbon emissions by 32%, i.e., below 2005 levels. On the other hand, Trump’s plan allows states not to establish their own new rules so long as they provide a justification for the reason why they feel it is unnecessary to do so. Hence, there is the likelihood that some states that oppose Obama’s plan could choose not to go with this plan (insideclimatene.ws.org 2020).

Covid-19 and US LNG Exports

The United States is a long-term advocate of diversifying Europe’s gas supplies. Efforts in this direction have not always been smooth and there have been conflicts with some European countries, particularly when the US employs sanctions to block projects in which European companies are engaged. Energy supply has the potential to become a cause of friction. Strong support in Congress to block Nord Stream 2 is a pertinent example of such discomfort. As the US is currently trying to export LNG to the European market, suspicions around the motivations of Washington may arise. It becomes a question of financial interests versus geopolitical stability in the region. Should financial interests be seen as more dominant, it may hurt an already delicate alliance between Europe and the United States (U.S. LNG into Europe after the Trump-Juncker Agreement https://www.csis.org/analysis/us-lng-europe-after-trump-juncker-agreement 2018). For the United States, the key questions are: Is US LNG competitive in the world market? Will companies want to invest in US LNG projects? And will buyers consider the United States an attractive source for gas, or will prices and politics preclude potential buyers from entering the US market? For Europe, the question is: Is there sufficient infrastructure and an efficient market where gas can be sourced at the lowest available price? These are the important considerations; not how much US LNG is entering Europe in one day or the next (U.S. LNG into Europe after the Trump-Juncker Agreement https://www.csis.org/analysis/us-lng-europe-after-trump-juncker-agreement 2018).

Trump’s continued pushing of his America-First policy, and other states’ protection of their own citizens during the Covid-19 pandemic has highlighted the deterioration in transatlantic relations. In the past few years, European and American governments have attempted to ease trade tensions and disagreements over the Nord Stream 2 pipeline with promises of increased LNG imports. Even without the cur-
rent crisis, policy experts and former US officials have cautioned against making a utility into a political issue, as purchasing is essentially a business decision. While the effects of the pandemic on the LNG market are still yet to be fully seen, an extended downturn in demand could shift the global market and highlight the risks of politicizing the commodity. The EU has become an important destination for US LNG “because of an accident of where the market ended up, not by design,” CSIS’s Tsafos told Clean Energy Wire. Europe has become a home to US gas because of its storage and regasification capacity; it can be considered a “dumping ground for excess LNG,” he added. Juncker and Trump had little influence. “It was perfect timing, but not something that either of them did.” Tsafos warned that the market could switch again if conditions were to change (www.cleanenergywire.org 2020).

So far this year, the US has seen over 100 cargo loads of LNG canceled by buyers around the globe as prices fell to record lows in Europe and Asia due to dwindling demand stemming from the impact of the global Covid-19 pandemic. Simultaneously winters in Europe and Asia saw above-average temperatures leading to reduced demand and greater storage by utilities companies in those regions. Stockpiles in Europe and the US are now predicted to reach their highest levels since records began following the summer injection season. The amount of pipeline gas flowing to US LNG plants averaged 4.0 billion bcf/day (41% utilization) by mid-August, according to Refinitiv, putting LNG exports on target for their first monthly increase since hitting their record level in February. Utilization was about 90% in 2019 (www.reuters.com 2020a, b, c, d, e, f, g, h, i).

Earlier in 2020, the international oil industry was impacted by the onset of Covid-19. Currently, the supering global economy is impacting the liquefied natural gas (LNG) industry in a similar manner. Like oil previously, prices of spot LNG around the world are collapsing, storage is rising, and LNG exporters are responding to mounting challenges. This combination of factors is bad news for the US LNG export business. In reaction to the glut of LNG, dominant exporters—Qatar and Russia—are amping up their own mega-projects to lock in market share for the next decade and beyond. Actions by Russia and Qatar could have long-lasting impacts on the US export LNG industry. Forty US LNG cargo loads scheduled for August 2020 were canceled pushing the total cargo cancelations for the summer over 100, bringing total US LNG exports to half capacity (www.spglobal.com 2020a, b, c, d, e).

The limited sales of US LNG to China as part of the January 2020 US–China trade deal will do little to block rising exports from Qatar and Russia impacting future financing. Figures from the US Department of Energy state that China imported 21.1 Bcf of US LNG during the month of April 2020, after Beijing started granting tax waivers to some importers. This however did not last. Exports to China were reduced to two ships, one in June and one in July. For the time being, China appears to be buying from alternative sources preferring imports from cheaper LNG spots. Chinese interest in spot LNG is growing due to demand from independent Chinese buyers such as ENN Energy Holdings Limited and Jovo Energy Co., who have access to terminals (www.cfr.org 2020a, b, c). As a cost-cutting measure, these independent companies are taking as little as possible under their long-range gas agreements, in effect, exercising downward quantity tolerances (DQT) of their off-
takes, and replacing a small portion of their contract supplies with lower cost short-run, spot LNG imports from regional suppliers such as Qatar and Australia (www.cfr.org 2020a, b, c). At this juncture, it is possible that US producers have lost their opportunity to dominate global natural gas exports. It would take considerable effort to lock insecure renewed foreign equity investment for US LNG export terminals with guaranteed offtake agreements to keep US gas flowing. Deals such as this will be hard to secure as the commercial outlook is less attractive and investment in US facilities is not geopolitically appealing at this time. Only time will tell if this missed opportunity has any impact on the geopolitics of natural gas in the years to come but for the time being, the US LNG renaissance is dwindling (www.cfr.org 2020a, b, c).

US LNG has never been considered as a major option in Europe. Russian gas is the cheapest option when it comes to pipeline and Qatari gas can outcompete it most of the time. Hence, there has been generally the expectations that US LNG in Europe will mostly sell on the spot market with some longer term contracts. Important to note is that those contracts are highly flexible and most of them are FOB which means as soon as the buyer picks up they can sell it to other buyers and not necessarily haul to Europe. Also, cancelation terms are very generous when compared to other contracts. In general however it is Asia where most sellers want to be. That is where growth in demand will be. In Europe, US LNG has more strategic meaning as it can provide a great alternative and influence other gas sellers, including Russia. We have already seen contracts with Russia becoming more flexible and tied to hub pricing rather than to oil. That is because more and more European countries are able to access LNG, including US LNG. In this sense, LNG increases energy security in Europe by making the market more diverse and by providing a “credible threat” to other supplies creates a price ceiling on any other gas. So even if it does not flow to Europe, the possibility of it flowing is beneficial (Author’s interview with Anna Mikulksa).

Oil Diplomacy and the US Presidential Election

US policies and diplomacies regarding sanctions and the domestic shale revolution have been inseparable and mutually impacting each other. The shale revolution enabled US policymakers to decrease their dependence on crude imports, to advance in global production, and to reduce the anticipated risk of rapid increases in prices. This, in turn, made them more courageous to enforce stricter sanctions on both Venezuela and Iran (www.reuters.com 2020a, b, c, d, e, f, g, h, i).

Abundance in shale production has reduced economic risks, whereas in the past when the production of shale was limited when compared to consumption, sanctions led to high economic costs with respect to rapid increases in prices. In addition to the increase in shale production and the elimination of rival Iranian and Venezuelan crudes from the market, the US sanctions policies provided more space to boost shale production while restricting the impact on other producers (gulfif.org 2020). The shale revolution would possibly have reached a peak much sooner if sanctions were not in place. If the US could not rely on their shale, policymakers would probably not be as courageous in cutting oil exports from Venezuela, Iran, and to some degree
from Libya. The impacts of US sanctions on the oil market are influential; the shale revolution has made sanctions policies more useful and effective. Thus, they go hand in hand; that is, the shale revolution and the sanctions should be analyzed together. Areas of energy and sanctions policies can potentially be reevaluated and undergo changes in both substance and style. The Trump administration is in close connection with US domestic oil producers, Saudi Arabia, the United Arab Emirates, and Venezuela’s opposition groups. Hence, the sanctions imposed on Iran and Venezuela, and to a lesser degree on Libya, enable the administration to align economic, diplomatic, and political goals (www.reuters.com 2020a, b, c, d, e, f, g, h, i).

In the event that Biden wins the election in November 2020, significant changes will occur in oil policies in both domestic and international contexts because a probable Biden administration would not be interested in Trump’s oil policies and would probably refer to them during the election as hostile policies. It is more likely that the political transition of a Biden administration would be based on negotiating with Venezuela, making a nuclear agreement with Iran and trying to end the war in Libya (www.spglobal.com 2020a, b, c, d, e). If Donald Trump comes to power again a second time, his administration may feel empowered to proceed with applying the present curbs or may even enforce stricter curbs on oil exports. However, it is highly probable that there may be mitigation of US sanctions and oil export curbs imposed on a minimum of the three disrupted oil producers over the following 4 years. What is more, if Libya, Venezuela, or Iran reappeared as important oil exporters, it would try to have readjustments made in both prices and production for the three great oil producers (www.reuters.com 2020a, b, c, d, e, f, g, h, i).

**Senators Boost Pressure on Saudi Arabia and Russia Over Oil Market Share War**

A group of 13 US senators from oil-rich states threatened to suspend US–Saudi relations during a telephone debate with the Saudi ambassador to Washington, expressing dissatisfaction with the war over oil prices that hurt US producers (www.cnn.com 2020a, b). The US senators are outraged that oil prices have fallen because of the price war between Russia and the Saudis, and that the country continues to suffer from the economic consequences of the coronavirus. These American politicians are worried that if American producers are financially pressured, they will become unemployed, and this will further damage the American economy at this critical time (www.cnn.com 2020a, b).

Republican senators in the oil-rich states of the United States, who recently called for the legalization of a plan to withdraw US troops from Saudi Arabia, urged three Saudi officials to take concrete steps to reduce oil production. Oil prices hit an 18-year low following the outbreak of the Coronavirus and the closure of the world’s economic centers, as Saudi Arabia and Russia competed for oil production (www.reuters.com 2020a, b, c, d, e, f, g, h, i). The US senators’ telephone conversation was initiated by Dan Sullivan and Kevin Kramer, who in March 2020 proposed
the withdrawal of US troops, Patriot missiles, and the Todd missile defense system from Saudi Arabia. The plan was to impose pressure on Saudi Arabia to reduce oil production to prevent a further drop in oil prices. Eleven other Republican senators, including Bill Cassidy, who introduced a 30-day plan to withdraw US troops from the Senate, spoke with Saudi officials (foreignpolicy.com 2020a, b).

While the plan is unlikely to pass in the US Congress, it is unusual for US senators to impose pressure on Saudi Arabia, a longtime ally, writes Reuters. The US senators spoke with the Secretary of Energy, the Deputy Secretary of Defense, and the Saudi Ambassador to the United States (www.reuters.com 2020a, b, c, d, e, f, g, h, i). Sullivan, a US senator from Alaska, praised Saudi Arabia’s participation in the deal to reduce oil production but said action was better than words. He stressed that Saudi Arabia must urgently take sustainable and concrete measures to significantly reduce oil production. Senator Kramer also called Saudi Arabia’s increase in oil production during the global corona epidemic “unjustified” and said it would “not be forgotten.” While declining global oil demand has pushed down oil prices and pushed some producers to the brink of bankruptcy, the United States, the world’s largest oil producer, is gradually reducing its oil production by two million barrels per day. The move by Republican senators was a sign that Congress could step up pressure on Saudi Arabia and take serious action in the coming months if Saudi Arabia does not accept a drop in oil production. The number of US military personnel in Saudi Arabia in January was 2500. In October 2019, as tensions in Washington escalated, about 3000 troops left for Saudi Arabia (www.cnbc.com 2020a, b, c).

US–China Trade Deal

As costs are rising in the present time, industries are experiencing more difficult times in affording oil. Indeed, there are numerous oilfield service companies that have still not been able to overcome the impacts of the 2014 price collapse, as recently reported by Weatherford International, one of the four prominent oilfield services companies in the world. In such a context, if oilfield service companies channel themselves toward Chinese manufacturing, it is inevitable that the global supply chain will continue to be increasingly disrupted. On the other hand, there are doubts as to whether Asian suppliers of lower quality will be able to meet increasing demands (www.forbes.com 2020a, b, c, d, e).

The limited sales of US LNG to China as part of the January 2020 US–China trade deal will do little to block rising exports from Qatar and Russia, which will impact future financing. Figures from the US Department of Energy indicate that China imported 21.1 Bcf of US LNG during the month of April 2020, after Beijing started granting tax waivers to some importers. This however did not last. Exports to China were reduced to two ships in June 2020 with one scheduled to sail in July 2020. At present, preferring imports from cheaper LNG spots, China appears to be buying from alternative sources. The interest of the Chinese in spot LNG is growing due to demand from independent Chinese buyers, such as ENN Energy Holdings
Limited and Jovo Energy Co., who have access to terminals. As a cost-cutting measure, these independent companies are taking in effect as little as possible under their long-range gas agreements, exercising downward quantity tolerances (DQT) of their offtakes, and replacing a small portion of their contract supplies with lower cost short-run, spot LNG imports from regional suppliers such as Qatar and Australia (www.cfr.org 2020a, b, c).

A second Trump administration will see a continued isolationist and nationalistic view toward foreign policy and trade. Transactional relationships will continue to be valued above conventional alliances and shared values. Bringing manufacturing and jobs back to the continental United States will be at the core of trade agreements. On the other hand, a democratic administration would adamantly support the traditional US alliance system, despite skepticism toward globalization and multilateral trade. Such an administration would also place greater emphasis on human rights and democracy, and as noted above, climate change. These values would be at the heart of foreign relations and future trade deals (www.atlanticcouncil.org 2020a, b, c, d, e, f, g, h, i).

Looking forward, whether a second Trump administration or a Democratic administration, both present challenges. Unfortunately, the broader context suggests that the main challenges meeting the US and global energy markets will remain unresolved. This is observed particularly in terms of climate change. In short, this is a new territory for US energy policy. It seems no one candidate has viable solutions to cover the myriad of challenges before them. While these issues remain unresolved, the fuel industry should expect that management of permits, export, and trade policy and the energy mix will remain problematic (www.atlanticcouncil.org 2020a, b, c, d, e, f, g, h, i).

The Obama administration sought to establish the Trans-Pacific Partnership in 2016 as a multilateral trade agreement to remove borders and to increase transparency among participants. The agreement was designed to isolate any signatory acting in bad faith. However, President Donald pulled the US out of the agreement in 2017, while the other parties moved ahead with it. Rather than forming a partnership, the US enforced tariffs on China, who responded in the same manner. At this juncture, trade battle is still ongoing, a situation the US Federal Reserve Board has described as a failure. It is hard to see how the US president could scale up the trade war against China in an election year, yet his bravado continues to have negative impacts on relations between the two states. China is pushing back against the actions of the US, and until the electorate speaks there may be no end; in what may be a neo cold war, the US economy may pay a great price for Trump’s actions (www.forbes.com 2020a, b, c, d, e).

That could spell trouble for the US, which has benefited from the development to become a major global supplier of natural gas and crude oil, including to China. Although smaller than initially threatened, the Chinese tariff pushes up the cost of US gas in what is the world’s second-largest LNG market. As a result, China is likely to look elsewhere to meet its energy needs. The United States started exporting large amounts of LNG in 2016, and China has become the third-biggest buyer after Mexico and South Korea. Beijing is attempting to reduce pollution, and
therefore coal usage, so it is eager to increase LNG usage. America expects that China will need to rely on cheap US gas form the foundation of many upcoming US export projects. Given the Chinese tariffs, those plans may be impacted significantly. Unlike the first wave of US export terminals, the next wave of investment is dependent on China’s growth potential. For example, the expansion of the first big US export terminal this year (2020) was largely predicated on a new supply contract with China. More of such investments could be in doubt if the Chinese market is not available (foreignpolicy.com 2020a, b).

**US–China Trade Deal and Energy Exports**

In recent years, the trade balance between the United States and China has always been in China’s favor. Trump and previous administrations have worked hard to reduce the trade deficit with China, but despite all Washington’s efforts, trade volume is still in Beijing’s favor. In recent years, the Trump administration has sought to reduce imports from China by imposing tariffs on some Chinese products while supporting US products. During these years, there were several talks between US and Chinese officials to resolve trade issues between the two countries, and finally, in December 2019, Trump announced in a Twitter message that he had signed a trade agreement with China, and wrote: “We agreed on a very large contract for the first phase, and they also agreed to make a lot of structural reforms and buy large quantities of agricultural and energy products and industrial goods, among many other things” (www.reuters.com 2020a, b, c, d, e, f, g, h, i).

The first phase of the US–China trade agreement was signed on January 15, 2020, by Donald Trump before the outbreak of the Coronavirus in the United States. Under the agreement, China was required to buy $52.4 billion worth of liquefied natural gas, crude oil, refined products, and coal from the United States over the coming 2 years. The increase in US energy exports to China was one of the main points of the first phase of the two countries’ trade agreement, according to which US energy exports to China should have reached about $25.3 billion by the end of 2020 and $33.9 billion by the end of next year have been (oilprice.com 2020a, b, c, d).

While China pledged $25.3 billion in energy imports from the United States in 2020, customs figures show that China imports energy products from the United States, including coal, oil, and coke, from April 2019 to April 2020 totaled $3.6 billion. In the first 6 months of 2020, China was able to import only 5% of the $25.3 billion in its trade deal with the United States, according to Reuters. China imported $1.29 billion worth of energy products from the United States between the beginning of this year and the end of June. While the Chinese government purchases of US products have recently accelerated, analysts say lower energy prices and recent tensions between Washington and Beijing will mean Beijing could reduce US energy imports to put pressure on the United States. This would not adhere to the provisions of the first phase of the trade agreement (oilprice.com 2020a, b, c, d).
Michael Meadin, director of the Institute for Energy Studies at the University of Oxford, said China was unlikely to be able to meet its commitments in the first phase of the trade deal because it was too ambitious. It is natural that tensions in relations between the two countries will increase if China fails to fulfill its obligations under the trade agreement on energy imports. The outbreak of the coronavirus and the Chinese government’s lack of transparency in dealing with the outbreak of the virus and the lack of timely information on the issue, which has been protested by Western governments, will also widen the gap between Washington and Beijing. It should not be overlooked that the risk of possible influence by Russia, China, and Iran on the 2020 US presidential election has been repeatedly emphasized in the media (www.cnbc.com 2020a, b, c).

**Need to Increase US Oil Imports**

Sushant Gupta, Wood Mackenzie’s research director, believes that China must import an average of 1.5 million barrels of oil per day in 2020 and 2021 to achieve the goals of the first phase of its trade deal with the United States. Meanwhile, China’s oil imports declined due to the Coronavirus epidemic, and the country replenished its strategic reserves with cheap oil. As well as storing oil in tankers, in the event of stability in the oil market and possible price increases, China will consume stored oil in the domestic market or even become a cross-sectional oil exporter. Since April 2020, Chinese refineries have further reduced oil imports from the United States. According to Reuters, China imported an average of about 940,000 barrels per day from the United States in July 2020 and was expected to import an average of 1.01 million barrels per day in August 2020. If China imported this amount of oil from the United States, it would achieve a historic record in oil imports from the United States (www.cnbc.com 2020a, b, c).

**LNG Imports**

East Asia, and especially China, is a major market for LNG manufacturers. Accordingly, the major LNG producing countries are seeking to increase their share of China’s natural gas market. China’s LNG imports from the United States in the first 6 months of 2020 increased almost three times compared to the same period the year previously and reached 878 million and 754 thousand tons. The United States has been successful in increasing its share of the Chinese LNG market. Given the available figures, it is unlikely that China would be able to meet its commitments to import energy products from the United States by the end of 2020. Except for LNG imports, which show an increase, imports could not be realized as expected (www.reuters.com 2020a, b, c, d, e, f, g, h, i).
Aside from who will be the next US president following the November 2020 election, the issue of declining trade balance and increasing exports of American products to China holds top priority of Washington’s economic policy, and overall, China will be Washington’s top foreign policy priority. Washington’s policy toward China under the new president will show whether energy exports can increase trade between the two countries. Given the influence and presence of Saudi Arabia and Russia in the Chinese energy market, it is not clear how the United States will be able to gain a larger share of the Chinese energy market. It should not be overlooked that the low prices of energy products and the increase in the number of producers have weighed heavily in favor of buyers. Lower gas prices are certainly good news for European consumers, and they can increase their total gas consumption. This region of the world needs more natural gas supply as it gradually moves toward replacing coal with clean energy sources (www.reuters.com 2020a, b, c, d, e, f, g, h, i).

The past year has been a tough time both at home and abroad for US shale gas producers. US gas production hit record levels in 2019, as did consumption. This hid the fact that the industry was succumbing to years of low-level returns and insufficient investment to expand exploration and drilling projects. At the same time, projects focused on LNG exports met with obstacles due to a flood of resources in the global markets. The Covid-19 pandemic further inflamed these problems as it led to both an international and domestic downturn in the demand for natural gas. The pandemic also saw oil prices collapse which again levied a blow to the US. While price signals from the markets prompted American shale production to decrease, what the industry terms associated gas, this is the supply of residual gas found in oil reservoirs, also reduced. The tightening of the domestic gas supply, as well as relatively higher demand, led to a recent increase in Henry Hub prices, a key US indicator of the natural gas market. After reaching a low of around $1.50 per million British thermal units in June 2020, these prices recovered to around $2.30, putting them at about the level they were in August 2019 (www.worldpoliticsreview.com 2020).

US export prices can be unstable, but these processes do follow the laws of supply and demand, thereby offering a level of predictability that facilitates many countries’ energy security goals. American LNG exporters tend to give flexibility in their contracts meaning more provisions for short-notice cancelations. This has forced other producers to offer similar flexibility in their contracts if they wish to compete in the industry. LNG importers would be wise to remember that this flexibility is only given to them through the privilege given to them by the US exporters. US natural gas and LNG export companies are likely to suffer more than those abroad as they are run as private companies rather than state-owned facilities. State-owned agencies have the benefit of protection from the short-term effects of market downturn thanks to governments that can rely on natural resource exports for revenue. Although this is a negative factor, the market-based nature of the US shale gas industry has allowed it to remain flexible and alter itself to survive in the industry. The next 20 years are expected to being increased gas demand in the emerging markets. How far this expansion goes is dependent on the desire of developing nations
to move away from cheap coal, and on global investment in renewables. For such countries, both supply security and price remain important factors. The flexibility of the US industry in the market here gives it an advantage (www.worldpoliticsreview.com 2020).

As far back as the Reagan Administration, US presidents have considered it critical to US foreign and domestic security to strengthen European energy security and curtail the expansion of Russian gas exports into Europe. Consider the Obama and Trump administrations; under both regimes, there was strong resistance to the development of the Russia-Germany Nord Stream pipelines. Similarly, both Reagan and Trump pursued sanctions on pipeline projects to bring gas into Europe from the Soviet Union and Russia, respectively. There has been widespread cross-party support for European energy security through the directing of gas from the Caspian region into Europe. In line with such policies, the US State Department has encouraged the use of Caspian gas as a means to dissolve European reliance on Russian resources. As a result, many discussions have been held between the EU and representatives of the US administration (www.fdd.org 2020a, b, c).

Such cooperation has facilitated the development of the ambitious Southern Gas Corridor from Azerbaijan to Europe. Thanks to the geopolitical considerations which anchor the politics of Caspian region states toward the West, the US will also benefit from regional cooperation in terms of international energy policy and foreign policy in general. Such benefits will assist Washington in maintaining its regional achievements attained over the past 30 years. As can be seen in the light of Washington’s interest in European energy security, US energy abundance does not supersede the beneficence of Caspian energy in meeting US policy goals (Author’s interview with Mehmet Ogutcu, August 23, 2020).

In a special news interview with Channel 2 on July 6, 2019, Bijan Namdar Zanganeh, Minister of Oil responded to the host’s question of whether the behavior of the United States has changed from a major consumer to a major producer in the oil market by saying: “I think one of the reasons for imposing these oil sanctions on Iran and Venezuela are to open the market for the sale of their oil.” He continued to say that the United States had increased its daily oil production by 3.1 million barrels in the 2 years between July 2017 and 2019. “The United States is now the largest oil producer in the world, followed by Russia with more than 11 million barrels per day, followed by Saudi Arabia with more than 9 million barrels per day. In fact, the United States was looking for new export markets to sell its shale oil, especially in Asian markets, which is growing faster than in European markets. Therefore, Trump wanted to capture the share of Iranian oil exports in Asia. Give American oil companies loose” (Irna.ir 2020a, b).

**North Stream 2**

The almost $11bn (£8.4bn) Nord Stream 2 project has troubled the US, and there is bipartisan opposition to the project. The Trump administration is concerned that the pipeline will cause America’s share of the profitable European LNG market to
decrease, while Russia simultaneously gains a tighter hold in the region. President Trump has said the 1225 km (760 mile) pipeline, owned by Russia’s Gazprom, could turn Germany into a “hostage of Russia.” The EU objects to the sanctions and has stated that it should have sovereignty over its energy policies (www.bbc.com 2020a, b).

Geopolitical tensions between the US and Russia threaten the stability of German and wider energy supplies. Any future targeting of Russian gas exports by the US would significantly impact Europe’s industrial base and competitiveness. The EU is experiencing a decline in natural gas production. This is already leading to a need for increased imports over predicted levels. To mitigate this production decline and maintain long-term energy supply and regional strategic importance, Europe must develop a strategy to tackle pressures from Moscow and Washington. To achieve this, the European Council should begin by swiftly adding all the relevant US legal bases to the annex of the EU “blocking legislation.” Further, being outside the dollar area, transactions with Russia should be included in the Instrument in Support of Trade Exchanges (INSTEX). Lastly, the EU and Germany must maintain their focus on diversification, including but not limited to higher LNG imports, as a display of political might to Washington and Moscow (www.swp-berlin.org 2020).

A new proposal to clarify and expand US sanctions on the Nord Stream 2 pipeline has been recently introduced in the US Senate. Led by Senators Ted Cruz (R) and Jeanne Shaheen (D), the bill has cross-party support. If the sanctions are developed, all pipeline laying activities would be affected, along with companies supplying related services, such as insurance and port services. The US sanctions stopped the pipeline construction, leading to the rapid withdrawal of Allseas, the company contracted to lay the pipeline. Following this, Russia readied a ship of her own, the Akademik Czersky, to conduct the work. By deploying its own vessel, Gazprom hopes to avoid the worst potential effects of the US sanctions, that is to say, it hopes the project will not be abandoned. President Putin soothed the public and reassured them that the pipeline will be completed despite the lack of international assistance and its coming at a cost of “several months” of delay. However, Gazprom partially owns the vessel, which means that a switch to Akademik Czersky could expose the company to US sanctions, both current and proposed (www.forbes.com 2020a, b, c, d, e).

The new sanctions target any company that “facilitates” the laying of pipes, including contractors, insurers, or others. “In addition, the sanctions will cover a number of companies that provide the licensing and certification services needed for the launch of Nord Stream 2 after its physical completion. Without this certification, the pipeline cannot be used, even if it is completed,” said Vadym Glamazdin, an advisor to Naftogaz, Ukraine’s major energy player.

Critics believe that Nord Stream 2 is part of Putin’s two-pronged attack on Europe’s energy security alongside the original existing Nord Stream pipeline. Should both Nord Stream 1 and Nord Stream 2 become fully operational, Russia will have the ability to provide most of the gas to Europe through a single choke point, placing Moscow in a highly desirable geopolitical position (www.atlantic-council.org 2020a, b, c, d, e, f, g, h, i).
Affirming the US commitment to halt the pipeline development, Secretary of State Mike Pompeo told legislators that the United States intends to impose sanctions against companies working to help Russia build a natural-gas pipeline to Europe. Pompeo explained that Washington had already contacted companies involved in the pipeline to explain the consequences of their continued involvement. Washington strongly opposes the pipeline, which would run under the Baltic Sea, bypassing Ukraine, and doubling Russia’s natural gas exports to Germany. Washington believes the pipeline would increase Europe’s dependence on Russian gas at a cost of billions of dollars to Ukraine through lost transit fees (https://www.rferl.org/a/pompeo-u-s-will-do-everything-to-stop-nord-stream-2/30757543.html 2020).

North Stream 2 has been very politicized and under siege from countries in Central and Eastern Europe, most prominently Poland, which believe that the pipeline could increase Russian dominance as a natural gas supplier not only in CEE region but also in Western Europe, which could potentially provide Russia with geopolitical influence. In the process, North Stream 2 has been subjected to the requirement of the EU Third Energy Package, which—among other—includes unbundling. And US sanctions stopped its construction right before completion. This helped Ukraine to negotiate 5 years of more gas transit via its territory. The longer North Stream 2 is not completed, the more diversification infrastructure comes online and the less of an issue North Stream 2 really becomes (www.forbes.com 2020a, b, c, d, e).

Energy Diplomacy Under Biden

The Caspian Sea and its energy resources have not been among Biden’s foreign policy priorities, and it is not to be expected that his inauguration as US President will lead to a significant change in US foreign policy toward the Caspian littoral states, Democrats naturally go back to environmental treaties and a series of treaties that Trump easily pulled out of. Democrats are more committed to international treaties and are usually somewhat ahead with Europe on environmental issues and attach great importance to alternative energy.

Biden Climate Plan

When Trump came to power, he withdrew from the environmental treaty, while Democrats strongly believe that they should be active in environmental treaties and support environmental treaties. However, Trump simply departed from such commitments and easily violated the agreed international environmental cooperation at the Paris Summit. According to the Biden Climate Plan, the goal is to completely eliminate greenhouse gas emissions from US electricity generation by 2035. This is in favor of clean energy such as wind, solar, and nuclear energy, and leaves little
room for natural gas-fired power plants unless they continue to operate using expensive “carbon capture” technology (www.scientificamerican.com 2020). Biden’s $2 trillion plan to control global warming includes: (1) The need to impose severe methane pollution restrictions on current and new oil and gas operations; (2) Permanent protection of the Arctic National Wildlife Refuge and other areas; (3) Prohibition of permitting new oil and gas operations on public lands and waters; and (4) Modification of royalties (for oil and gas operations) in favor of climate costs (https://www.nytimes.com 2020).

**Emission**

Biden has also promised to reduce US emissions to zero by 2050, which includes targeting zero emissions by 2035. It would be difficult to achieve such a goal without a Democratic majority in Congress. Biden argues that climate change is a threat to the planet and that the transition from fossil fuels to green energy could be an economic opportunity, provided the United States moves fast enough to become a leader in clean energy technology (https://www.wsj.com 2020a, b). The Trump administration weaken or eliminate pollution reduction targets, including the Environmental Protection Agency’s vehicle emission standards, and backed down from the Obama administration’s clean-up program that required reducing power industry pollution. Transportation and electricity together account for about half of US greenhouse gas emissions. While European oil and gas companies, such as BP and Royal Dutch Shell, have implemented strategies for global energy transitions, American giants, including ExxonMobil and Chevron, have focused on the traditional energy business backed by the Washington-backed Trump presidency (www.woodmac.com 2020a, b).

**Transition to Green Energy**

Traditionally, Republicans are more involved in oil themselves whenever they come to power, while Democrats are usually less oil-oriented and more concerned with environmental issues and alternative energy. While European oil and gas companies, such as British Petroleum and Royal Dutch Shell, have implemented strategies for global energy transitions, American giants, including ExxonMobil and Chevron, have remained focused on the traditional energy business under Trump’s presidency. Washington received political support (www.cnbc.com 2020a, b, c).

The Trump administration acted to weaken or eliminate the emissions reduction targets, including the Environmental Protection Agency’s vehicle emission standards and withdrew from the Obama administration’s clean-up program that required emissions reductions in the electricity industry. Transportation and electricity together account for about half of US greenhouse gas emissions (www.npr.org 2020). The Biden government will seek to return to the Paris Agreement. The
international treaty was negotiated under the Obama administration to combat global warming, but Trump withdrew it, saying the deal would hurt the US economy. Biden has also promised to reduce US emissions to zero by 2050, which includes targeting zero emissions by 2035. It would be difficult to achieve such a goal without a Democratic majority in Congress (www.cnn.com 2020a, b). Biden argues that climate change is a threat to the planet and that the transition from fossil fuels to green energy could be an economic opportunity, provided the United States moves fast enough to become a leader in clean energy technology (www.eenews.net 2020).

**Oil and Gas Drilling in Federal Lands**

Trump sought to maximize domestic oil and gas production, but Biden promised to ban new drilling permits on federal land and waters to combat climate change. According to the US Department of the Interior, the country produced about three million barrels of oil and 13.2 billion cubic feet of natural gas per day from federal lands and waters last year. This figure is equivalent to a quarter of the total oil production and more than one-eighth of gas production. A federal ban on new licenses would mean zero for the next few years. It will also affect public revenues. Federal oil and gas production generated about $12 billion in public revenue in 2019, which was split among the Treasury Department, states, cities, tribes, and clearing funds (www.reuters.com 2020a, b, c, d, e, f, g, h, i).

Biden’s election victory adds to the obstacles that the US oil and gas industry faces as demand falls amid the Covid-19 pandemic. The democratically elected president is expected to ban new drilling permits on federal land through an executive order. His move to tackle the industry’s pollution will run counter to the Trump administration’s efforts to ease environmental regulations and likely increase the cost of producing, transporting, and processing hydrocarbons. Biden’s target for a 100% clean grid by 2035 may reduce the share of gas in electricity generation and reduce its demand for gasoline and diesel to increase sales of electric vehicles. Certainly, Biden’s proposal to limit production on federal land may have a positive effect on prices because it limits supply development (www.woodmac.com 2020a, b). Expenditures on economic recovery will also boost demand for fossil fuels in the short term. The US President-elect’s climate program does not mention liquefied natural gas. However, the construction of LNG pipelines and terminals in the United States, which has emerged as a major exporter of LNG in recent years, may be successful if Biden succeeds in forming a Democratic-majority Federal Energy Regulatory Commission to oversee the construction of energy infrastructure. US LNG exporters may benefit in some way in the Biden administration. If the Biden government succeeds in reducing US shale pollution, it will attract buyers sensitive to climate change in Europe. Improving relations with China will also give American exporters greater access to the world’s largest market (https://www.worldoil.com/magazine/2020/december-2020/features/in-the-bidenharris-presidency-any-fracking-ban-is-least-of-the-industry-s-worries 2020).
Global Oil Supply

Like the previous democratic administrations in the United States, Biden has shown interest in multilateral diplomacy. This would mean a possible route for Iran and Venezuela to pull out of Washington sanctions and return their oil to the market if the right conditions exist. US sanctions against Iran and Venezuela during Trump’s presidency have removed three million barrels a day of oil from international markets, equivalent to more than 3% of global oil supplies. The Biden campaign did not provide details on how to address these issues (https://oilprice.com 2020a, b, c, d).

Renewable Energy

Under Trump, the share of renewable energy in the US energy basket increased. Despite Trump’s oil policy and his full support for the country’s oil industry, the conditions were created for increased investment in the renewable energy sector. But this investment was made more in the solar energy sector. The Trump administration had placed restrictions on licensing offshore wind farms. The Biden government is expected to provide not only the necessary conditions for public and private investment in offshore wind farms in most states, especially from Virginia to Florida, but also the necessary facilities for the development of technology in the production of solar panels and the conditions for technology export and export of solar panels. Meanwhile, the increase in employment in the renewable energy sector has also been considered by Biden (www.woodmac.com 2020a, b).

Support the Production of Electric Vehicles

Biden’s special interest in the Paris Agreement on Environment—Renewable Energy and Green Economy will make energy efficiency more and more important. Biden intends to further reduce fossil fuel consumption by introducing new fuel consumption laws (www.nbcnews.com 2020a, b). If the Biden government can enact such laws as planned, in addition to the crane tax, the number of electric vehicles in the country is projected to reach four million by 2030. Meanwhile, the Biden government plans to focus more on domestically produced electric vehicles to create more jobs in the automotive industry. If this number of electric cars is produced and marketed daily, the number of electric cars will increase by 60% compared to the Trump era. However, it should be noted that the impact of this amount of electric vehicles on gasoline demand in the United States will be minimal over the next 10 years. By 2030, the total number of used cars in the United States is projected to reach 275 million. If four million electronic vehicles are produced and marketed on schedule, the figure will be about 1.5% compared to total vehicles (www.woodmac.com 2020a, b).
Lack of Support for New Projects in the Oil and Gas Infrastructure Sector

As noted, the Biden administration will tighten investment conditions in new framing and drilling by enacting new laws, and any investment in the oil and gas infrastructure sector that conflicts with the Paris Environmental Agreement will be opposed by the federal government. In 2017, Trump authorized the construction of the Keystone oil pipeline. The pipeline is supposed to deliver Canadian oil to the United States. The Obama administration had blocked the plan because of US commitments to combat climate change. At the time of the presidential campaign, Joe Biden’s campaign had issued a statement announcing that if Biden wins the election, the construction of the Keystone oil pipeline will be stopped. The government is expected to revoke the permit for the pipeline. Such a decision would be met with dissatisfaction by Alberta officials (https://www.independentpersian.com 2020).

Given all of the above, the Biden government will face serious challenges in maintaining its energy independence and reducing its dependence on foreign energy sources. The United States was to export more than $52 billion worth of oil, LNG, and coal to China in the first phase of a 2-year trade deal. The outbreak of the Coronavirus and the two countries’ political and trade problems prevented the agreement from being implemented in the first year. Biden’s winner in the energy sector could be his view of renewable energy and the high potential of the United States in this sector. If the Biden government returns to the Paris Agreement and invests in renewable energy, it can greatly reduce greenhouse gas emissions.